

MICRON TECHNOLOGY INC  
Form S-4  
March 28, 2006

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As filed with the Securities and Exchange Commission on March 28, 2006

Registration No. 333-

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM S-4**

REGISTRATION STATEMENT  
Under  
The Securities Act of 1933

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**Micron Technology, Inc.**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**3674**  
(Primary Standard Industrial  
Classification Code Number)  
**8000 S. Federal Way**  
**Boise, Idaho 83716-9632**  
**(208) 368-4000**

**75-1618004**  
(I.R.S. Employer  
Identification Number)

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

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

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

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*Copies to:*

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**General Counsel and Corporate**  
**Secretary**  
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**(208) 368-4000**

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**Counsel**  
**and Corporate Secretary**  
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**(650) 988-8500**

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**Approximate date of commencement of proposed sale of the securities to the public:** Upon completion of the merger described herein.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

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

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

### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Amount to Be Registered(1)	Proposed Maximum Offering Price per Share	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common stock, par value \$0.10 per share	59,678,109	N/A	\$969,702,962.24	\$103,758.22

- (1) Represents the maximum number of shares of Micron common stock, par value \$0.10 per share, that may be issued in connection with the merger described herein, which is equal to the product obtained by multiplying (i) 106,094,416, which represents the maximum number of shares of Lexar common stock to be canceled in connection with the merger described herein assuming the exercise of all Lexar options expected to be assumed by Micron, the estimated number of shares to be purchased through Lexar's employee stock purchase plan between March 8, 2006 and the closing of the merger and the conversion of all outstanding 5.625% Senior Convertible Notes due 2010 by (ii) the exchange ratio for the merger of 0.5625.
- (2) Estimated solely for the purpose of computing the amount of the registration fee required by the Securities Act of 1933, as amended, and pursuant to Rules 457(c) and (f) of the Securities Act, equal to the product obtained by multiplying (i) \$9.14, the average of the high and low per share prices of common stock, par value \$0.0001 per share, of Lexar, as reported on the Nasdaq National Market on March 22, 2006, by (ii) 106,094,416, which is the maximum number of shares of Lexar common stock to be canceled in connection with the merger described herein.

**The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

The information in this proxy statement/prospectus is not complete and may be changed. Micron may not sell these securities until the registration statement filed with the Securities and Exchange Commission, of which this proxy statement/prospectus is a part, is declared effective. This proxy statement/prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities in any jurisdiction where the offer, solicitation or sale is not permitted or would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. Any representation to the contrary is a criminal offense.

Subject to completion, dated March 28, 2006

To Lexar stockholders:

You are cordially invited to attend a special meeting of Lexar stockholders to be held on \_\_\_\_\_, 2006, at \_\_\_\_\_: \_\_\_\_\_ p.m., local time. At the special meeting, Lexar stockholders will be asked to adopt the Agreement and Plan of Merger that Lexar entered into on March 8, 2006, with Micron Technology, Inc., or Micron, and March 2006 Merger Corp., a newly formed, wholly owned subsidiary of Micron. If the merger agreement is adopted, and the other conditions in the merger agreement are satisfied or waived, March 2006 Merger Corp. will merge with and into Lexar, and Lexar will become a wholly owned subsidiary of Micron. Upon completion of the merger, each outstanding share of Lexar common stock will be converted into the right to receive 0.5625 of a share of Micron common stock. This is a fixed exchange ratio that will not be adjusted for changes in the stock price of either Lexar or Micron before the merger is consummated. Micron common stock is listed on the New York Stock Exchange under the trading symbol "MU." On March 27, 2006, the closing sale price of Micron common stock was \$14.77.

**Lexar's board of directors has carefully reviewed and considered the terms and conditions of the merger agreement. Based on its review, Lexar's board of directors has unanimously determined that the merger is fair to, and in the best interests of, Lexar and its stockholders and declared the merger to be advisable. The Lexar board of directors unanimously recommends that you vote "FOR" adoption of the merger agreement. In reaching its determination, the Lexar board of directors considered a number of factors described more fully in the accompanying proxy statement/prospectus.**

**Your vote is very important.** Because adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Lexar common stock entitled to vote at the special meeting, a failure to vote will have the same effect as a vote "against" the merger. Each of our executive officers and directors and two affiliated entities of one of our directors have entered into an agreement with Micron to vote all shares of our common stock held by him, her or it in favor of the adoption of the merger agreement. As of the record date, these executive officers, directors and affiliated entities owned or controlled approximately \_\_\_\_\_% of the outstanding shares of our common stock. Please use this opportunity to take part in Lexar's affairs by voting on the business to come before this meeting. **Whether or not you plan to attend the meeting, please complete, date, sign and promptly return the enclosed proxy in the enclosed postage-paid envelope, or vote by telephone or via the Internet using the instructions on the proxy card before the meeting so that your shares will be represented at the meeting.** This will help to ensure the presence of a quorum at the meeting. Returning the proxy card, or voting by telephone or via the Internet does not deprive you of your right to attend the meeting and to vote your shares in person.

If you have any questions about the proposed merger or about how to vote your shares, please call Lexar's proxy solicitor, Innisfree M&A Incorporated, toll-free at 877-456-3427.

The accompanying proxy statement/prospectus explains the merger agreement and proposed merger in detail and provides specific information concerning the special meeting. Please review this document carefully. **In particular, you should carefully consider the matters discussed under "Risk Factors" beginning on page 23 of the proxy statement/prospectus.**

Thank you for your cooperation and continued support.

Sincerely,

Eric B. Stang  
*President, Chief Executive Officer and Chairman*

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*of the Board Directors*

**Neither the Securities and Exchange Commission nor any state securities regulator has approved or disapproved the merger described in this proxy statement/prospectus or the Micron common stock to be issued in connection with the merger, or determined if this proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.**

*This proxy statement/prospectus is dated \_\_\_\_\_, 2006, and is first being mailed to  
Lexar's stockholders on or about \_\_\_\_\_, 2006.*

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**Lexar Media, Inc.**

**47300 Bayside Parkway  
Fremont, California 94538**

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**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**To Be Held on \_\_\_\_\_, 2006**

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To Lexar stockholders:

You are cordially invited to attend a special meeting of stockholders of Lexar Media, Inc. to be held at the Fremont Marriott, 46100 Landing Parkway, Fremont, California on \_\_\_\_\_, 2006 at \_\_\_\_\_ : \_\_\_\_\_ p.m., local time.

At the meeting, you will be asked to consider and vote upon the following matters:

1. To adopt the Agreement and Plan of Merger, dated as of March 8, 2006, by and among Micron Technology, Inc., March 2006 Merger Corp., a newly formed, wholly owned subsidiary of Micron, and Lexar (which proposal we refer to in this proxy statement/prospectus as Proposal No. 1); and
2. To grant the persons named as proxies discretionary authority to vote to adjourn the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of adopting the merger agreement (which proposal we refer to in this proxy statement/prospectus as Proposal No. 2).

These proposals are more fully described in the attached proxy statement/prospectus, which we urge you to read very carefully. Only stockholders of record at the close of business on \_\_\_\_\_, 2006, are entitled to notice of, and to vote at, the special meeting or any adjournment of the special meeting. At the close of business on the record date, there were \_\_\_\_\_ shares of Lexar common stock outstanding and entitled to vote.

Your vote is very important, regardless of the number of shares you own. The affirmative vote of the holders of a majority of the voting power of the shares of Lexar common stock outstanding on the record date for the special meeting is required for approval of Proposal No. 1 regarding adoption of the merger agreement. The affirmative vote of the holders of a majority of the votes cast in person or by proxy at the special meeting is required to approve Proposal No. 2 regarding granting discretionary authority to adjourn the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of adopting the merger agreement.

Lexar's board of directors unanimously recommends that you vote "**FOR**" the proposal to adopt the merger agreement and "**FOR**" the proposal to grant discretionary authority to adjourn the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of adopting the merger agreement.

All Lexar stockholders are cordially invited to attend the special meeting in person. **However, whether or not you plan to attend the special meeting in person, please complete, date, sign and promptly return the enclosed proxy card in the enclosed postage-paid envelope or vote using the telephone or via the Internet before the special meeting so that your shares will be represented at the special meeting.** If you sign, date and mail your proxy card without indicating how you wish to vote, your proxy will be counted as a vote "**FOR**" the proposal to adopt the merger agreement and "**FOR**" the proposal to grant discretionary authority to adjourn the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of adopting the merger agreement. If you fail to return your proxy card or if you mark the "abstain" box on the proxy card or voting instruction card, the effect will be a vote "against" adopting the merger agreement, and if you fail to return your proxy card your shares will not be counted for purposes of determining whether a quorum is present at

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the special meeting. If you do attend the special meeting and wish to vote in person, you may withdraw your proxy and vote in person.

By Order of the Board of Directors

Very truly yours,

Eric S. Whitaker  
*Executive Vice President, General Counsel  
and Corporate Secretary*

Fremont, California  
, 2006

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This proxy statement/prospectus incorporates important business and financial information about Micron and Lexar from documents that each company has filed with the Securities and Exchange Commission but that have not been included in or delivered with this proxy statement/prospectus. For a listing of documents incorporated by reference into this proxy statement/prospectus, please see the section entitled "Where You Can Find More Information" beginning on page 131 of this proxy statement/prospectus.

Micron will provide you with copies of this information relating to Micron (excluding all exhibits unless Micron has specifically incorporated by reference an exhibit in this proxy statement/prospectus), without charge, upon written or oral request to:

Micron Technology, Inc.  
8000 South Federal Way  
Boise, Idaho 83716  
Attention: General Counsel  
(208) 368-4000

Lexar will provide you with copies of this information relating to Lexar (excluding all exhibits unless Lexar has specifically incorporated by reference an exhibit in this proxy statement/prospectus), without charge, upon written or oral request to:

Lexar Media, Inc.  
47300 Bayside Parkway  
Fremont, California 94538  
Attention: Public Relations  
(510) 413-1200

**In order to receive the documents before the special meeting of Lexar stockholders, you must make your requests no later than , 2006.**

**QUESTIONS AND ANSWERS REGARDING THE PROPOSED MERGER**

**General Questions and Answers**

The following is important information in a question-and-answer format regarding the special meeting and this proxy statement/prospectus.

**Q: Why am I receiving this proxy statement/prospectus?**

**A:** Micron Technology, Inc. has agreed to acquire Lexar Media, Inc. under the terms of a merger agreement that is described in this proxy statement/prospectus. Please see the section entitled "The Merger Agreement" beginning on page 99 of this proxy statement/prospectus. A copy of the merger agreement is attached to this proxy statement/prospectus as Annex A.

In order to complete the merger, Lexar stockholders must adopt the merger agreement by the affirmative vote of the holders of a majority of the shares of Lexar common stock outstanding on the record date for the special meeting and all other conditions to the merger must be satisfied or waived. Lexar will hold a special meeting of its stockholders to obtain this stockholder approval. This proxy statement/prospectus contains important information about the merger agreement, the merger and the special meeting, and you should read it carefully. The enclosed voting materials for the special meeting allow you to vote your shares of Lexar common stock without attending the special meeting. Stockholders of Micron are not required to approve the merger, the issuance of shares of Micron common stock in the merger or any matter relating to the merger, and accordingly, Micron will not hold a meeting of its stockholders in connection with the merger.

**Q: What is the merger?**

**A:** The merger is a proposed business combination between Micron and Lexar where a wholly owned subsidiary of Micron will merge with and into Lexar, with Lexar surviving the merger and becoming a wholly owned subsidiary of Micron immediately following the merger. The shares of Micron common stock to be issued to Lexar stockholders in connection with the merger are expected to represent approximately % of the outstanding shares of Micron common stock immediately following the consummation of the merger, based on the number of shares of Micron common stock outstanding on , 2006, assuming that no Lexar or Micron stock options are exercised after , 2006, and prior to the consummation of the merger. For a more complete description of the merger, please see the section entitled "Proposal No. 1 The Merger" beginning on page 62 of this proxy statement/prospectus.

**Q: Why are Micron and Lexar proposing the merger?**

**A:** Micron and Lexar believe that combining the strengths of the two companies is in the best interests of each company and their respective stockholders and customers. The merger is designed to combine Micron's technology and manufacturing leadership in NAND flash memory with Lexar's leadership in NAND controller and system design technology, brand recognition and retail channel strength to create a vertically integrated entity fully focused on the NAND business. With Lexar integrated into Micron, Micron expects the combined company to:

Better serve the flash storage requirements of consumer electronics and enterprise customers by making use of Micron's NAND designs, technology, manufacturing capability and distribution channels;

Better align Lexar's cost structure with prevailing business conditions and increase Lexar's development and go-to-market scale to compete more effectively; and

Achieve significant cost synergies and become better positioned to satisfy customer needs and establish faster growth, especially in the emerging mobile handset business.

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Please see the sections entitled "Proposal No. 1 The Merger Lexar's Reasons for the Merger and Recommendation of Lexar's Board" beginning on page 75 of this proxy statement/prospectus for the numerous factors considered by the board of directors of Lexar in recommending that Lexar stockholders vote "**FOR**" the proposal to adopt the merger agreement. Please see the section entitled "Proposal No. 1 The Merger Micron's Reasons for the Merger" beginning on page 88 of this proxy statement/prospectus for Micron's reasons for the merger.

**Q:**

**How does Lexar's board of directors recommend that stockholders vote?**

**A:**

After careful consideration, Lexar's board of directors approved the merger agreement and the merger and unanimously determined that the merger is fair to, and in the best interests of, Lexar and its stockholders and declared the merger to be advisable. Accordingly, Lexar's board of directors unanimously recommends that you vote "**FOR**" the proposal to adopt the merger agreement and "**FOR**" the proposal to grant discretionary authority to the persons named as proxies to vote your shares to adjourn the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of adopting the merger agreement. To review the background of the merger and Lexar's board of directors' reasons for recommending the merger in greater detail, see the sections entitled "Proposal No. 1 The Merger Background of the Merger" and "Proposal No. 1 The Merger Lexar's Reasons for the Merger and Recommendation of Lexar's Board" beginning on pages 62 and 75 of this proxy statement/prospectus.

**Q:**

**What will I receive in the merger?**

**A:**

If the merger agreement is adopted by Lexar's stockholders, the other conditions to the merger are satisfied or waived and the merger is completed, you will receive 0.5625 of a share of Micron common stock for each share of Lexar common stock that you own. You will not receive fractional shares of Micron common stock. Instead, you will receive the cash value, without interest, of any fractional share of Micron common stock that you would otherwise be entitled to receive. The cash value will be determined based on the average closing price for Micron common stock for the 10 trading day period ending on the trading day immediately before the day the merger closes. Accordingly, if you own 100 shares of Lexar common stock, you will receive 56 shares of Micron common stock in exchange for your shares of Lexar common stock and cash for the remaining 0.25 of a share of Micron common stock.

The number of shares of Micron common stock to be issued for each share of Lexar common stock is fixed and will not be adjusted based upon changes in the value of Lexar common stock or Micron common stock. As a result, the value of the shares of Micron common stock you will receive in the merger will not be known before the completion of the merger, and will fluctuate as the market price of Micron's common stock fluctuates.

After the merger closes, Micron will arrange for a letter of transmittal to be sent to each Lexar stockholder. The merger consideration will be paid to each stockholder once that stockholder submits the completed letter of transmittal, properly endorsed stock certificates and any other required documentation.

**Q:**

**What will happen to Lexar's outstanding options in the merger?**

**A:**

At the effective time of the merger, Micron will assume any outstanding option to purchase shares of Lexar common stock with a per share exercise price less than or equal to \$9.00 that is held by either an employee of Lexar or any of its subsidiaries as of the effective time of the merger or a former employee of Lexar who terminated his or her employment within 90 days prior to the effective time of the merger. Each option assumed by Micron will be subject to, and exercisable and vested upon, the same terms and conditions as under the Lexar stock option plans and the applicable option and other related agreements issued pursuant to such plans, except that:

(i) 25%

of the shares subject to outstanding stock options that are unvested at the effective time of the merger will accelerate and become immediately exercisable, (ii) each assumed option will be exercisable for a number of shares of Micron common stock equal to the number of shares of Lexar common stock subject to such option immediately prior to the effective time of the merger, multiplied by 0.5625, rounded down to the nearest whole number and (iii) the exercise price per share of Micron common stock subject to any assumed option will equal the exercise price per share of Lexar common stock subject to such option in effect immediately prior to the effective time of the merger, divided by 0.5625, rounded up to the nearest whole cent. The exercise price per share for shares of Micron common stock under each assumed option will equal the exercise price for the Lexar common stock under the option divided by 0.5625, rounded up to the nearest whole cent. All other outstanding options to purchase shares of Lexar common stock that are unexpired, unexercised and outstanding immediately prior to the effective time of the merger will be terminated upon the effective time of the merger and the holders of such options will be entitled to receive an amount of cash equal to the product of (i) the number of shares of Lexar common stock subject to such option and (ii) the excess, if any, of \$9.00 over the per share exercise price of such option immediately prior to the effective time of the merger. For more information regarding the treatment of options held by Lexar's directors and executive officers in the merger, see "Proposal No. 1 The Merger Interests of Lexar's Directors and Executive Officers in the Merger" beginning on page 89 of this proxy statement/prospectus.

**Q:**  
**How will the merger affect my participation in the Lexar employee stock purchase plan?**

**A:**  
Lexar will terminate the Lexar employee stock purchase plan immediately before the merger is completed, and any purchase period then in effect will be shortened to the end of the business day immediately prior to the day the merger closes. Lexar will make adjustments under the Lexar employee stock purchase plan to reflect the shortened purchase period. Each outstanding share purchased during the shortened purchase period will be converted into the right to receive 0.5625 of a share of Micron common stock in the merger as described above.

**Q:**  
**What should I do now?**

**A:**  
After carefully reading this proxy statement/prospectus, including its annexes, Micron and Lexar urge you to respond by voting your shares through one of the following means:

*by mail*, by completing, signing, dating and mailing each proxy card (if you are a registered stockholder, meaning that you hold your stock in your name) or voting instruction card (if your shares are held in "street name," meaning that your shares are held in the name of a broker, bank or other nominee) and returning it in the envelope provided;

*via telephone*, using the toll-free number listed on each proxy card or voting instruction card (if your bank, broker or nominee makes telephone voting available);

*via the Internet*, at the address provided on each proxy card or voting instruction card (if your bank, broker or nominee makes Internet voting available); or

*in person*, by attending the special meeting and submitting your vote in person.

**Q:**  
**Do I need to send in my Lexar stock certificates now?**

**A:**  
No. You should not send in your Lexar stock certificates now. Following the merger, a letter of transmittal will be sent to Lexar stockholders informing them where to deliver their Lexar stock certificates in order to receive shares of Micron common stock and any cash in lieu of a fractional share of Micron common stock. You should not send in your Lexar common stock certificates prior to receiving this letter of transmittal.

**Q:** **What vote is required to approve the proposals?**

**A:** The proposal to adopt the merger agreement requires the affirmative vote of holders of a majority of the outstanding shares of Lexar common stock entitled to vote at the Lexar special meeting of stockholders. The proposal to grant discretionary authority to the persons named as proxies to vote your shares to adjourn the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes for the adoption of the merger agreement requires the affirmative vote of holders of a majority of the shares entitled to vote that are present in person or represented by proxy at the meeting and actually cast at the meeting. Executed proxies returned to Lexar but not marked to indicate your voting preference will be counted as votes **"FOR"** the proposal to adopt the merger agreement and **"FOR"** the proposal to grant discretionary authority to the persons named as proxies to vote your shares to adjourn the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of adopting the merger agreement.

**Q:** **Are there any stockholders already committed to voting in favor of the merger?**

**A:** Yes. All of the executive officers and directors of Lexar and two affiliated entities of one of the directors have agreed to vote all of their shares of Lexar common stock, representing approximately % of the outstanding shares of Lexar common stock on , 2006, in favor of adoption of the merger agreement and in favor of granting discretionary authority to the persons named as proxies to vote their shares to adjourn the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of adopting the merger agreement. A copy of the form of voting agreement is attached as Annex B to this proxy statement/prospectus. See the section entitled "The Voting Agreements" beginning on page 117 of this proxy statement/prospectus.

**Q:** **When do you expect to complete the merger?**

**A:** Micron and Lexar are working toward completing the merger as quickly as possible. The merger is expected to close during the second or third calendar quarter of 2006. However, because completion of the merger is subject to various conditions, Micron and Lexar cannot predict the exact timing of the merger or whether the merger will occur at all.

**Q:** **As a Lexar stockholder, will I be able to trade the Micron common stock that I receive in connection with the merger?**

**A:** The shares of Micron common stock issued in connection with the merger will be freely tradable, unless you are an "affiliate" (as defined in the Securities Act of 1933, as amended, or the Securities Act) of Lexar. If you are an affiliate of Lexar, you will be required to comply with the applicable restrictions of Rule 145 under the Securities Act in order to resell shares of Micron common stock you receive in the merger. You will be notified if you are an affiliate of Lexar.

**Q:** **Am I entitled to appraisal rights?**

**A:** Stockholders of Lexar are not entitled to appraisal rights under Delaware law in connection with the merger and the other transactions contemplated by the merger agreement. For more information, see the section entitled "Proposal No. 1 The Merger No Appraisal Rights" on page 98 of this proxy statement/prospectus.

**Q:** **What are the United States federal income tax consequences of the merger?**

**A:** The merger has been structured to qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, or the Code. If the merger qualifies as a reorganization, Lexar stockholders will not recognize any gain or loss upon the receipt of Micron common stock in exchange for Lexar common stock in connection with the merger, except with respect to cash received in lieu of a fractional share of Micron common stock.

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Lexar stockholders are urged to read the discussion in the section entitled "Proposal No. 1 The Merger Material United States Federal Income Tax Consequences of the Merger" beginning on page 94 of this proxy statement/prospectus and to consult their tax advisors as to the United States federal income tax consequences of the merger, as well as the effects of state, local and non-United States tax laws.

**Q:** **Are there any risks related to the proposed transaction or any risks related to owning Micron common stock that I should consider in deciding whether to approve the proposals?**

**A:** Yes. You should carefully review the section entitled "Risk Factors" beginning on page 23 of this proxy statement/prospectus.

### Questions and Answers About the Lexar Special Meeting

**Q:** **When and where will the Lexar special meeting be held?**

**A:** The special meeting will take place on \_\_\_\_\_, 2006, at the Fremont Marriott, 46100 Landing Parkway, Fremont, California, commencing at \_\_\_\_\_ p.m., local time.

**Q:** **How can I vote?**

**A:** If you are a stockholder of record, you may submit a proxy for the special meeting: (i) by completing, signing, dating and returning the proxy card in the pre-addressed envelope provided; (ii) using the telephone; or (iii) via the Internet. For specific instructions on how to use the telephone or the Internet to submit a proxy for the special meeting, please refer to the instructions on your proxy card.

If you hold your shares of Lexar common stock in a stock brokerage account or if your shares are held by a bank or nominee (*i.e.*, in "street name"), you must provide the record holder of your shares with instructions on how to vote your shares. Please check the voting instruction card included by your bank, broker or nominee for directions on providing instructions to vote your shares and to see if you may use the telephone or the Internet to provide instructions on how to vote your shares.

If you are a stockholder of record, you may also vote in person at the special meeting. If you hold shares in street name, you may not vote in person at the special meeting unless you obtain a signed proxy from the record holder giving you the right to vote the shares.

**Q:** **How will my proxy be exercised with respect to the proposals?**

**A:** All valid proxies received before the special meeting will be exercised. All shares represented by a proxy will be voted, and where a stockholder specifies by means of his or her proxy a choice with respect to the proposal to adopt the merger agreement and the proposal to grant discretionary authority to adjourn the special meeting, the shares will be voted in accordance with the specification so made. If you submit your executed proxy but fail to indicate how you want to vote, your proxy will be counted as a vote in favor of the proposals.

**Q:** **What happens if I do not return a proxy card or vote?**

**A:** If you do not sign and send in your proxy card, vote using the telephone or via the Internet or vote in person at the special meeting, or if you mark the "abstain" box on the proxy card or voting instruction card, it will have the same effect as a vote against the proposal to adopt the merger agreement, but will have no effect on the proposal to grant discretionary authority to adjourn the special meeting.

**Q: If my shares are held in "street name," will my broker vote my shares for me?**

**A:** Your broker will vote your shares held in "street name" on the proposal to adopt the merger agreement only if you provide instructions on how to vote. Therefore, you should be sure to provide your broker with instructions on how to vote your shares. Without instructions, your shares will not be voted on the proposal to adopt the merger agreement, which will have the effect of a vote against the merger.

**Q: What should I do if I receive more than one set of voting materials?**

**A:** Please complete, sign, date and return each proxy card and voting instruction card that you receive. You may receive more than one set of voting materials, including multiple copies of this proxy statement/prospectus and multiple proxy cards or voting instruction cards. For example, if you hold shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares. If your shares are held in more than one name, you will receive more than one proxy or voting instruction card.

**Q: May I change my vote after I have mailed my signed proxy or voting instruction card or voted using the telephone or Internet if available?**

**A:** Yes. If you have submitted a proxy, you may change your vote at any time before your proxy is voted at the Lexar special meeting of stockholders. You can do this one of four ways:

send a written, dated notice to the Secretary of Lexar stating that you would like to revoke your proxy;

complete, sign, date and submit a new later-dated proxy card;

re-vote electronically via the Internet or by telephone; or

attend the special meeting and vote in person. Your attendance alone will not revoke your proxy.

If you have instructed a bank, broker or nominee to vote your shares of Lexar common stock by executing a voting instruction card or by using the telephone or Internet, you must follow the directions received from your bank, broker or nominee to change your instructions.

**Q: Who will bear the cost of this solicitation?**

**A:** Lexar will pay the expenses of soliciting proxies for the special meeting. Lexar has retained Innisfree M&A Incorporated, a proxy solicitation firm, to solicit proxies in connection with the special meeting at a cost of approximately \$50,000 plus expenses. In addition, Lexar may reimburse brokers, banks and other custodians, nominees and fiduciaries representing beneficial owners of shares for their expenses in forwarding soliciting materials to such beneficial owners. Lexar and/or its agents may also solicit proxies by mail, telephone, facsimile, email or in person. No additional compensation will be paid for these services.

**Q: Who can answer my questions about the merger or Lexar's special meeting of stockholders?**

**A:** If you would like additional copies of this proxy statement/prospectus without charge or if you have questions about the merger or Lexar's special meeting of stockholders, including the procedures for voting your shares, you should contact:

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Innisfree M&A Incorporated

Toll free from within the United States and Canada: (877) 456-3427

From outside the United States and Canada: +1-412-232-3651

Banks and brokers call collect: (212) 750-5833



## SUMMARY

The following is a summary of the information contained in this proxy statement/prospectus. This summary may not contain all of the information about the merger that is important to you. For a more complete description of the merger, Micron and Lexar encourage you to read carefully this entire proxy statement/prospectus, including the attached annexes. In addition, Micron and Lexar encourage you to read the information incorporated by reference into this proxy statement/prospectus, which includes important business and financial information about Micron and Lexar. You may obtain the information incorporated by reference into this proxy statement/prospectus without charge by following the instructions in the section entitled "Where You Can Find More Information" beginning on page 131 of this proxy statement/prospectus.

### **The Merger and the Merger Agreement (see pages 62 and 99)**

Micron has agreed to acquire Lexar under the terms of a merger agreement between the companies that is described in this proxy statement/prospectus. Under the terms of the merger agreement, a newly formed, wholly owned subsidiary of Micron will merge with and into Lexar with Lexar surviving the merger as a wholly owned subsidiary of Micron. Upon completion of the merger, stockholders of Lexar will be entitled to receive 0.5625 of a share of Micron common stock for each share of Lexar common stock that they then hold. A copy of the merger agreement is attached as Annex A to this proxy statement/prospectus, and Micron and Lexar encourage you to read the merger agreement in its entirety.

### **Parties to the Merger**

#### *Micron Technology, Inc.*

Micron is one of the world's largest companies focused on memory, storage and imaging semiconductor products from DRAM to NAND flash to CMOS image sensors. Micron's products are designed to add differentiated value to the applications its customers develop with a portfolio that includes leading-edge devices for mobile, computing, server, automotive, networking, security, industrial, consumer and medical applications.

Through innovative process and design technology, Micron has provided the market with next generation digital technology since its inception in 1978. Micron is an industry leader in accelerating development of next generation digital innovations for its customers. In addition to being a market leader in DRAM products and solutions, Micron has joined with Intel Corporation to form IM Flash Technologies, a joint venture to meet the needs of the rapidly growing flash memory segment. Micron is also a leading provider of specialty DRAM and pseudo-static RAM for mobile applications.

Micron has delivered higher density innovations before its competitors and pushed the boundaries of imaging technology with the development of the industry's smallest CMOS image sensor pixel. Micron's superior image quality has helped Micron become the industry's leading provider of CMOS image sensors, including over 30% of all image sensors used in camera cell phones worldwide.

Micron pioneered the strategy of implementing product "shrink" designs, along with reduced mask step processes to reduce production costs. Micron's products remain among the most cost-effective while meeting the unique needs of customers in multiple markets. Micron has over 15,000 patents in its portfolio and is consistently ranked among the top 10 annual recipients of patents in the United States. Micron has been ranked first by ipIQ (formerly the MIT Technology Review) in 2004 and 2005 in patent portfolio quality among semiconductor companies.

Micron Technology, Inc., a Delaware corporation, was incorporated in 1978. Micron's executive offices are located at 8000 South Federal Way, Boise, Idaho 83716 and its telephone number is

(208) 368-4000. Micron's website is located at [www.micron.com](http://www.micron.com). Information contained in this website does not constitute part of this proxy statement/prospectus.

*Lexar Media, Inc.*

Lexar Media, Inc. designs, develops, manufactures and markets through its retail and OEM channels, high-performance digital media products, as well as other flash based storage products. Lexar's digital media technologies are incorporated by Lexar or its customers into a variety of products for consumer and professional markets that utilize digital media for the capture and retrieval of digital content for the digital photography, consumer electronics, computer, industrial and communications markets. Lexar's digital media products include a variety of flash memory cards with a range of speeds, capacities and value-added features. Lexar's digital media products also include Lexar's JumpDrive products, which are high-speed, portable USB flash drives for consumer applications that serve a variety of uses, including floppy disk replacement, as well as digital media accessories and a variety of connectivity products that link Lexar's media products to PCs and other electronic host devices. In addition, Lexar markets and sells controllers and other components to other manufacturers of flash storage media. Lexar also licenses its technology to certain third parties.

Lexar's principal executive offices are located at 47300 Bayside Parkway, Fremont, California 94538, and its telephone number is (510) 413-1200. Lexar's website address is [www.lexar.com](http://www.lexar.com). Information contained in this website does not constitute part of this proxy statement/prospectus.

*March 2006 Merger Corp.*

March 2006 Merger Corp. is a wholly owned subsidiary of Micron formed on March 3, 2006. Micron formed March 2006 Merger Corp. solely to effect the merger, and March 2006 Merger Corp. has not conducted any business during any period of its existence.

**Special Meeting of Stockholders of Lexar (see page 59)**

*Time, Date and Place.* Lexar will hold a special meeting of its stockholders on \_\_\_\_\_, 2006, at \_\_\_\_\_ p.m., local time, at the Fremont Marriott, 46100 Landing Parkway, Fremont, California, at which stockholders will be asked to vote to adopt the merger agreement and to grant discretionary authority to the persons named as proxies to vote your shares to adjourn the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes for the adoption of the merger agreement.

*Record Date and Voting Power.* You are entitled to vote at the special meeting if you owned shares of Lexar common stock at the close of business on \_\_\_\_\_, 2006, the record date for the special meeting. You will have one vote at the special meeting for each share of Lexar common stock you owned at the close of business on the record date. There are \_\_\_\_\_ shares of Lexar common stock entitled to be voted at the special meeting.

*Required Vote.* The affirmative vote of holders of a majority of the outstanding shares of Lexar common stock entitled to vote at the special meeting is required to approve the proposal to adopt the merger agreement. The proposal to grant discretionary authority to the persons named as proxies to vote your shares to adjourn the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes for the adoption of the merger agreement requires the affirmative vote of holders of a majority of the shares entitled to vote that are present in person or represented by proxy at the meeting and actually cast at the meeting.

*Voting by Lexar's Directors and Executive Officers; Voting Agreements.* Each of the executive officers and directors of Lexar and two affiliated entities of one of the directors have agreed with Micron to vote all of their shares of Lexar common stock, representing approximately % of the outstanding

shares of Lexar common stock on \_\_\_\_\_, 2006, in favor of the proposal to adopt the merger agreement and the proposal to grant discretionary authority to the persons named as proxies to vote their shares to adjourn the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes for the proposal to adopt the merger agreement.

**Risk Factors (see page 23)**

The "Risk Factors" section beginning on page 23 of this proxy statement/prospectus should be considered carefully by Lexar stockholders in evaluating whether to approve the proposals. These risk factors should be considered along with any additional risk factors in the reports of Micron and Lexar filed with the Securities and Exchange Commission, or SEC, and any other information included in or incorporated by reference into this proxy statement/prospectus.

**Recommendation of the Lexar Board of Directors (see page 75)**

After careful consideration, the Lexar board of directors unanimously approved the merger agreement and the merger and determined that the merger is fair to, and in the best interests of, Lexar and its stockholders, and declared the merger to be advisable. The Lexar board of directors unanimously recommends that you vote "**FOR**" the proposal to adopt the merger agreement, and "**FOR**" the proposal to grant discretionary authority to the persons named as proxies to vote your shares to adjourn the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes for the proposal to adopt the merger agreement.

**Lexar's Reasons for the Merger (see page 75)**

After careful consideration the Lexar board of directors approved the merger agreement and the merger, and determined that the merger would be fair to, and in the best interests of, Lexar and its stockholders, based on a number of factors, including, but not limited to, the following:

the belief that Lexar, as a combined entity, would be able to achieve vertical integration and enhance gross margin percentages by gaining access to Micron's low-cost flash memory supply when it becomes available;

the belief that Lexar, as a combined entity, would more likely be able to quickly and effectively enhance its products and develop products for new market opportunities, especially with respect to opportunities in the emerging mobile handset and solid state computing segments;

the belief in the strength of Micron's flash business, financial position, strategic partnership with Intel and anticipated future performance in flash development and manufacturing;

the potential achievement of cost synergies by combining the operations of Lexar and Micron to enable Lexar to improve inventory management, optimize product architectures to reduce production costs and reduce product handling, testing, and packaging charges;

Lexar's uncertain prospects as an independent company, including, but not limited to:

- ( ) Lexar's recent financial results and anticipated difficulty in returning to profitability, its accumulated deficit and its continued inability to achieve sustained profitability;
- ( ) the decline in revenue with respect to its retail customers in the last three quarters of 2005 as compared with the same periods in 2004;
- ( ) the fact that Lexar's revenue growth in 2005 was largely driven by sales of controllers and components to OEM customers, which is not anticipated to be a stable source of revenue in future periods;



- (
  - ) increasing competitive and pricing pressures in Lexar's markets, which have had a negative effect on Lexar's operating results, and the expectation that this pricing environment would continue to prevail for the foreseeable future;
- (
  - ) uncertainty regarding Lexar's ability to secure a sufficient supply of cost-effective flash memory;
- (
  - ) the difficulty Lexar faced in growing its licensing revenue, the costs of its ongoing intellectual property litigation matters and the uncertainty surrounding the amount and timing of any recovery of damages in the Toshiba trade secrets litigation; and
- (
  - ) Lexar's need to maintain global operations and invest substantial sums for continued research and development in order to successfully compete with companies with greater resources;

Lexar's exploration during the past year, with the assistance of Deutsche Bank Securities Inc., or Deutsche Bank, of potential strategic opportunities with many companies;

Lexar's inability to obtain, after lengthy discussions with flash memory suppliers, a consistent, cost-effective dependable flash supply that would provide Lexar with a sustainable competitive position relative to its competitors;

the opinion of Deutsche Bank that on March 8, 2006, based upon and subject to the assumptions made, matters considered and limits of the review undertaken by Deutsche Bank, the exchange ratio was fair, from a financial point of view, to the stockholders of Lexar;

the belief that the merger with Micron could be consummated in light of the probability of receiving regulatory approvals and clearances and satisfying the other conditions needed to complete the transaction;

the receipt by Lexar stockholders of freely tradable shares of Micron common stock, subject to certain restrictions applicable to Lexar's affiliates, in a tax-free exchange at a premium over the market price of Lexar common stock prior to the public announcement of the proposed merger that would, by virtue of ownership of Micron common stock, permit Lexar stockholders to participate in the potential strategic and operational synergies to be achieved through the combination of the two companies;

a merger agreement that, subject to certain conditions, would permit the Lexar board of directors to consider unsolicited acquisition proposals that constitute a superior proposal and enter into a definitive agreement with respect to such superior proposal upon, among other things, payment of a termination fee; and

the terms of a patent cross-license agreement that included the following: (i) a release for all patent infringement claims for past uses and distributions of products that were licensed as part of the agreement; (ii) a license that was not assignable or sublicensable by Micron to a third party; (iii) a license to Lexar in its field of use to Micron's extensive patent portfolio, which license would continue subject to certain reasonable limits in the event Lexar is acquired by another party; (iv) a non-exclusive license only to Micron and to certain of its subsidiaries and not to joint venture partners or to downstream combination products incorporating Micron products where the combination was done by downstream component purchasers; (v) except with respect to controllers designed by or for Micron, a license that did not permit the manufacture and sale of third party controller products; (vi) a term that was reasonably limited in duration and patents included in the scope of the license; (vii) terms that would allow another party to acquire Lexar and obtain all of the benefits of Lexar's intellectual property, subject to not being able to assert infringement claims based on Lexar's patents against Micron for a limited period

of time; and (viii) appropriate provisions to terminate the cross-license on March 8, 2007, if the merger agreement is terminated under certain circumstances.

**Opinion of Lexar's Financial Advisor Regarding the Merger (see page 82)**

On March 3, 2006, Deutsche Bank delivered its oral opinion to the Lexar board of directors, subsequently confirmed orally on March 7, 2006 and in writing on March 8, 2006, to the effect that, as of such dates, based upon and subject to the assumptions made, matters considered and limits of the review undertaken by Deutsche Bank, the exchange ratio was fair, from a financial point of view, to the stockholders of Lexar. The full text of Deutsche Bank's written opinion, which discusses, among other things, the assumptions made, matters considered and limits on the review undertaken by Deutsche Bank in connection with the opinion, is attached as Annex C to this proxy statement/prospectus and is incorporated into this proxy statement/prospectus by reference. Deutsche Bank provided its opinion for the information and assistance of Lexar's board of directors in connection with its consideration of the merger and the merger agreement. The Deutsche Bank opinion is not a recommendation as to how any holder of Lexar common stock should vote with respect to the proposal to adopt the merger agreement. Lexar's stockholders are urged to read this opinion in its entirety.

**Lexar's Directors and Executive Officers Have Interests in the Merger (see page 89)**

When Lexar stockholders consider Lexar's board of directors' recommendation that they vote in favor of the proposal to adopt the merger agreement, they should be aware that the executive officers of Lexar and the members of Lexar's board of directors have interests in the merger that may be different from, or in addition to, the interests of stockholders generally. These interests include, among other things: (i) acceleration of options held by the directors and executive officers upon completion of the merger and, for certain executive officers, an additional time period in which to exercise such options; (ii) the right of certain executive officers to receive a cash payment upon completion of the merger; (iii) severance benefits (including cash payments, additional option acceleration and, for certain executive officers, reimbursement for health and life insurance benefits) if an executive officer's employment is terminated following the merger under certain circumstances; (iv) the right of directors who are not employees of Lexar or one of its subsidiaries to receive a cash payment for their Lexar stock options equal to the product of (A) the number of shares subject to the directors' unexpired, unexercised and outstanding options; and (B) the excess, if any, of \$9.00 over the per share exercise price of their options; and (v) the right of one of Lexar's executive officers to a capped tax gross-up for change-in-control excise tax. Micron has also agreed to, and will cause Lexar, as the surviving company after the merger, to fulfill Lexar's indemnification obligations as in effect on the date of the merger agreement and maintain directors' and officers' liability insurance for six years following the effective time of the merger. Lexar's board of directors was aware of these interests when they approved the merger agreement.

**What Is Needed to Complete the Merger (see page 111)**

Several conditions must be satisfied or waived before Micron and Lexar complete the merger, including those summarized below:

adoption of the merger agreement by the affirmative vote of holders of a majority of the shares of Lexar common stock outstanding on the record date;

absence of any law, regulation or order making the merger illegal or otherwise prohibiting the merger;

receipt of United States and certain non-United States antitrust approvals;

receipt of opinions by Micron and Lexar from their respective tax counsel that the merger will qualify as a "reorganization" under the Code;

the parties' respective representations and warranties contained in the merger agreement must be true and correct except as would not have a material adverse effect on such party, other than in the case of a limited number of representations and warranties of Lexar, which must be true and correct in all material respects, or in the case of a limited number of other representations and warranties of Lexar, which must be true and correct in all respects;

material compliance by each party with its covenants in the merger agreement;

no material adverse effect with respect to either party having occurred; and

no pending or overtly threatened suit, action or proceeding asserted by a governmental entity challenging or threatening to restrain or prohibit the merger or seeking to require one of the parties to make a divestiture.

If the law permits, either Lexar or Micron could choose to waive a condition to its obligation to complete the merger even though that condition has not been satisfied. Stockholders of Micron are not required to approve the merger, the issuance of shares of Micron common stock in the merger or any matter relating to the merger, and, accordingly, Micron will not hold a meeting of its stockholders in connection with the merger.

**Lexar Is Prohibited from Soliciting Other Offers (see page 104)**

The merger agreement contains detailed provisions that prohibit Lexar and its subsidiaries, and their officers and directors, from taking any action to solicit or engage in discussions or participate in negotiations with any person or group with respect to an acquisition proposal, as defined in the merger agreement, including an acquisition that would result in the person or group acquiring more than a 20% interest in Lexar's total outstanding voting securities, a merger or other business combination involving Lexar, a sale or license of more than 20% of Lexar's assets that is not in the ordinary course of business or any liquidation or dissolution of Lexar. Lexar is also required to use all reasonable efforts to cause its advisors to comply with these restrictions. The merger agreement does not, however, prohibit Lexar or its board of directors from considering and, in the event of a tender or exchange offer made directly to Lexar stockholders, from potentially recommending, an unsolicited bona fide written acquisition proposal from a third party if specified conditions are met.

**Change of Board Recommendation (see page 106)**

Subject to specified conditions, the board of directors of Lexar may withdraw or modify its recommendation in support of the adoption of the merger agreement by Lexar's stockholders. In the event that the board of directors of Lexar withdraws or modifies its recommendation in a manner adverse to Micron, Lexar may be required to pay a termination fee of \$22 million to Micron.

**Micron and Lexar May Terminate the Merger Agreement under Specified Circumstances (see page 113)**

Under circumstances specified in the merger agreement, either Micron or Lexar may terminate the merger agreement. These circumstances generally include if:

the boards of directors of Micron and Lexar authorize the termination of the merger agreement;

the merger is not completed by December 6, 2006, except that this right to terminate is not available to any party whose action or failure to act was a principal cause of or resulted in the failure of, the merger to occur on or before such date and such action or failure to act constitutes a breach of the merger agreement;

a final, non-appealable order of a court or other action or inaction of any governmental entity has the effect of permanently prohibiting completion of the merger;

the required approval of Lexar stockholders has not been obtained at the special meeting, except that this right to terminate is not available to Lexar if Lexar's action or failure to act caused the failure to obtain the requisite vote and such action or failure to act constitutes a breach of the merger agreement;

there has occurred a material adverse effect on either party since March 8, 2006, that is not reasonably capable of being cured prior to December 6, 2006, or that is not cured prior to the earlier of December 6, 2006, and 30 days following receipt of written notice from the other party of such material adverse effect; or

the other party breaches its representations, warranties or covenants in the merger agreement such that the conditions to completion of the merger regarding its representations, warranties or covenants would not be satisfied, subject to a 30-day cure period.

Additionally, prior to the adoption of the merger agreement by the Lexar stockholders, Micron may terminate the merger agreement if the board of directors of Lexar takes any of the actions in opposition to the merger described as a triggering event in the merger agreement. Lexar may terminate the merger agreement if it enters into a definitive agreement with respect to an alternative acquisition under specified conditions and pays the termination fee to Micron.

**Lexar May Be Required to Pay a Termination Fee under Specified Circumstances (see page 115)**

If the merger agreement is terminated under specified circumstances, Lexar may be required to pay a termination fee of \$22 million to Micron.

**Formation of IP LLC and Transfer of Patents, Patent Applications and Draft Applications (see page 109)**

Prior to the closing of the merger, Lexar will form a Delaware limited liability company, referred to herein as IP LLC, and immediately prior to the closing of the merger, Lexar will, and will cause its subsidiaries to, transfer, assign and convey all of its patents, patent applications and draft applications to IP LLC, together with the rights to sue for infringement and to collect past damages with respect to those patents. Lexar, as the surviving company of the merger, will be the minority member of IP LLC and one or more private investors that are not affiliated with Micron, Lexar or any of their respective executive officers or directors will own the remaining equity interest in IP LLC. Lexar's executive officers and directors will not have any equity interest in IP LLC following the completion of the merger other than their interests as Micron stockholders generally. If the merger is not consummated, Lexar and its subsidiaries will not transfer their patent rights to IP LLC and this provision of the merger agreement will have no further effect.

**The Patent Cross-License Agreement (see page 119)**

On March 8, 2006 Micron and Lexar entered into a patent cross-license agreement under which, among other things, each party granted to the other party and its subsidiaries a royalty-free, fully-paid, non-exclusive, term license, without the right to sublicense, to all patents and applications owned by the granting party for use in certain defined fields of use flash memory products, in the case of Lexar, and memory products, image sensors, and imaging devices, but excluding controllers the designs for which were not created by or for Micron, in the case of Micron. In addition, each party agreed to release the other party for any past infringements of the releasing party's patents that would have otherwise been within the field of use granted to the released party under the patent cross-license agreement. The patent cross-license agreement is effective until March 8, 2011, but may be terminated



by either party on March 8, 2007 under certain circumstances, as provided in the agreement. A copy of the patent cross-license agreement is attached as Annex D to this proxy statement/prospectus, and Micron and Lexar encourage you to read the patent cross-license agreement in its entirety.

**Material United States Federal Income Tax Consequences of the Merger (see page 94)**

The merger has been structured to qualify as a "reorganization" within the meaning of Section 368(a) of the Code, and it is a condition to closing that each of Micron and Lexar receive opinions from legal counsel to the effect that the merger will so qualify. If the merger qualifies as a reorganization, Lexar stockholders will not recognize any gain or loss upon the receipt of Micron common stock in exchange for Lexar common stock in connection with the merger, except with respect to cash received in lieu of a fractional share of Micron common stock.

Lexar stockholders are urged to read the discussion in the section entitled "Proposal No. 1 The Merger Material United States Federal Income Tax Consequences of the Merger" and to consult their tax advisors as to the United States federal income tax consequences of the merger, as well as the effect of state, local and non-United States tax laws.

**Accounting Treatment of the Merger (see page 95)**

In accordance with United States generally accepted accounting principles, Micron will account for the merger under the purchase method of accounting for business combinations.

**The Merger Is Subject to Antitrust Laws (see page 97)**

Micron and Lexar are required to make filings under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or the HSR Act, with the Antitrust Division of the United States Department of Justice, or the DOJ, and the United States Federal Trade Commission, or the FTC. Micron and Lexar filed the required notification and report forms on March 24, 2006 and requested early termination of the required waiting period. In addition, Micron and Lexar will make any necessary filings with competition authorities in China, Germany, Ireland, Norway and South Korea. Reviewing agencies or governments or private persons may challenge the merger under antitrust or similar laws at any time before or after its completion.

**Micron Will List Shares of Micron Common Stock on the New York Stock Exchange (see page 97)**

If Micron and Lexar complete the merger, Lexar stockholders will be able to trade the shares of Micron common stock they receive in the merger on the New York Stock Exchange, subject to restrictions on affiliates of Lexar described in the section entitled "Proposal No. 1 The Merger Restrictions on Sales of Shares of Micron Common Stock Received in the Merger" beginning on page 97 of this proxy statement/prospectus. If Micron and Lexar complete the merger, Lexar stock will no longer be quoted on the Nasdaq National Market or any other market or exchange.

**No Appraisal Rights (see page 98)**

Under Delaware law, Lexar stockholders will not have appraisal rights pursuant to the merger and the other transactions contemplated by the merger agreement.

**SELECTED HISTORICAL CONSOLIDATED  
FINANCIAL DATA OF MICRON**

The selected historical consolidated financial data in the table below as of and for the three months ended December 1, 2005 and December 2, 2004, were derived from Micron's unaudited consolidated financial statements. The data as of and for the fiscal years ended September 1, 2005, September 2, 2004, August 28, 2003, August 29, 2002 and August 30, 2001, were derived from Micron's audited consolidated financial statements. This information should be read in conjunction with Micron's consolidated financial statements and related notes contained in the annual, quarterly and other reports filed by Micron with the SEC which have been incorporated by reference into this proxy statement/prospectus. See the section entitled "Where You Can Find More Information" beginning on page 131 of this proxy statement/prospectus.

	Three months ended		Year ended				
	December 1, 2005	December 2, 2004	September 1, 2005	September 2, 2004	August 28, 2003	August 29, 2002	August 30, 2001

(amounts in millions except per share amounts)

**Consolidated Statements of  
Operations Data:**

Net sales	\$ 1,361.8	\$ 1,260.3	\$ 4,880.2	\$ 4,404.2	\$ 3,091.3	\$ 2,589.0	\$ 3,935.9
Gross margin	311.1	423.0	1,145.8	1,314.7	(20.7)	(110.6)	110.7
Operating income (loss)	62.4	174.9	217.5	249.7	(1,186.5)	(1,025.3)	(976.5)
Income (loss) from continuing operations	62.6	154.9	198.6	157.2	(1,273.2)	(907.0)	(521.2)
Loss from discontinued PC operations, net of taxes and minority interest							(103.8)
Net income (loss)	62.6	154.9	188.0	157.2	(1,273.2)	(907.0)	(625.0)
Diluted earnings (loss) per share:							
Continuing operations	\$ 0.09	\$ 0.23	\$ 0.29	\$ 0.24	\$ (2.11)	\$ (1.51)	\$ (0.88)
Discontinued operations							(0.18)
Net income (loss)	\$ 0.09	\$ 0.23	\$ 0.29	\$ 0.24	\$ (2.11)	\$ (1.51)	\$ (1.05)

As of

	December 1, 2005	December 2, 2004	September 1, 2005	September 2, 2004	August 28, 2003	August 29, 2002	August 30, 2001
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(amounts in millions)

**Consolidated Balance Sheets  
Data:**

Cash and short-term investments	\$ 1,377.4	\$ 1,052.2	\$ 1,290.4	\$ 1,231.0	\$ 921.8	\$ 985.7	\$ 1,678.3
Total current assets	2,941.9	2,689.6	2,925.6	2,638.7	2,037.0	2,118.8	3,137.7
Property, plant and equipment, net	4,676.6	4,806.3	4,683.8	4,712.7	4,510.5	4,699.5	4,704.1
Total assets	8,009.5	7,892.6	8,006.4	7,760.0	7,158.2	7,555.4	8,363.2
Total current liabilities	977.3	1,127.2	978.6	972.1	993.0	752.7	687.0
Long-term debt	960.9	825.2	1,020.2	1,027.9	997.1	360.8	445.0
Redeemable common stock					66.5		
Total stockholders' equity	5,923.5	5,779.4	5,846.8	5,614.8	4,971.0	6,306.4	7,134.8

In 2001, Micron disposed of its PC business. The selected financial data above presents the net effect of discontinued PC operations separate from the results of Micron's continuing operations.

**Subsequent Events**

Since 1998, Micron has participated in TECH Semiconductor Singapore Pte. Ltd., or TECH, a semiconductor memory manufacturing joint venture in Singapore among Micron, the Singapore Economic Development Board, Canon Inc. and Hewlett-Packard Company. As of March 3,

2006, Micron had an approximate 43% ownership interest in TECH. On March 1, 2006, Micron entered into

an agreement with the EDB Investments Pte Ltd, or EDBI, subject to EDBI's contribution of additional amounts to TECH, whereby EDBI granted Micron an option to purchase from EDBI, and Micron granted EDBI an option to sell to Micron, EDBI's shares of TECH common stock. As a result of the option agreement, Micron has concluded that it is the primary beneficiary of TECH as defined by FIN 46(R) and, therefore, will consolidate TECH's financial results at the beginning of Micron's third quarter of fiscal 2006.

On January 6, 2006, Micron and Intel Corporation closed a transaction related to IM Flash Technologies, LLC, or IMFT, a limited liability company that will manufacture NAND flash memory products. In connection therewith, Micron contributed assets and cash valued at \$1,245 million by the parties. Intel contributed \$1,196 million in cash and notes to IMFT. As a result of these contributions, Micron owns 51% and Intel owns 49% of IMFT. The parties share the output of IMFT generally in proportion to their investment in IMFT. Additionally, research and development costs for NAND flash process development are initially shared equally among Micron and Intel. IMFT's financial results will be included in the consolidated financial statements of Micron beginning in the second quarter of 2006.

**SELECTED HISTORICAL CONSOLIDATED  
FINANCIAL DATA OF LEXAR**

The selected historical consolidated financial data in the table below as of and for the years ended December 31, 2005, 2004, 2003, 2002 and 2001 were derived from Lexar's audited consolidated financial statements. This information should be read in conjunction with Lexar's consolidated financial statements and related notes contained in the annual, quarterly and other reports filed by Lexar with the SEC, which have been incorporated by reference into this proxy statement/prospectus. See the section entitled "Where You Can Find More Information" beginning on page 131 of this proxy statement/prospectus.

**Year ended December 31,**

	2005	2004	2003	2002	2001
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(amounts in thousands except per share amounts)

**Consolidated Statements of Operations Data:**

Total net revenues	\$ 852,723	\$ 681,671	\$ 412,265	\$ 174,039	\$ 73,641
Gross margin	97,553	36,814	105,448	45,840	5,996
Income (loss) from operations	(27,891)	(72,997)	44,621	10,738	(39,086)
Net income (loss) per common share basic	\$ (0.45)	\$ (0.96)	\$ 0.57	\$ 0.07	\$ (0.82)
Net income (loss) per common share diluted	\$ (0.45)	\$ (0.96)	\$ 0.49	\$ 0.06	\$ (0.82)

**As of December 31,**

	2005	2004	2003	2002	2001
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(amounts in thousands)

**Consolidated Balance Sheets Data:**

Cash, cash equivalents, restricted cash and short-term investments	\$ 176,318	\$ 40,443	\$ 120,698	\$ 52,383	\$ 10,989
Total current assets	405,966	401,262	315,675	122,993	33,078
Property and equipment, net	10,823	10,305	3,579	2,887	2,341
Total assets	419,717	411,996	320,355	126,921	36,452
Total current liabilities	262,891	297,129	133,385	80,583	28,483
Total liabilities	336,891	297,302	134,076	85,356	30,244
Total stockholders' equity	82,826	114,694	186,279	41,565	6,208

During the fourth quarter of 2004, Lexar experienced rapid decreases in market pricing for Lexar's products, which resulted in Lexar reporting a substantial net loss for the fourth quarter of 2004. Starting in the fourth quarter of 2004, Lexar determined that, due to the high volatility of prices in the retail market, Lexar was no longer able to reasonably estimate the level of revenue allowances and product returns, and accordingly, Lexar became unable to determine the selling price of Lexar products at the time the sale takes place. As a result, effective October 1, 2004, for all of Lexar's retail customers, where Lexar offered return rights and price protection, substantially all revenues and the cost of revenues were deferred until Lexar's customers either sold the product to their customers or a time period that is reasonably estimated to allow Lexar's customers to sell the product to their customers had elapsed. As a result of recording revenues from all retail customers on a sell-through basis effective October 1, 2004, the first quarter of 2005 was the first quarter in which Lexar recorded significant revenue that was deferred from the prior quarter. At no point does Lexar recognize product revenues or cost of product revenues while deferring product margin. The change in the timing of recognizing substantially all the revenue related to Lexar's resellers now on a sell-through basis, some of which were previously recognized on a sell-to basis, had the initial one-time effect of reducing net revenues recorded in the fourth quarter of 2004 by \$63.6 million, reducing gross margin by \$9.4 million, and increasing net loss by \$8.6 million. As of December 31, 2005 and December 31, 2004, deferred product margin from sales to resellers was \$13.1 million, and \$23.2 million, respectively.

**COMPARATIVE HISTORICAL PER SHARE DATA**

The following table sets forth certain historical per share data of Micron and Lexar and certain equivalent Lexar per share data. The information set forth below should be read in conjunction with "Selected Historical Consolidated Financial Data of Micron" and "Selected Historical Consolidated Financial Data of Lexar" on pages 15 and 17 of this proxy statement/prospectus. The equivalent Lexar per share data is calculated based on an exchange ratio of 0.5625 of a share of Micron common stock for each share of Lexar common stock. Neither Micron nor Lexar have declared or paid cash dividends in the last five years. Pro forma Micron data giving effect to the merger under the purchase method of accounting have not been presented because it is not materially different from historical Micron information.

**Historical Micron**

## Net income per share:

For the twelve months ended September 1, 2005	\$ 0.29
For the three months ended December 1, 2005	\$ 0.09

Book value per share<sup>(1)</sup>:

As of September 1, 2005	\$ 9.49
As of December 1, 2005	\$ 9.58

**Historical Lexar**

## Net loss per share:

For the twelve months ended December 31, 2005	\$ (0.45)
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Book value per share<sup>(1)</sup>:

As of December 31, 2005	\$ 1.02
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**Equivalent Lexar**

## Net loss per share:

For the twelve months ended December 31, 2005	\$ (0.25)
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Book value per share<sup>(1)</sup>:

As of December 31, 2005	\$ 0.58
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(1) Historical book value per share is computed by dividing total stockholders' equity by the number of shares outstanding at the end of each period.

**COMPARATIVE PER SHARE MARKET PRICE DATA**

Micron common stock trades on the New York Stock Exchange, or NYSE, under the symbol "MU." Lexar common stock trades on the Nasdaq National Market under the symbol "LEXR."

The following table shows the high and low sales prices per share of Micron common stock, as reported on the NYSE, and Lexar common stock, as reported on the Nasdaq National Market, on (i) March 7, 2006, the last full trading day preceding the public announcement that Micron and Lexar had entered into the merger agreement, and (ii) \_\_\_\_\_, 2006, the last full trading day for which high and low sales prices were available as of the date of this proxy statement/prospectus.

The table also includes the equivalent high and low sales prices per share of Lexar common stock on those dates. These equivalent high and low sales prices per share reflect the fluctuating value of the 0.5625 of a share of Micron common stock that Lexar stockholders would receive in exchange for each share of Lexar common stock if the merger was completed on either of these dates.

	<b>Micron Common Stock</b>		<b>Lexar Common Stock</b>		<b>Equivalent Price Per Share</b>	
	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
March 7, 2006	\$ 15.65	\$ 14.95	\$ 7.14	\$ 6.70	\$ 8.80	\$ 8.41
_____, 2006	\$ .	\$ .	\$ .	\$ .	\$ .	\$ .

The above table shows only historical comparisons. These comparisons may not provide meaningful information to Lexar stockholders in determining whether to adopt the merger agreement. Lexar stockholders are urged to obtain current market quotations for Micron and Lexar common stock and to review carefully the other information contained in this proxy statement/prospectus or incorporated by reference into this proxy statement/prospectus in considering whether to adopt the merger agreement. See the section entitled "Where You Can Find More Information" beginning on page 131 of this proxy statement/prospectus.

**RECENT DEVELOPMENTS**

**Litigation Related to the Merger**

On March 9, 10, 20 and 27, 2006, alleged holders of Lexar common stock filed purported class action lawsuits captioned *Greenan v. Lexar Media, Inc., et al.*, Case No. RG 6259118, or the Greenan Action, *Davies v. Lexar Media, Inc., et al.*, Case No. RG 6259255, *Ember v. Lexar Media, Inc., et al.*, Case No. RG 6260699, or the Ember Action, and *Bain v. Lexar Media Inc., et al.*, Case No. RG6261868, in California Superior Court for the County of Alameda. The complaints name as defendants Lexar and each of Lexar's directors. Micron is also named as a defendant in the Greenan and Ember Actions. Copies of the complaints are attached to this proxy statement/prospectus as Annex E.

The plaintiffs allege that, in pursuing the transaction with Micron and approving the merger agreement, the directors of Lexar breached their fiduciary duties to Lexar's stockholders by, among other things, engaging in self-dealing, failing to engage in an effort to obtain the highest price reasonably available for Lexar and its stockholders and failing to properly value Lexar. The plaintiffs further allege that the merger agreement resulted from a flawed process and that the directors tailored the terms of the merger to meet the needs of Micron. The plaintiffs in the Greenan and Ember Actions also allege that Micron aided and abetted the Lexar directors' alleged breaches of fiduciary duties.

The plaintiffs seek, among other things, certification of the litigation as a class action, a declaration that the merger agreement was entered into in breach of the Lexar directors' fiduciary duties, a preliminary and permanent injunction enjoining Lexar, the Lexar directors and others from consummating the merger, a direction requiring that the Lexar directors exercise their fiduciary duties to obtain a transaction which is in the best interests of Lexar stockholders, rescission of the merger or any of the terms thereof to the extent implemented, unspecified damages, an award of costs, including attorneys' and experts' fees, and other unspecified relief.

Based on their review of the complaints, Lexar and the other defendants believe that the allegations are without merit and intend to defend the litigation vigorously. In the event that holders of a majority of shares of Lexar common stock vote to adopt the merger agreement, Lexar and the other defendants may rely upon the approval of the adoption of the merger agreement in defense of the claims asserted in the litigation. Specifically, Lexar and the other defendants may argue, among other things, that such approval operates as a ratification and acceptance of the conduct challenged in the litigation, and a waiver by each Lexar stockholder of any and all claims that have been, or could have been, asserted in the litigation or any later-filed lawsuit seeking damages relating to the merger agreement or the transactions related to the merger agreement.



**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**

The SEC encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This proxy statement/prospectus contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements included in or incorporated by reference into this proxy statement/prospectus other than statements of historical fact regarding Micron or Lexar are forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Words such as "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "project," "seek," "will," "should," "continue," "predict," "potential" and words and terms of similar substance used in connection with any discussion of future operating or financial performance, the combination or the business of the combined organization identify forward-looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Forward-looking statements include, among others, statements about:

strategies, objectives and benefits for future operations, including that the merger will:

- ( ) strengthen the combined company's activities;
- ( ) add a base of new customers and expand the scope of the combined company's products; and
- ( ) better position the combined company to take advantage of market opportunities;

expectations regarding the completion of the merger and statements regarding future acquisitions;

integration plans;

proposed services or developments, including that the combined company will have significant opportunities for product synergies;

future economic conditions, performance or business prospects;

successful use of Lexar's retail channels and successful vertical integration;

statements of belief, including that:

- ( ) the merger will enhance long-term growth opportunities; and
- ( ) the merger will expand the total addressable market available to the combined company;

the anticipated results of outstanding litigation, including the recently filed stockholder class actions;

competitors or competitive actions;

launch dates for licensed products;

plans regarding sales and marketing;

manufacturing efficiencies; and

assumptions underlying any of the foregoing.

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These forward-looking statements are not guarantees of future performance, but reflect the present expectations of future events by Micron's and Lexar's management and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. In addition to the risks related to the businesses of Micron, Lexar and the combined company, the uncertainty concerning the completion of the merger, the possible failure to realize the anticipated benefits of the merger and the matters discussed under "Risk Factors," among others, could cause actual results to differ materially from those described in the forward-looking statements. Investors are cautioned not to place undue reliance on the forward-looking statements. Neither Micron nor Lexar is under any obligation, and each expressly disclaims any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

## RISK FACTORS

Micron and Lexar will operate as a combined company in a market environment that cannot be predicted and that involves significant risks, many of which will be beyond the combined company's control. In addition to the other information contained in, or incorporated by reference into, this proxy statement/prospectus, you should carefully consider the risks described below before deciding how to vote your shares. Additional risks and uncertainties not presently known to Micron and Lexar or that are not currently believed to be important to you, if they materialize, also may adversely affect the merger and Micron and Lexar as a combined company.

### Risks Related to the Merger

*The combined company may not realize the benefits of the proposed merger because of integration and other challenges.*

The failure of the combined company to meet the challenges involved in integrating the operations of Micron and Lexar successfully or otherwise to realize any of the anticipated benefits of the merger could seriously harm the results of operations of the combined company. Realizing the benefits of the merger by the combined company will depend in part on the timely integration of technology, operations, and personnel. The integration of the companies will be a complex, time-consuming and expensive process that, even with proper planning and implementation, could significantly disrupt the businesses of Micron and Lexar. The challenges involved in this integration include the following:

combining product and service offerings;

coordinating research and development activities to enhance introduction of new products and services;

preserving customer, supplier and other important relationships of both Micron and Lexar and resolving potential conflicts that may arise;

minimizing the diversion of management attention from ongoing business concerns;

addressing differences in the business cultures of Micron and Lexar to maintain employee morale and retain key employees; and

coordinating and combining overseas operations, relationships and facilities, which may be subject to additional constraints imposed by geographic distance and local laws and regulations.

The combined company may not successfully integrate the operations of Micron and Lexar in a timely manner, or at all, and the combined company may not realize the anticipated benefits or synergies of the merger to the extent, or in the timeframe, anticipated. The anticipated benefits and synergies are based on projections and assumptions, not actual experience, and assume a successful integration. In addition to the integration risks discussed above, the combined company's ability to realize these benefits and synergies could be adversely affected by practical or legal constraints on its ability to combine operations.

*Because Lexar stockholders will receive a fixed number of shares of Micron common stock in the merger rather than a fixed dollar value, if the market price of Micron common stock declines, Lexar stockholders will receive consideration in the merger of lesser value.*

At the closing of the merger, each share of Lexar common stock will be exchanged for 0.5625 of a share of Micron common stock. Since the exchange ratio is fixed, there will be no adjustment in the number of shares of Micron common stock distributed to Lexar stockholders because of changes in the market price of either Micron common stock or Lexar common stock. Accordingly, the specific dollar value of Micron common stock that Lexar stockholders will receive upon the merger's completion will

depend entirely upon the market value of Micron common stock at the time the merger is completed. This value may substantially decrease from the date you submit your proxy. Moreover, completion of the merger may occur some time after Lexar stockholder approval has been obtained, so that the specified dollar value of Micron common stock that Lexar stockholders will receive upon the merger's completion may substantially decrease from the date of the special meeting of Lexar stockholders. In addition, Lexar may not terminate the merger agreement or refuse to consummate the merger solely because of changes in the market price of Micron common stock or Lexar common stock. The share prices of Micron common stock and Lexar common stock are subject to the general price fluctuations in the market for publicly-traded equity securities, and the prices of both companies' common stock have experienced volatility in the past. Micron and Lexar urge you to obtain recent market quotations for Micron common stock and Lexar common stock. Neither Micron nor Lexar can predict or give any assurances as to the respective market prices of its common stock at any time before or after the completion of the merger.

***The directors and executive officers of Lexar have interests and arrangements that could affect their decision to support or approve the merger.***

When considering the Lexar board of directors' recommendation that Lexar stockholders vote in favor of the proposal to adopt the merger agreement, Lexar stockholders should be aware that Lexar's directors and executive officers have interests in the merger that may be different from, or in addition to, the interests of Lexar stockholders generally. The directors and executive officers have stock options to purchase Lexar common stock under the terms of Lexar's 2000 Equity Incentive Plan, or the Plan, that provide them with accelerated vesting of their options upon completion of the merger and certain executive officers have retention agreements or offer letters that provide them with an additional time period in which to exercise such options. Additionally, the retention agreements for certain executive officers also entitle them to receive a cash payment upon completion of the merger, and one of the executive officers will receive a capped tax gross-up for change in control related excise tax. The executive officers are also entitled to receive severance benefits under the terms of their retention agreements or offer letters if their employment is terminated following the merger under certain circumstances, including, among other things, a cash payment, additional option acceleration and, for certain executive officers, reimbursement for health and life insurance benefits. Directors who are not employees of Lexar or one of its subsidiaries have the right to receive a cash payment for their Lexar stock options equal to the product of (i) the number of shares subject to the directors' unexpired, unexercised and outstanding options; and (ii) the excess, if any, of \$9.00 over the per share exercise price of their options. Finally, the directors and executive officers will receive continuing indemnification from the company surviving the merger and Micron against liabilities after the merger is completed. All of the directors and executive officers of Lexar and two entities affiliated with one of the directors of Lexar have entered into voting agreements with Micron pursuant to which they agreed to vote their shares of Lexar common stock, representing approximately % of all outstanding shares of Lexar common stock as of the close of business on the record date for the special meeting, in favor of the proposal to adopt the merger agreement. For a more detailed description of the interests of Lexar's directors and executive officers in the merger, please see the section entitled "Proposal No. 1 The Merger Interests of Lexar's Directors and Executive Officers in the Merger" beginning on page 89 of this proxy statement/prospectus.

***Micron and Lexar may be unable to obtain the regulatory approvals required to complete the merger or, in order to do so, the combined company may be required to comply with material restrictions or conditions.***

Micron and Lexar may be unable to obtain the regulatory approvals required to complete the transaction or, in order to do so, the combined company may be required to comply with material restrictions or conditions. The merger is subject to review by the DOJ, and the FTC, under the HSR Act. Micron and Lexar made filings under the HSR Act on March 24, 2006, and the statutory waiting

period thereunder must expire or be terminated prior to completing the merger. Each of Micron and Lexar may receive a request for additional information and other documentary material from the DOJ or the FTC under the HSR Act in connection with the merger, which would extend the waiting period for the merger under the HSR Act until 30 days after both parties substantially comply with the request for additional information. In addition, the merger may be subject to review by the governmental authorities of various other jurisdictions under the antitrust laws of those jurisdictions. Any resulting delay in the completion of the merger could diminish the anticipated benefits of the merger or result in additional transaction costs, loss of revenue or other effects associated with uncertainty about the transaction.

The reviewing authorities may not permit the merger at all or may impose restrictions or conditions on the merger that may seriously harm the combined company if the merger is completed. These conditions could include a complete or partial license, divestiture, spin-off or the holding separate of assets or businesses. Pursuant to the terms of the merger agreement, Micron may refuse to complete the merger if governmental authorities impose any material restrictions or limitations on Micron, Lexar or their respective subsidiaries and their ability to conduct their respective businesses. Micron and Lexar also may agree to restrictions or conditions imposed by antitrust authorities in order to obtain regulatory approval, and these restrictions or conditions could harm the combined company's operations.

In addition, during or after the statutory waiting periods, and even after completion of the merger, governmental authorities could seek to block or challenge the merger as they deem necessary or desirable in the public interest. In addition, in some jurisdictions, a competitor, customer or other third party could initiate a private action under the antitrust laws challenging or seeking to enjoin the merger, before or after it is completed. Micron, Lexar or the combined company may not prevail, or may incur significant costs, in defending or settling any action under the antitrust laws.

***Micron and Lexar expect to incur significant costs associated with the merger.***

Micron estimates that it will incur direct transaction costs of approximately \$ million associated with the merger, which will be included as part of the total purchase price for financial accounting purposes. In addition, Lexar estimates that it will incur direct transaction costs of approximately \$ million, which will be recognized as expenses as incurred. Micron and Lexar believe the combined entity may incur charges to operations, which are not currently reasonably estimable, in the quarter in which the merger is completed or the following quarters, to reflect costs associated with integrating the two companies. There can be no assurance that the combined company will not incur additional material charges in subsequent quarters to reflect additional costs associated with the merger and the integration of the two companies.

***Failure to complete the merger with Micron could materially and adversely affect Lexar's results of operations and Lexar's stock price.***

Consummation of the merger is subject to customary closing conditions, including antitrust approvals and approval by Lexar's stockholders. There can be no assurance that these conditions will be met or waived, that the necessary approvals will be obtained, or that Lexar will be able to successfully consummate the merger as currently contemplated under the merger agreement or at all.

If the merger is not consummated:

Lexar will remain liable for significant transaction costs, including legal, accounting, financial advisory and other costs relating to the merger;

under some circumstances, Lexar may have to pay a termination fee to Micron in the amount of \$22 million; see "The Merger Agreement Payment of Termination Fee" beginning on page 115 of this proxy statement/prospectus;

any operational investments that Lexar may delay due to the pending transaction would need to be made, potentially on an accelerated timeframe, which could then prove costly and more difficult to implement; and

the market price of Lexar's common stock may decline to the extent that the current market price reflects a market belief that the merger will be completed.

Additionally, the announcement of the pending merger may lead to uncertainty for Lexar's employees and some of Lexar's customers and suppliers. This uncertainty may mean:

the attention of Lexar's management and Lexar's employees may be diverted from day-to-day operations;

Lexar's customers and suppliers may seek to modify or terminate existing agreements, or prospective customers may delay entering into new agreements or purchasing Lexar's products as a result of the announcement of the merger; and

Lexar's ability to attract new employees and retain Lexar's existing employees may be harmed by uncertainties associated with the merger.

The occurrence of any of these events individually or in combination could materially and adversely affect Lexar's results of operations and Lexar's stock price.

***Stockholder lawsuits have been filed against Lexar and its directors challenging the merger, and an unfavorable judgment or ruling in these lawsuits could prevent or delay the consummation of the merger and result in substantial costs to Lexar.***

On March 9, 2006, March 10, 2006, March 20, 2006 and March 27, 2006, stockholder class actions were filed in the Superior Court of the State of California for the County of Alameda against Lexar and its directors asserting claims relating to the merger agreement, and other stockholder class actions may be filed in the future. Micron is also named as a defendant in two of the actions. The complaints allege that, among other things, Lexar and its directors engaged in self-dealing and breached their fiduciary duties in connection with the merger agreement, and that the consideration to be received by Lexar's stockholders pursuant to the merger agreement is inadequate. Plaintiffs seek, among other things, unspecified monetary damages, attorneys' fees and certain forms of equitable relief, including enjoining the consummation of the merger, rescinding the merger agreement and imposing a constructive trust. Lexar has obligations under certain circumstances to hold harmless and indemnify each of the Lexar directors against judgments, fines, settlements and expenses related to claims against such directors and otherwise to the fullest extent permitted under Delaware law and Lexar's bylaws and certificate of incorporation. Such obligations may apply to these lawsuits. An unfavorable outcome in these lawsuits could prevent or delay the consummation of the merger and result in substantial costs to Lexar.

***Charges to earnings resulting from the application of the purchase method of accounting may adversely affect the market value of Micron's common stock following the merger.***

In accordance with United States generally accepted accounting principles, the combined company will account for the merger using the purchase method of accounting, which will result in charges to earnings that could have a material adverse effect on the market value of the common stock of Micron following completion of the merger. Under the purchase method of accounting, the combined company will allocate the total estimated purchase price to Lexar's net tangible assets and amortizable intangible

assets based on their fair values as of the date of completion of the merger, and record the excess of the purchase price over those fair values as goodwill. The combined company will incur amortization expense over the useful lives of amortizable intangible assets acquired in connection with the merger. In addition, to the extent the value of goodwill becomes impaired, the combined company may be required to incur material charges relating to the impairment of that asset. These amortization and potential impairment charges could have a material impact on the combined company's results of operations.

***In order to be successful, the combined company will need to retain and motivate key employees, which may be more difficult in light of uncertainty regarding the merger, and failure to do so could seriously harm the combined company.***

In order to be successful, the combined company will need to retain and motivate executives and other key employees, including those in managerial and technical positions. Experienced management and technical personnel in the semiconductor and digital media industries are in high demand and competition for their talents is intense. Employee retention may be a particularly challenging issue in connection with the merger. Employees of Micron or Lexar may experience uncertainty about their future role with the combined company until or after strategies with regard to the combined company are announced or executed. In addition, a portion of Lexar's employee options will be terminated upon the effective time of the merger. These circumstances may adversely affect the combined company's ability to attract and retain key management and technical personnel. The combined company also must continue to motivate employees and keep them focused on the strategies and goals of the combined company, which may be particularly difficult due to the potential distractions of the merger.

***The market price of the shares of Micron common stock may be affected by factors different from those affecting the shares of Lexar common stock.***

Upon completion of the merger, holders of Lexar common stock will become holders of Micron common stock. An investment in Micron common stock has different risks than an investment in Lexar common stock. Therefore, former holders of Lexar common stock will be subject to different risks upon exchange of their shares of Lexar common stock for Micron common stock in the merger, some of which are described below in the section entitled "Risks Related to Micron" beginning on page 28 of this proxy statement/prospectus. For a discussion of the businesses of Micron and Lexar, see the documents incorporated by reference into this document and referred to in the section entitled "Where You Can Find More Information" beginning on page 131 of this proxy statement/prospectus.

***The combined company's net operating loss carryforwards may be limited as a result of the merger.***

Micron and Lexar have net operating loss carryforwards for federal income tax purposes. Both entities have provided significant valuation allowances against the tax benefit of such losses as well as certain tax credit carryforwards. Utilization of these net operating losses and credit carryforwards are dependent upon the combined company achieving profitable results following the merger. As a consequence of the merger, as well as earlier issuances of common stock consummated by both companies and business combinations by Micron, utilization of the tax benefits of these carryforwards are subject to limitations imposed by Section 382 of the Code. The determination of the limitations is complex and requires significant judgment and analysis of past transactions. At this time neither company has completed the analyses required to determine what portion, if any, of these carryforwards will have their availability restricted or eliminated by that provision. Accordingly, some portion or all of these carryforwards may not be available to offset any future taxable income.



*Lexar depends on a limited number of suppliers of flash memory and these suppliers may terminate their agreements with Lexar in response to the merger.*

The market for flash memory remains tight with a limited number of providers. Despite diversifying its suppliers of flash memory in the past two years, Lexar is still dependent on a relatively small number of suppliers and, more particularly, upon Samsung Electronics Co., Ltd., or Samsung, which continues to be its largest provider of high density flash chips. To the extent that Lexar's suppliers of flash memory believe that Micron is a competitor, they may seek to set aside such contractual relationships, avoid their legal obligations thereunder or otherwise attempt to do less business with Lexar. In addition, to the extent that the announcement of the merger creates uncertainty among current and prospective suppliers and they delay decisions pending consummation of the proposed merger, Lexar's results of operations and profitability could be negatively affected. Unfavorable changes in Lexar's relationship with its flash suppliers or the loss of significant relationships as a result of the merger would materially and adversely affect Lexar's revenue and results of operations.

#### **Risks Related to Micron**

*Micron has experienced dramatic declines in average selling prices for its memory products which have adversely affected Micron's business.*

Per megabit average selling prices decreased 5% in the first quarter of 2006 as compared to the fourth quarter of 2005. In recent years, Micron has also experienced annual decreases in per megabit average selling prices for its semiconductor memory products including: 24% in 2005, 17% in 2003, 53% in 2002, 60% in 2001, 37% in 1999, 60% in 1998 and 75% in 1997. At times, average selling prices for Micron's semiconductor products have been below its costs. If average selling prices for Micron's memory products decrease faster than Micron can decrease per megabit costs, its business, results of operations or financial condition could be materially adversely affected.

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

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

*As the computer industry matures and the growth rate of computers sold or growth rate of the amount of semiconductor memory included in each computer decreases, sales of Micron's semiconductor products could decrease.*

Micron is primarily dependent on the computing market as most of the semiconductor products it sells are used in computers, servers or peripheral products. Approximately 70% of Micron's total net sales for the first quarter of 2006 were to the computing market. DRAMs are the primary semiconductor memory components in computers. Throughout most of the 1980s and 1990s, industry revenue for the DRAM market grew at a much faster rate than the overall economy, driven by both growth in sales of computers and the amount of memory included in each computer sold. However, as with any maturing market, it is unlikely that historic growth rates for this market will be sustained. In

recent years, the DRAM market has grown at a significantly slower rate as the computer industry has continued to mature. The reduction in the growth rate of computers sold or growth rate of the amount of semiconductor memory included in each computer could reduce sales of Micron's semiconductor products and Micron's business, results of operations or financial condition could be materially adversely affected.

***Micron may be unable to reduce its per megabit manufacturing costs at the same rate as it has in the past.***

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

***Micron's formation of the IMFT joint venture with Intel Corporation and the resulting plans to significantly increase Micron's NAND Flash memory production has numerous risks.***

On January 6, 2006, Micron closed the transaction related to the IMFT joint venture with Intel and, as a result, Micron plans to significantly increase its NAND flash production in future periods. The IMFT venture and Micron's NAND flash strategy in general require substantial investment in capital expenditures for equipment and new facilities. They also require significant investments in research and development as well as investments to grow and develop new operations at multiple sites. These investments involve numerous risks. Micron will be required to devote a significant portion of its existing semiconductor manufacturing capacity to the production of NAND flash instead of its other products. In conjunction with the IMFT venture, Micron has entered into a contract with Apple Corporation to provide a significant portion of Micron's share of IMFT's NAND flash output for an extended period of time at contractually determined prices. As of December 1, 2005 Micron had a relatively small share of the world-wide market for NAND flash.

Micron's NAND flash investments and commitments involve numerous risks, and may include the following:

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

Micron's NAND flash strategy may not be successful and could materially adversely affect Micron's business, results of operations or financial condition.

***The future success of Micron's imaging business will be dependent on continued market acceptance of Micron's products and the development, introduction and marketing of new imaging products.***

Micron's imaging business has grown rapidly in the recent periods. Sales of imaging products tripled from the first quarter of 2005 to the first quarter of 2006 and represented 11% of Micron's net sales in the first quarter of 2006. Micron's imaging products have much higher gross margins than the overall gross margins from Micron's memory products. As Micron continues to expand Micron's imaging business, there can be no assurance that Micron will be able to maintain these growth rates or gross margins. The continued success of Micron's imaging products will depend on a number of factors, including:

development of products that maintain a technological advantage over the products of Micron's competitors;

accurate prediction of market requirements and evolving standards, including pixel resolution, output interface standards, power requirements, optical lens size, input standards and other requirements;

timely completion and introduction of new imaging products that satisfy customer requirements;

timely achievement of design wins with prospective customers, as manufacturers may be reluctant to change their source of components due to the significant costs, time, effort and risk associated with qualifying a new supplier; and

efficient, cost-effective manufacturing as Micron transitions to new products and higher volumes.

***Micron may not be able to generate sufficient cash flows to fund its operations and make adequate capital investments.***

Micron's cash flows from operations depend primarily on the volume of semiconductor memory sold, average selling prices and per megabit manufacturing costs. To develop new product and process technologies, support future growth, achieve operating efficiencies and maintain product quality, Micron must make significant capital investments in manufacturing technology, facilities and capital equipment, research and development, and product and process technology. In addition to cash provided by operations, Micron has, from time to time, utilized external sources of financing. Depending on general market and economic conditions or other factors, Micron may not be able to generate sufficient cash flows to fund its operations and make adequate capital investments.

***The semiconductor industry is highly competitive.***

Micron faces intense competition in the semiconductor memory market from a number of companies, including Elpida Memory, Inc., Hynix Semiconductor Inc., Infineon Technologies AG, Samsung Electronics Co., Ltd., SanDisk Corporation and Toshiba Corporation. Additionally, Micron faces competition from emerging companies in Taiwan and China that have announced plans to significantly expand the scale of their operations. Micron faces competition in the image sensor market from a number of suppliers of CMOS image sensors as well a large number of suppliers of CCD image sensors. Some of Micron's competitors are large corporations or conglomerates that may have greater resources to withstand downturns in the semiconductor markets in which Micron competes, to invest in technology and to capitalize on growth opportunities. Micron's competitors seek to increase silicon capacity, improve yields, reduce die size and minimize mask levels in their product designs. These factors have significantly increased worldwide supply and put downward pressure on prices.

***Changes in foreign currency exchange rates could materially adversely affect Micron's business, results of operations or financial condition.***

Micron's financial statements are prepared in accordance with U.S. generally accepted accounting principles and are reported in U.S. dollars. Across Micron's multinational operations, there are transactions and balances denominated in other currencies, primarily the yen and the euro. Micron estimates that, based on its assets and liabilities denominated in currencies other than U.S. dollar as of December 1, 2005, a 1% change in the exchange rate versus the U.S. dollar would result in foreign currency gains or losses of approximately \$0.9 million for the yen and \$0.7 million for the euro. In the event that the U.S. dollar weakens significantly compared to the yen or the euro, Micron's results of operations or financial condition will be adversely affected.

***If Micron's TECH joint venture experiences financial difficulty, or if Micron's supply of semiconductor products from TECH is disrupted, its business, results of operations or financial condition could be materially adversely affected.***

TECH supplied approximately 20% of Micron's total megabits of memory produced in the first quarter of 2006. Micron has agreements to purchase all of the products manufactured by TECH subject to specific terms and conditions. In some periods, Micron has realized higher margins on products purchased from TECH than products manufactured by Micron's wholly owned facilities. Any reduction in supply could materially adversely affect Micron's business, results of operations or financial condition. As of December 1, 2005, Micron had intangible assets with a net book value of \$47.4 million relating to the supply arrangement to purchase product from TECH. In the event that Micron's supply of semiconductor products from TECH is reduced or eliminated, Micron may be required to write off part or all of these assets and its revenues and results of operations would be adversely affected.

***New product development may be unsuccessful.***

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

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

As is typical in the semiconductor and other high technology industries, from time to time, others have asserted, and may in the future assert, that Micron's products or manufacturing processes infringe their intellectual property rights. In this regard, Micron is engaged in litigation with Rambus, Inc. (Rambus) relating to certain of Rambus' patents and certain of Micron's claims and defenses. On August 28, 2000, Micron filed a complaint (subsequently amended) against Rambus in the U.S. District Court for the District of Delaware seeking monetary damages and declaratory and injunctive relief. Among other things, Micron's amended complaint alleges violation of federal antitrust laws, breach of contract, fraud, deceptive trade practices, and negligent misrepresentation. The complaint also seeks a declaratory judgment (i) that certain Rambus patents are not infringed by Micron, are invalid, and/or are unenforceable, (ii) that Micron has an implied license to those patents, and (iii) that Rambus is

estopped from enforcing those patents against Micron. On February 15, 2001, Rambus filed an answer and counterclaim in Delaware denying that Micron is entitled to relief, alleging infringement of the eight Rambus patents named in Micron's declaratory judgment claim, and seeking monetary damages and injunctive relief. A number of other suits are pending in Europe alleging that certain of Micron's SDRAM and DDR SDRAM products infringe various of Rambus' country counterparts to its European patent 525 068, including: on September 1, 2000, Rambus filed suit against Micron Semiconductor (Deutschland) GmbH in the District Court of Mannheim, Germany; on September 13, 2000, Rambus filed suit against Micron Europe Limited in the High Court of Justice, Chancery Division in London, England; on September 22, 2000, Rambus filed a complaint against Micron and Repronic (a distributor of Micron's products) in the Court of First Instance of Paris, France; and on September 29, 2000, Micron filed suit against Rambus in the Civil Court of Milan, Italy, alleging invalidity and non-infringement. In addition, on December 29, 2000, Micron filed suit against Rambus in the Civil Court of Avezzano, Italy, alleging invalidity and non-infringement of the Italian counterpart to European patent 1 004 956. Additionally, other suits are pending alleging that certain of Micron's DDR SDRAM products infringe Rambus' country counterparts to its European patent 1 022 642, including: on August 10, 2001, Rambus filed suit against Micron and Assitec (an electronics retailer) in the Civil Court of Pavia, Italy; and on August 14, 2001, Rambus filed suit against Micron Semiconductor (Deutschland) GmbH in the District Court of Mannheim, Germany. In the European suits against Micron, Rambus is seeking monetary damages and injunctive relief. Subsequent to the filing of the various European suits, the European Patent Office declared Rambus' 525 068 and 1 004 956 European patents invalid and revoked the patents. Micron also is engaged in litigation with Tessera, Inc. relating to certain of Tessera's patents and certain of Micron's patents. On March 1, 2005, Tessera filed suit against Micron in the U.S. District Court for the Eastern District of Texas alleging infringement of five Tessera patents. On June 22, 2005, Micron filed an answer and counterclaim denying Tessera's claims and alleging infringement of eight of Micron's patents. Micron also is engaged in litigation with Tadahiho Ohmi. On June 2, 2005, Ohmi filed suit against Micron in the U.S. District Court for the Eastern District of Texas (amended on August 31, 2005) alleging infringement of a single Ohmi patent.

Among other things, the above lawsuits pertain to certain of Micron's SDRAM, DDR SDRAM, and DDR2 SDRAM products, which account for a significant portion of Micron's net sales. A court determination that Micron's products or manufacturing processes infringe the intellectual property rights of others could result in significant liability and/or require Micron to make material changes to Micron's products and/or manufacturing processes. Micron is unable to predict the outcome of assertions of infringement made against it. Any of the foregoing could have a material adverse effect on Micron's business, results of operations or financial condition.

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

*Allegations of anticompetitive conduct.*

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

Subsequent to the commencement of the DOJ investigation, a number of purported class action lawsuits have been filed against Micron and other DRAM suppliers. Eighteen cases have been filed in various federal district courts (one of which has been voluntarily dismissed) asserting claims on behalf of a purported class of individuals and entities that purchased DRAM directly from various DRAM suppliers during the period from April 1, 1999 through at least June 30, 2002. All of the cases have been transferred to the U.S. District Court for the Northern District of California for consolidated proceedings. The complaints allege price-fixing in violation of federal antitrust laws and seek treble monetary damages, costs, attorneys' fees, and an injunction against the allegedly unlawful conduct. Additionally, four cases have been filed in the U.S. District Court for the Northern District of California asserting claims on behalf of a purported class of individuals and entities that indirectly purchased DRAM and/or products containing DRAM from various DRAM suppliers during the time period from April 1, 1999 through at least June 30, 2002. The complaints allege price fixing in violation of federal antitrust laws and various state antitrust and unfair competition laws and seek treble monetary damages, restitution, costs, interest and attorneys' fees. In addition, at least 62 cases have been filed in various state and federal courts (five of which have been voluntarily dismissed) asserting claims on behalf of a purported class of indirect purchasers of DRAM. Cases have been filed in the following states: Arkansas, Arizona, California, Florida, Hawaii, Iowa, Kansas, Massachusetts, Maine, Michigan, Minnesota, Mississippi, Montana, North Carolina, North Dakota, Nebraska, New Hampshire, New Jersey, New Mexico, Nevada, New York, Ohio, Pennsylvania, South Dakota, Tennessee, Utah, Vermont, Virginia, Wisconsin, and West Virginia, and also in the District of Columbia and Puerto Rico. The complaints purport to be on behalf of individuals and entities that indirectly purchased DRAM and/or products containing DRAM in the respective jurisdictions during various time periods ranging from 1999 through the filing date of the various complaints. The complaints allege violations of various jurisdictions' antitrust, consumer protection and/or unfair competition laws relating to the sale and pricing of DRAM products and seek treble monetary damages, restitution, costs, interest and attorneys' fees. A number of these cases have been removed to federal court and transferred to the U.S. District Court for the Northern District of California (San Francisco) for consolidated proceedings. Additionally, three cases have been filed in the following Canadian courts: Superior Court, District of Montreal, Province of Quebec; Ontario Superior Court of Justice, Ontario; and Supreme Court of British Columbia, Vancouver Registry, British Columbia. The substantive allegations in these cases are similar to those asserted in the cases filed in the United States. Based upon Micron's analysis of the claims made and the nature of the DRAM industry, Micron believes that class treatment of these cases is not appropriate and that any purported injury alleged by plaintiffs in the direct purchaser cases would be more appropriately resolved on a customer-by-customer basis. In addition, the Attorneys General of Arkansas, California, Colorado, Delaware, Florida, Hawaii, Idaho, Illinois, Iowa, Louisiana, Maryland, Mississippi, Nevada, New Jersey, New Mexico, New York, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Texas, Utah, Vermont, Virginia, Washington, West Virginia and Wisconsin are investigating potential state and federal civil claims against Micron and other DRAM suppliers on behalf of state and governmental entities that were direct or indirect purchasers of DRAM and potentially on behalf of other indirect purchasers of DRAM. Micron has been served with civil investigative demands or subpoenas issued by five of the state Attorneys General and is responding to those requests. Micron is unable to predict the outcome of these lawsuits and investigations. The final resolution of these alleged violations of antitrust laws could result in significant liability and could have a material adverse effect on Micron's business, results of operations or financial condition.

On May 5, 2004, Rambus filed a complaint in the Superior Court of the State of California (San Francisco County) against Micron and other DRAM suppliers. The complaint alleges various causes of action under California state law including conspiracy to restrict output and fix prices on Rambus DRAM, or RDRAM, and unfair competition. Tessera also has asserted certain antitrust and unfair competition claims relating to Tessera's packaging technology. These complaints seek treble damages, punitive damages, attorneys' fees, costs, and a permanent injunction enjoining the defendants from the

conduct alleged in the complaints. Micron is unable to predict the outcome of the suit. A court determination against Micron could result in significant liability and could have a material adverse effect on its business, results of operations or financial condition.

***Global economic and political conditions may harm Micron's business.***

Global economic conditions and the effects of military or terrorist actions may cause significant disruptions to worldwide commerce. If these disruptions result in delays or cancellations of customer orders, a decrease in corporate spending on information technology or Micron's inability to effectively market, manufacture or ship its products, Micron's business, results of operations or financial condition could be materially adversely affected.

***Micron faces risks associated with its international sales and operations that could materially adversely affect its business, results of operations or financial condition.***

Sales to customers outside the United States approximated 69% of Micron's consolidated net sales for the first quarter of 2006. In addition, Micron has manufacturing operations in Italy, Japan, Puerto Rico, Scotland and Singapore. Micron's international sales and operations are subject to a variety of risks, including:

currency exchange rate fluctuations;

export and import duties, changes to import and export regulations, and restrictions on the transfer of funds;

political and economic instability;

problems with the transportation or delivery of Micron's products;

issues arising from cultural or language differences and labor unrest;

longer payment cycles and greater difficulty in collecting accounts receivable; and

compliance with trade and other laws in a variety of jurisdictions.

These factors may materially adversely affect Micron's business, results of operations or financial condition.

***If Micron's manufacturing process is disrupted, Micron's business, results of operations or financial condition could be materially adversely affected.***

Micron manufactures products using highly complex processes that require technologically advanced equipment and continuous modification to improve yields and performance. Difficulties in the manufacturing process or the effects from a shift in product mix can reduce yields or disrupt production and may increase Micron's per megabit manufacturing costs. From time to time, Micron has experienced minor disruptions in its manufacturing process as a result of power outages or equipment failures. If production at a fabrication facility is disrupted for any reason, manufacturing yields may be adversely affected or Micron may be unable to meet its customers' requirements and they may purchase products from other suppliers. This could result in a significant increase in manufacturing costs or loss of revenues or damage to customer relationships, which could materially adversely affect Micron's business, results of operations or financial condition.

***Disruptions in Micron's supply of raw materials could materially adversely affect its business, results of operations or financial condition.***

Micron's operations require raw materials that meet exacting standards. Micron generally has multiple sources of supply for its raw materials. However, only a limited number of suppliers are capable of delivering certain raw materials that meet Micron's standards. Various factors could reduce the availability of raw materials such as silicon wafers, photomasks, chemicals, gases, lead frames and molding compound. Shortages may occur, from time to time, in the future. In addition, disruptions in transportation lines could delay Micron's receipt of raw materials. Lead times for the supply of raw materials have been extended in the past. If Micron's supply of raw materials is disrupted or Micron's lead times extended, Micron's business, results of operations or financial condition could be materially adversely affected.

***Products that do not meet specifications or that contain, or are perceived by Micron's customers to contain, defects or that are otherwise incompatible with end uses could impose significant costs on it or otherwise materially adversely affect its business, results of operations or financial condition.***

Because the design and production process for semiconductor memory is highly complex, it is possible that Micron may produce products that do not comply with customer specifications, contain defects or are otherwise incompatible with end uses. If, despite design review, quality control and product qualification procedures, problems with nonconforming, defective or incompatible products occur after Micron has shipped such products, Micron could be adversely affected in several ways, including the following:

Micron may replace products or otherwise compensate customers for costs incurred or damages caused by defective or incompatible products, and

Micron may encounter adverse publicity, which could cause a decrease in sales of its products.

***Micron expects to make future acquisitions where advisable, which involve numerous risks.***

Micron expects to make future acquisitions where it believes it is advisable to enhance stockholder value. Acquisitions involve numerous risks, including:

increasing Micron's exposure to changes in average selling prices for semiconductor products;

difficulties in integrating the operations, technologies and products of the acquired companies;

increasing capital expenditures to upgrade and maintain facilities;

increasing debt to finance any acquisition;

diverting management's attention from normal daily operations;

managing larger operations and facilities and employees in separate geographic areas; and

hiring and retaining key employees.

Mergers and acquisitions of high-technology companies are inherently risky, and future acquisitions may not be successful and may materially adversely affect Micron's business, results of operations or financial condition.





## Risks Related to Lexar

### Risks Related to Lexar's Business

*Lexar has a history of losses and may not be able to become profitable.*

Lexar incurred net losses in both 2004 and 2005, including a net loss of \$23.8 million in the fourth quarter of 2005 and a net loss of \$36.2 million for fiscal 2005, and Lexar expects to continue to incur net losses for the foreseeable future. As of December 31, 2005, Lexar had an accumulated deficit of approximately \$203.7 million. Lexar's ability to become profitable depends on the rate of price decreases for its products; the cost of its components, particularly flash memory; the growth of the markets for digital cameras or other host devices that use digital storage media; the extent to which its products, particularly its higher-margin products, are accepted by these markets; its ability to charge a premium for its higher-performance products; the success of its products and distribution channel; its ability to control its operating expenses, particularly its litigation costs; its ability to generate increased licensing revenue from its intellectual property; and its ability to adequately manage its inventories and the challenges associated with the breadth and diversity of its product offerings. Lexar also must continue to reduce the costs of producing and selling its flash media products by controlling its internal and channel inventories, securing the best available pricing for flash memory and components used in Lexar's digital media products and reducing its manufacturing costs. If Lexar is unsuccessful in increasing revenues from its higher margin products and controlling its operating expenses, Lexar may not be able to become profitable on a quarterly or an annual basis.

*Lexar's products are characterized by average selling prices that have historically declined over relatively short time periods and Lexar is currently in a period of very significant price declines. If Lexar is unable to effectively manage its inventories and channel inventories, reduce its costs, introduce new products with higher average selling prices or increase its sales volumes, its revenues and gross margins will be negatively impacted.*

Lexar's competitors and customers impose significant pricing pressures on Lexar. In the first quarter of 2006, Lexar's competitors' prices have declined dramatically. Lexar's prices have fallen faster than its costs, particularly the cost of flash memory, which has resulted in additional margin pressure. In addition, because a large percentage of Lexar's sales are to a small number of customers that are primarily retail consumer chains, distributors and large OEMs, these customers have exerted, and Lexar expects they will continue to exert, pressure on Lexar to make price concessions or to match pricing of Lexar's competitors. In the past, Lexar has significantly reduced the prices of many of its flash products from time to time. Lexar reduced prices again in the first quarter of 2006, and Lexar expects it will need to continue to do so to remain competitive. Any reduction in prices by Lexar in response to pricing pressures will hurt its gross margins unless Lexar can reduce its costs and manage its internal and channel inventories to minimize the impact of such price declines.

If Lexar is unable to reduce its costs to offset declines in average selling prices or increase the sales volume of its existing products, particularly higher-capacity or premium products, Lexar's revenues and gross margins will be adversely affected. This may negatively impact Lexar's anticipated growth in product revenues as well as Lexar's gross margins, particularly if the decline in its average selling prices is not matched by price declines in its component costs, primarily the cost of flash memory. Furthermore, even if Lexar experiences price declines in its component costs, such price reductions could result in reduced margins when it sells products that include components in inventory which were previously purchased at a higher price.

***Because Lexar protects many of its retail customers and distributors against the effects of price decreases on their inventories of its products, Lexar has in the past and may in the future incur large price protection charges if it reduces its prices when there are large quantities of its products in its distribution channel.***

Nearly all of Lexar's retail product sales in 2003, 2004, and 2005 were made through resellers to which Lexar has provided price protection. Price protection allows customers to receive a price adjustment on existing inventory when its published price is reduced. In an environment of slower demand and abundant supply of products, price declines and channel promotions expenses are more likely to occur and, should they occur, are more likely to have a significant impact on Lexar's operating results. Further, in this environment, high channel inventory may result in substantial price protection charges. These price protection charges have the effect of reducing gross sales and gross margin. Price protection in Lexar's retail channel was approximately \$13.3 million, or 3.4% of product revenues, during 2003; approximately \$52.6 million, or 7.8% of product revenues, during 2004; and, approximately \$19.3 million, or 2.3% of product revenues, during 2005. In the first quarter of 2006, Lexar has had to reduce its prices significantly in response to competitive pressures. Lexar anticipates that it will continue to incur price protection charges for the foreseeable future due to competitive pricing pressures and, as a result, its revenues and gross margins will be adversely affected.

***Lexar has written down and may need to further write-down its inventory if its sales levels do not match its expectations or if selling prices decline more than it anticipates, which could adversely impact Lexar's revenues and gross margins.***

Lexar operates in an industry that is characterized by intense competition, supply shortages or oversupply, rapid technological change, evolving industry standards, declining average selling prices and rapid product obsolescence, all of which make it more challenging to effectively manage Lexar's inventory. Lexar's inventories are stated at the lower of cost or market value. Determining market value of inventories involves numerous judgments, including judgments regarding average selling prices and sales volumes for future periods. Lexar primarily utilizes estimated selling prices for measuring any potential declines in market value below cost. When market value is determined to be below cost, Lexar makes appropriate allowances to reduce the value of inventories to net realizable value. This may occur where Lexar determines that inventories are slow moving, obsolete or excess or where the selling price of the product is insufficient to cover product costs and selling expenses.

Lexar has a significant amount of inventory related to its packaging and labels. Lexar had previously announced its introduction of a new branding campaign. As Lexar transitioned to new packaging related to its new branding initiatives, Lexar had excess inventory related to earlier brand designs. Lexar is also in the process of shifting and has shifted to other suppliers to meet its packaging needs. Certain of Lexar's suppliers purchase components on its behalf. As Lexar shifted to new suppliers, it had additional write downs associated with inventory that was slow-moving, obsolete or excess or could not be transferred to its new suppliers. Cost of product revenues in 2003, 2004 and 2005 include the write-down of inventories totaling \$4.1 million, \$17.4 million and \$31.0 million, respectively. If actual product demand or selling prices are less favorable than Lexar estimates, Lexar may be required to take additional inventory write-downs and its revenues and gross margins will be negatively impacted.

As part of Lexar's write-down of inventory in 2005, Lexar took into account adverse purchase commitments along with inventory held at its contract manufacturers and fulfillment houses where purchases were made on its behalf based on forecasts. Lexar reserved approximately \$2.6 million for this inventory in the fourth quarter since usage of these supplies has not occurred or are not contemplated to occur within a reasonable time.

*Lexar's operating results and gross margins have fluctuated in the past, may fluctuate significantly in the future and are difficult to predict. If Lexar's future results are below the financial guidance provided by Lexar or the expectations of investors or securities analysts, the market price of its common stock could decline significantly.*

Lexar's operating results and gross margins have fluctuated in the past and may vary significantly in the future based on a number of factors related to its industry and the markets for its products. Lexar will have little or no control over many of these factors and any of these factors could cause Lexar's operating results and gross margins, and consequently the price of its common stock, to fluctuate significantly. These factors include, among others:

competitive pricing pressures for the products Lexar sells, including the timing and amount of any reductions in the average selling prices of Lexar's products and services;

the failure of cost decreases to keep up with price decreases for Lexar's products;

the timing and amount of expenses related to obsolescence and disposal of excess inventory and the difficulty of forecasting and managing Lexar's inventory levels, including inventories on consignment and at contract manufacturers;

the amount of price protection, volume incentive rebates, discounts, market development funds, cooperative advertising payments and other concessions and discounts that Lexar may need to provide to some of its customers due to competitive pricing pressures;

the mix of business between retail, OEM and licensing;

whether Lexar can sell controllers, digital media accessories and other components in the volumes and at the prices it anticipates;

fluctuation in demand for Lexar's products, including seasonal demand for its products and the volume and timing of potential retail customer and distributor orders;

the timely availability of flash memory, particularly flash memory that meets Lexar's technological requirements and the availability to Lexar of lower cost multi-level cell, or MLC, flash memory;

the decision of Lexar's customers to return products or rotate their stock;

the inability of suppliers to fully indemnify Lexar should Lexar be subjected to litigation;

the availability of sufficient silicon wafer foundry capacity and product components to meet customer demand;

the difficulty of forecasting sell-through rates of Lexar's products and their impact on inventory levels at its resellers if sell-through data is not timely reported to Lexar, which may result in additional orders being delayed or reduced and inventory being returned;

price reductions in key components, such as flash memory, which could result in reduced margins when selling products that include previously purchased components held in inventory;

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increases in costs charged by Lexar's component or card suppliers or the failure of its suppliers to decrease the prices they charge to Lexar when industry prices decline;

the timing and amount of orders or cancellations from existing and new customers and penalties imposed by customers for failure to meet their requirements;

the commencement of, involvement in or the expansion, appeal or settlement of Lexar's litigation;

any changes in the trend of declining average selling prices per unit sold of digital storage media;

competing flash card standards, which displace the standards used in Lexar's products and Lexar's customers' products;

shortages of components such as capacitors and printed circuit boards required for the manufacturing of Lexar's products;

exchange rate fluctuations, particularly the U.S. dollar to British pound and Japanese yen and the British pound to Euro exchange rates;

the announcement or introduction of products and technologies by competitors; and

potential product quality problems which could raise return or rework costs.

In addition, as a result of the emerging nature of Lexar's market, Lexar may be unable to accurately forecast its revenues and gross margins. Lexar incurs expenses based predominantly on operating plans and estimates of future revenues. Lexar's expenses are to a large extent fixed in the short term and it may not be able to adjust them quickly to meet a shortfall in revenues during any particular quarter. Lexar also plans inventory levels based on anticipated demand for its products and on anticipated product mix. As Lexar anticipates increased demand for certain products Lexar increases its level of inventory, which results in increased risk if it inaccurately estimates anticipated demand. Also, because of irregular component shipments from certain of its suppliers, Lexar has had to carry a higher level of inventory as a buffer against delivery delays. Any significant shortfall in revenues in relation to Lexar's expenses and planned inventories would decrease its net income or increase its operating losses and harm its financial condition. Declines in Lexar's operating results or gross margins may cause Lexar to fail to meet the expectations of investors or securities analysts, which would be likely to cause the market price of its common stock to decline.

***An unfavorable outcome or delays with respect to Lexar's ongoing litigation could lead to a decline in its stock price and have a negative impact on its ability to increase its licensing revenues.***

In March 2005, a jury found Toshiba Corporation and Toshiba America Electronic Components, Inc. liable to Lexar for breach of fiduciary duty and theft of trade secrets and awarded Lexar over \$465 million in damages, including a punitive damage award for conduct by Toshiba that the jury found to be oppressive, fraudulent or malicious.

On December 2, 2005, the Court issued an order granting defendants' motion for a new trial on the economic and monetary awards for misappropriation of trade secrets and breach of fiduciary duty. The Court denied defendants' motion for a new trial on all other grounds and also denied the motion for judgment notwithstanding the verdict. The effect of the Court's order is that the jury's damage award of approximately \$465 million has been set aside and interest will not accrue on this amount.

Both defendants and Lexar have appealed the Court's December 2, 2005 order. Defendants have appealed from those portions of the order that denies them a new trial on liability and denies their motion for judgment notwithstanding the verdict. Lexar has appealed from that portion of the order that grants defendants a new trial on damages. Defendants have also protectively cross-appealed from the judgment, meaning that should the order granting a new trial on damages be set aside, the Court of Appeals would need to address aspects of the judgment that defendants challenge in that context. In all events, because of the parties' cross appeals from the new trial order, the Court of Appeals will address both damages and liability issues presented by the jury's verdict.

If the briefing goes as expected, Lexar expects that the Court of Appeals will hold argument on the appeals in the third or fourth quarter of 2007. There are a number of possible dispositions of the appeal, including an across-the-board affirmance of the order granting a new damages trial and denying

defendants' motion for judgment notwithstanding the verdict. If this occurs, and if the Supreme Court does not grant review of the Court of Appeal's decision, the new damages trial would likely take place in the Santa Clara County Superior Court in 2008. If the Supreme Court granted review, however, the appellate proceedings would likely not conclude until 2010, with a new damages trial possible thereafter.

During the time the case remains pending, Lexar expects to incur substantial additional legal costs. The Court of Appeals could also award the payment of costs to the prevailing party on appeal which could be in the millions of dollars. If Toshiba prevailed on appeal or if the appeal were delayed, this could adversely affect Lexar's ability to secure additional licensing revenue either from Toshiba or other potential licensees and, have a negative impact on the value of its stock.

***Lexar has changed its pricing strategy to aggressively match its competitors' product price declines, which could result in reductions to its revenues, gross margins and market share.***

In the first quarter of 2005, Lexar announced that it would focus its business on profitability, potentially at the expense of revenue growth and market share. However, in the first quarter of 2006, Lexar's competitors made very significant across the board price decreases affecting substantially all of Lexar's products. In response to these competitive pricing pressures in the first quarter of 2006, Lexar has had to adjust its strategy and it has significantly lowered its prices to remain competitive in the market place. Lexar may be required to make further price reductions in response to competitive pricing pressures. Lexar intends to continue to manage its selling prices with the intention of focusing on profitability as much as possible while balancing its goal to maintain its retail market position. If Lexar cannot offset such lower prices with lower costs through its suppliers, it will have a negative impact on its gross margins. If the retail selling prices of Lexar's products are not competitive with Lexar's competitors' selling prices, its resellers may further reduce their orders, purchase from other vendors or return unsold product to Lexar within the scope of their agreements.

***Lexar expects that its controller and other component sales will decline in the first quarter of 2006 and beyond which will cause its revenues, gross margins and results of operations to be negatively impacted.***

In 2005, Lexar's revenues from its OEM channel increased to \$196.7 million. Lexar's OEM channel sales consist primarily of kits consisting of its controller with other components, such as flash memory, as well as its controllers sold as a stand-alone product, and to original equipment manufacturers, and companies that target the flash card market. Lexar's components business grew rapidly in 2005 because of the general industry shortage in flash memory. Lexar's component customers include OEMs and companies that serve retail card markets. This business is opportunistic and generally depends on tight flash supply. Lexar currently expects its controller and other component revenues to significantly decrease in the first quarter of 2006 and beyond. As Lexar's sales of these components decline, or if Lexar cannot successfully sell such products according to its current plans or maintain the rights to do so, its revenues and results of operations would be negatively impacted. Lexar's sales of other components also had a positive impact on its days sales outstanding which will be negatively impacted as such sales decrease.

***If Lexar is unable to continue to develop, competitively market and successfully sell its JumpDrive portable flash storage product line, its revenues, gross margins and results of operations will be negatively impacted.***

Lexar derives a significant portion of its revenues and gross margin from sales of its JumpDrive flash storage products. The market for USB drives has become increasingly competitive. Lexar believes that design has become an important selling feature for these products unlike other flash cards which have fixed dimensions and specifications. If Lexar cannot continue to develop, market and sell these products, particularly with designs that appeal to a broad group of customers, and successfully educate

consumers regarding the products' selling features in order to gain commercial acceptance and premium pricing, Lexar's revenues, gross margins and operating results may suffer.

*Lexar depends on a few key customers and the loss of any of them could significantly reduce its revenues.*

Historically, a small number of Lexar's customers have accounted for a significant portion of its revenues. During 2005, sales to the ten customers from which Lexar received the greatest revenues accounted for approximately 47.9% of Lexar's gross revenues while sales to one customer, Wal-Mart (including Sam's Club), represented 19.6% of Lexar's gross revenues. In 2005, Lexar lost product placements to its competitors at certain retailers and other retail accounts due to competitive pricing pressures and its focus on profitability, and Lexar expects that if it does not maintain competitive pricing, such accounts will continue to be a smaller portion of its business in 2006 and for the foreseeable future.

Lexar's revenues could decline if one or more of Lexar's largest customers were to:

significantly reduce, delay or cancel their orders;

decide to purchase digital media manufactured by one of Lexar's competitors;

terminate their relationship with Lexar;

develop and manufacture their own digital media; or

cease operations due to a downturn in the global economy.

In addition, Lexar does not carry credit insurance on its accounts receivables and any difficulty in collecting outstanding amounts due from its customers, particularly customers that place larger orders or experience financial difficulties, could adversely affect Lexar's revenues and Lexar's net income. Because Lexar's sales are made by means of standard purchase orders rather than long-term contracts, there can be no assurance that these customers will continue to purchase quantities of Lexar's products at current levels, or at all.

Lexar expects its operating results for at least the next several years to continue to depend on sales to a relatively small number of customers.

*A lack of effective internal control over financial reporting could result in an inability to accurately report Lexar's financial results that could lead to a loss of investor confidence in Lexar's financial reports and have an adverse effect on Lexar's stock price.*

Effective internal control over financial reporting is essential for Lexar to produce reliable financial reports. If Lexar cannot provide reliable financial information or prevent fraud, its business and operating results could be harmed. Lexar has in the past discovered, and may in the future discover, deficiencies in Lexar's internal control over financial reporting. In connection with Lexar's management's evaluation of Lexar's internal control over financial reporting as of December 31, 2005, management identified two control deficiencies that constitute material weaknesses. As more fully described in Item 9A of Lexar's Annual Report on Form 10-K for the year ended December 31, 2005, which is incorporated by reference into this proxy statement/prospectus, as of December 31, 2005, Lexar's management determined that Lexar did not maintain effective internal control over:

revenue recognition; and

the accounting for inventory.

As a result of the material weaknesses identified, Lexar concluded that its internal control over financial reporting was not effective as of December 31, 2005, and PricewaterhouseCoopers LLP, Lexar's independent registered public accounting firm, issued an adverse opinion on the effectiveness of





Lexar's internal control over financial reporting as of December 31, 2005. Although Lexar has continued to take certain steps to remediate the material weaknesses identified in its internal control over financial reporting, these measures have not been entirely successful, and Lexar continues to record post-closing adjustments with respect to revenue recognition, accounting for inventory and inventory valuation reserves and related accruals. Lexar is working to identify additional controls and procedures, and Lexar will need to test the effectiveness of these ongoing actions. A failure to successfully implement and maintain effective internal control over financial reporting, including any ineffectiveness of the corrective actions Lexar implements to address the control deficiencies, could result in a material misstatement of Lexar's financial statements or otherwise cause Lexar to fail to meet its financial reporting obligations. This, in turn, could result in a loss of investor confidence in the accuracy and completeness of Lexar's financial reports, which could have an adverse effect on Lexar's stock price.

***Lexar's strategic partnership with Kodak and Lexar's ongoing relationships with OEM customers pose significant challenges for Lexar, and if Lexar is unable to manage these relationships, its business and operating results will be adversely affected.***

Lexar has entered into an exclusive multi-year agreement with Eastman Kodak Company, or Kodak, under which Lexar will manufacture and distribute a full range of KODAK branded memory cards. The management of the Kodak business could adversely affect Lexar's revenues and gross margins if Lexar is, among other things, unable to:

- properly manage the distribution and use of the KODAK brand;
- control the sales and marketing expenses associated with launching the brand in new channels;
- plan for anticipated changes in demand;
- effectively leverage the KODAK brand to achieve premium pricing and grow market share;
- maintain the market share position of the Lexar brand; and
- appropriately allocate resources to support a dual branding strategy.

In the future, a meaningful portion of Lexar's revenue may be derived from sales of digital media under the Kodak brand. Lexar has a number of obligations that Lexar must fulfill under Lexar's agreement with Kodak to keep the license exclusive and to keep it in effect. These obligations include compliance with Kodak guidelines and trademark usage, customer satisfaction, and the requirement that Lexar meet market share goals and target minimum royalty payments. As of December 31, 2005, Lexar had not met these targets. As a result, Kodak may in the future have the right to make Lexar's license non-exclusive or to terminate Lexar's license in its entirety. If Lexar was to lose the rights to sell products under the Kodak brand, Lexar's financial results could be significantly negatively impacted.

In addition, Lexar's business may also be negatively impacted if it is unable to manage its existing relationships with its OEM customers. Lexar's OEM customers include many large domestic and international companies that have greater financial resources and bargaining power than Lexar does. As a result, Lexar's agreements with some of these customers include restrictions and commitments that could adversely affect its revenues and gross margins. These contractual provisions include, among others:

- guaranteed pricing and price protection;
- commitments to supply product at the customer's requested volumes; penalties for late shipment, delivery cancellation or failure to meet certain quality assurances;

agreements not to sue, or assert Lexar's intellectual property rights against, such customers; and

limitations on Lexar's ability to terminate such agreements.

***Lexar is substantially leveraged, which could adversely affect Lexar's ability to adjust its business, to develop or enhance its products, expand its operations, respond to competitive pressures or obtain additional financing.***

Lexar has significant indebtedness. In March and May 2005, Lexar issued \$70.0 million in aggregate principal amount of 5.625% Senior Convertible Notes due April 1, 2010. In addition, as of December 31, 2005, Lexar had borrowed \$54.7 million under the Wells Fargo Foothill asset-based credit facility, which has since been repaid.

The degree to which Lexar is leveraged could have important consequences, including, but not limited to, the following:

Lexar's ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate or other purposes may be limited;

a substantial portion of Lexar's cash flow from operations will be dedicated to the payment of the principal and interest on Lexar's indebtedness;

if Lexar elects to pay any premium on the senior convertible notes with shares of its common stock or Lexar is required to pay a "make-whole" premium with its shares of common stock, Lexar's existing stockholders' interest in Lexar would be diluted; and

Lexar may be more vulnerable to economic downturns, less able to withstand competitive pressures and less flexible in responding to changing business and economic conditions.

Lexar's ability to pay interest and principal on Lexar's asset-based credit facility and debt securities, to satisfy other debt obligations which may arise and to make planned expenditures will be dependent on Lexar's future operating performance, which could be affected by changes in economic conditions and other factors, some of which are beyond Lexar's control. A failure to comply with the covenants and other provisions of Lexar's debt instruments could result in events of default under such instruments, which could permit acceleration of the debt under such instruments and in some cases acceleration of debt under other instruments that may contain cross-default or cross-acceleration provisions. At December 31, 2005, Lexar was in technical default of one of the reporting covenants under the Wells Fargo Foothill facility. Although Lexar has obtained from the bank a waiver of Lexar's compliance with this covenant and any corresponding event of default, there is no assurance that the bank will provide a waiver in the event of any future non-compliance. If Lexar is at any time unable to generate sufficient cash flow from operations to service Lexar's indebtedness, Lexar may be required to attempt to renegotiate the terms of the instruments relating to the indebtedness, seek to refinance all or a portion of the indebtedness or obtain additional financing. There can be no assurance that Lexar will be able to successfully renegotiate such terms, that any such refinancing would be possible or that any additional financing could be obtained on terms that are favorable or acceptable to Lexar.

If Lexar cannot raise needed funds on acceptable terms, or at all, it may not be able to maintain its product development schedule, respond to competitive pressures or grow its business. Failure to obtain additional funds when required could also result in inadequate capital to operate Lexar's business in accordance with Lexar's plans and require it to cut back operations, which could result in a further decline in revenues, or to cease its operations. If Lexar needs to raise additional funds during the next twelve months to fund potential growth or Lexar's operations, it could be difficult to obtain additional financing on favorable terms, or at all. Lexar may try to obtain additional financing by issuing shares of common stock, preferred stock, convertible debt securities, or warrants or otherwise, which could dilute Lexar's existing stockholders.

*Lexar primarily depends upon Samsung for its flash memory. If Samsung is unable to provide Lexar with sufficient quantities of flash memory when Lexar needs it at prices and sales terms that allow Lexar to be competitive in the marketplace, if Samsung is unable to remain technologically competitive, or if Samsung were to reduce or eliminate Lexar's credit terms, Lexar would not be able to manufacture and deliver digital media to Lexar's customers in accordance with their volume, price and schedule requirements, which would have a serious negative impact on Lexar's revenues and margins.*

As a result of the supply agreement Lexar entered into with Samsung in 2001, Samsung is Lexar's primary supplier of flash memory, which is the primary cost of Lexar's digital media. During 2005, the demand for flash memory was greater than the supply of flash memory due to the continuing demand for digital consumer products, such as cellular phones, digital cameras and MP3 players, and accompanying digital media products. Lexar expects that flash will again become in tight supply in the second half of 2006. If Lexar is unable to obtain sufficient quantities of flash memory from Samsung or from another flash memory supplier in a timely manner and at competitive prices, it will not be able to manufacture and deliver flash memory products to satisfy its customers' requirements.

Lexar typically needs to build a strategic inventory of key components, including flash, in advance of its customers' needs. If Lexar does not forecast accurately, it may not have enough flash to build cards to meet its customers' needs or it may have too much inventory or inventory of the wrong type.

Although a number of semiconductor companies have begun to manufacture flash memory that would meet some of Lexar's needs, Lexar expects Samsung and Toshiba will continue to dominate the market for high density flash chips as the new flash memory suppliers are generally beginning their production with lower density products and are not expected to bring significant supply of larger capacity flash to market over the period. The new flash suppliers have been delayed in their efforts to enter the flash chip market and their technical roadmaps may now be substantially behind the products manufactured and sold by Samsung and Toshiba. Even as additional flash memory capacity becomes available from new suppliers, these suppliers may not be able to supply Lexar's flash memory needs at competitive prices if Lexar cannot obtain adequate supplies from Samsung. Even if Lexar is able to obtain flash memory in sufficient volumes and on schedules that permit it to satisfy its delivery requirements, the prices charged by Samsung or other suppliers have not and may not enable Lexar to compete effectively in Lexar's market. If Lexar is unable to satisfy the requirements of its customers or supply digital media to them in the volumes and at the pricing they request, they will likely reduce future orders, impose penalties on Lexar for failure to meet their requirements or eliminate Lexar as a supplier. Lexar's reputation would likely also be harmed and it may not be able to replace any lost business with new customers. If Lexar is unable to obtain flash memory at economical prices, its gross margins would decline unless Lexar could raise the prices of its products in a commensurate manner or offset the cost increases elsewhere. The existing competitive conditions in Lexar's industry may not permit Lexar to do so, which would adversely impact Lexar's revenues and gross margins.

In addition, if Samsung does not offer Lexar prices, sales terms and credit terms that are appropriate to meet Lexar's growing needs, Lexar might have to seek alternate suppliers or additional financing. If Samsung does not follow through on its agreements with Lexar with respect to allocation of flash supply, flash packaging types that it would provide, pricing and other rights, Lexar's revenue and margins would be adversely affected. Samsung may not be able to offer Lexar flash memory in the type of packaging or technical specifications that Lexar needs which would leave Lexar unable to manufacture certain card formats. Additionally, Samsung and other current and potential suppliers of flash memory are located in Asia, a region that has been, and in the future may be, affected by economic and political instability that could adversely affect the price and supply of flash memory. Furthermore, if Samsung is unable to increase its output of flash memory in a manner commensurate with Lexar's needs, or to manufacture flash memory that is technologically and price competitive, or if it has any interruptions in shipment for any reason, Lexar would be unable to satisfy its customers' requirements. For example, Samsung has previously emphasized smaller flash geometries over multi-

level cell technology. In contrast, Toshiba and SanDisk are manufacturing multi-level cell technology in volume at high yields, which appears to give them significant cost advantages over single-level cell technologies.

Samsung has from time to time considered directly entering the retail market for flash media, which would make it a direct competitor to Lexar. Because flash memory represents a significant portion of the cost of flash media, flash manufacturers like Samsung may have a competitive advantage.

In October 2005, Lexar agreed to extend its supply agreement with Samsung until March 2011, unless the agreement is earlier terminated as a result of a party's breach of the agreement or bankruptcy. If Lexar's supply agreement with Samsung were to terminate and Lexar was unable to secure a sufficient volume of flash memory from other suppliers at competitive pricing, Lexar's ability to deliver flash memory products to satisfy its customers' requirements would be negatively impacted.

***In 2005, Lexar modified its pricing strategy and significantly reduced its promotional programs. Additionally, in the first quarter of 2005, Lexar increased prices on certain products to most of its customers to better align its selling prices with its cost structure. Many of Lexar's retail customers and distributors have rights of return, and if they decide to terminate their relationships with Lexar and purchase from other vendors as a result of those actions, similar future actions or otherwise, Lexar may be required to take back large quantities of unsold customer inventory which could have an adverse effect on its revenues.***

Substantially all of Lexar's sales of its digital media products to end-users are made through distributors and retailers. Lexar's sales through these channels often include rights to return unsold customer inventory still in the customers' inventory for credit. In 2005, Lexar modified its pricing strategy and significantly reduced its promotional programs. Additionally, in the first quarter of 2005, Lexar increased prices on certain products to most of its customers to better align its selling prices with its cost structure, and many of its products remain priced at a premium in relation to certain of its competitors. If Lexar's products do not sell through to the end customer, Lexar's resellers or their customers may decide to reduce their orders, purchase from other vendors or return unsold product to Lexar. In the past several quarters, Lexar has lost product placements to its competitors at Wal-Mart (including Sam's Club), CompUSA, Best Buy, Circuit City and other resellers in part because of Lexar's pricing strategy and competitive pricing pressures. In addition, at Wal-Mart (including Sam's Club), which accounted for 19.6% of Lexar's gross revenue in 2005, Lexar has experienced a significant decline in sales due to the addition of other vendors.

If Lexar's resellers reduce or cancel their orders, they may also decide to exercise their rights of return and require that Lexar take back large quantities of unsold customer inventory. As a result of the product placements Lexar has recently lost to its competitors at certain resellers, Lexar has experienced an increase in product returns. Lexar's customers generally place orders on the expectation of certain promotional support from Lexar, and if Lexar does not increase its promotional activities, those customers may decide to return significant amounts of products. Furthermore, if there are significant inventories of old products in Lexar's distribution channel when a new product is released, or if these distributors and retailers are unsuccessful in selling Lexar's products, there could be substantial product returns. If Lexar's reserves are insufficient to account for these or future returns or if Lexar is unable to resell these products on a timely basis at similar prices, Lexar's revenues may be reduced. Because the market for Lexar's products is rapidly evolving, Lexar may not be able to resell returned products at attractive prices or at all.

***Lexar depends on single suppliers for certain key components and products. Lexar does not have long-term supply contracts with many of these suppliers and Lexar is therefore exposed to certain risks, including price increases, late deliveries, poor component quality and a potential inability to obtain an adequate supply of components. In addition, there is a risk that Lexar will have inadequate or incomplete indemnification from these suppliers, so it also faces the risk that its margins and operating results would be severely negatively impacted if such components or products infringe the intellectual property rights of a third party or if it is found to owe license fees or royalties relating to these products.***

Lexar has a sole source of supply for certain key components in its digital media. Because Lexar depends on single suppliers for certain key components, and does not have a long-term supply contract with many of these suppliers, Lexar faces the risk of inadequate component supply, price increases, late deliveries and poor component quality. Any supplier may terminate their relationships with Lexar or pursue other relationships with Lexar's competitors, and if Lexar was to lose its relationship with these single suppliers, the lead time required to qualify new suppliers could be significant. Also, if Lexar loses its single suppliers or these suppliers are otherwise unable to satisfy Lexar's volume and delivery schedule requirements, it may be difficult to locate any suppliers who have the ability to develop, manufacture and deliver the specialized components Lexar needs for its products. If Lexar is unable to accurately predict its supply needs, or if Lexar's supply of components is disrupted, Lexar may incur significant inventory write downs, and Lexar may lose customers, incur penalties from its customers or be unable to attract new customers.

Furthermore, not all of Lexar's suppliers provide Lexar with indemnification regarding Lexar's purchases. Other suppliers impose limits on their indemnification obligations. If such components or products infringe the intellectual property rights of a third party either alone or in combination or if Lexar is found to owe license fees or royalties relating to these components or products, Lexar's margins and operating results would be severely negatively impacted.

Lexar also does not currently manufacture certain digital media formats, such as the Secure Digital Card formats as well as certain of its JumpDrive products, with its own controllers. Lexar also does not manufacture its xD cards. Lexar does not have long-term supply contracts with all of these suppliers, and therefore faces the risk of inadequate supply, price increases, late delivery or unavailability and the need to maintain buffer inventory. If Lexar's supply of such products is disrupted, Lexar will lose existing customers and may be unable to replace them or to attract new ones.

***If Lexar is unable to generate increased revenue from licensing its intellectual property, its gross margins and results of operations would be negatively impacted.***

Lexar has historically derived the substantial majority of its licensing revenue from a limited number of sources. If Lexar fails to generate significant licensing revenues or increase the revenues Lexar derives from its higher margin controller sales, Lexar may not grow its revenues and margins. In March 2002, Lexar executed a license agreement with Samsung that provided for fixed license payments through March 31, 2004 and variable based royalties thereafter. In October 2005, Lexar entered into a license and strategic alliance agreement with Samsung that modified and extended Lexar's original agreements. As a result, Lexar received significant non-recurring license payments during the fourth quarter of 2005 and the first quarter of 2006. The payments received under this agreement are being recognized over a three-year period beginning in November 2005. There can be no assurance that Lexar will be successful in its efforts to secure new license or royalty revenues from Samsung or others, and its failure to do so could negatively impact its operating results.

***Lexar needs to improve its operations infrastructure and its supply chain.***

Lexar currently intends to implement significant changes in its supply chain. These changes include establishing a new operational hub in Asia, requiring more of Lexar's suppliers to sell Lexar

components on consignment, and changing Lexar's current distribution arrangements. If these changes are not implemented smoothly, Lexar would be at risk of severe product interruptions which would negatively impact its revenues and its relationships with its customers.

If Lexar's component suppliers are not able to meet Lexar's demand in a timely manner, Lexar may not be able to manufacture and package products quickly enough to meet customer demand. If this were to occur, customers would likely cancel orders or switch suppliers. In addition, if Lexar is unable to manufacture products at rates sufficient to keep up with Lexar's component purchases, Lexar may have too much inventory that would later need to be written down if component prices decrease. This challenge is exacerbated by the fact that Lexar's contract manufacturers and fulfillment houses place orders for materials and components on Lexar's behalf according to Lexar's forecasts. Because of the seasonality in Lexar's business, inventory planning becomes particularly important. If Lexar is not able to manage its component purchases and inventory appropriately, its financial results will be negatively impacted.

In addition, Lexar must continue to make significant investments in its existing internal information management systems to support increased manufacturing, as well as accounting and other management related functions. Lexar's systems, procedures and controls may not be adequate to support rapid growth, and as described in further detail in Item 9A of Lexar's Annual Report on Form 10-K for the year ended December 31, 2005, which is incorporated by reference into this proxy statement/prospectus, as of December 31, 2005, Lexar identified two deficiencies in its internal control over financial reporting that were determined to be material weaknesses. There can be no assurance that Lexar will not have internal control deficiencies in the future, including deficiencies that may be deemed to be material weaknesses, which could in turn harm its business, financial condition and results of operations. In addition, any improvement in economic conditions will likely extend the lead-time for procuring components. If Lexar does not plan properly or if the demand rises too quickly, Lexar will face material shortages.

***The solid-state storage market is evolving and Lexar may not have rights to manufacture and sell certain types of flash card formats or Lexar may be forced to pay a royalty to sell digital media in these formats. Future digital media formats may not use Lexar's core technology.***

Many digital cameras and other consumer devices use digital media formats such as the Secure Digital, or SD, Card, MicroSD or xD Picture Card formats, which Lexar does not have the rights to manufacture. Lexar's cost structure on these products is higher than its cost structure for other products. The Secure Digital Card was introduced by a consortium consisting of SanDisk, Matsushita and Toshiba. The consortium charges significant license fees to other companies that want to manufacture SD Cards. The Secure Digital Card and the xD Picture Card have continued to rapidly gain broad consumer acceptance. This has resulted, and will likely continue to result in, a decline in demand, on a relative basis, for products that Lexar has the rights to manufacture without the payment of a royalty. Also, SanDisk and M-Systems have created a new organization called U3 which purports to set standards for features relating to USB flash drives. If U3 based USB flash drives were to be widely accepted and Lexar was required to pay a royalty to manufacture such products, it would have a negative impact on Lexar's margins.

Lexar believes that one of its advantages is its ability to offer retailers all major flash card formats, and, if Lexar was unable to supply all flash card formats at competitive prices or if it was to have product shortages, its margins would be adversely impacted and its customers would likely cancel orders or seek other suppliers to replace Lexar.

***Lexar markets its digital media primarily on the basis of its superior technology. If Lexar is unable to achieve or maintain technological leadership or gain commercial acceptance of the performance and technology advantages of Lexar's products, its revenues and gross margins would likely decline significantly.***

Lexar markets its digital media primarily on the basis of its performance and technology advantage over Lexar's competitors' products. In doing so, Lexar has emphasized Lexar's speed and other advantages over Lexar's competitors' products and has tried to establish itself as the brand of choice among professional photographers. From time to time Lexar's competitors have introduced products for which they have claimed large storage capacities, high, sustained write speeds, including write speeds faster than that of some of Lexar's own competing products, and similar functionality to that of Lexar's own products. If Lexar is unable to design and manufacture products that are technologically superior to those of its competitors, if Lexar loses its status as a brand preferred by professional photographers or if Lexar is unable to gain commercial acceptance of the performance and technology advantages of its products, Lexar will be unable to achieve a premium price for its products. If this were to occur, Lexar's revenues and gross margins would likely decline significantly.

***Increased competition in the digital media market may lead to a decrease in Lexar's revenues and market share.***

Lexar's industry is characterized by intense competition, supply shortages or oversupply, rapid technological change, evolving industry standards, declining average selling prices and rapid product obsolescence. Lexar's existing competitors include many large domestic and international companies that have longer operating histories and have or may have greater brand name recognition, greater access to flash memory, substantially greater financial, technical, marketing and other resources, broader product lines and longer standing relationships with retailers, OEMs and end users. As a result, these competitors may be able to better absorb price declines, ensure more stable supply, adapt more quickly to new or emerging technologies or devote greater resources to the promotion and sale of their products than Lexar. Ultimately, this may lead to a decrease in Lexar's sales and market share and have a material adverse effect on Lexar's business, financial condition and results of operations.

Lexar competes with semiconductor companies that manufacture and sell flash memory chips or flash memory cards. These include Hynix, Infineon, Micron, Renesas, Samsung, SanDisk, ST Micro and Toshiba. Micron and Intel have recently formed a joint venture known as IM Flash Technologies, LLC. SanDisk and Toshiba jointly develop and manufacture both low-cost and high-performance flash memory through their Flash Vision joint venture. Because flash memory represents a significant portion of the cost of flash media, SanDisk and other flash manufacturers may have a competitive advantage and may have access to flash memory at prices substantially below the prices that Lexar's suppliers charge Lexar. SanDisk has other competitive advantages in that it also collects substantial royalties pursuant to license agreements with Samsung and others. SanDisk also collects royalties on the manufacture and sale of SD Cards. In conjunction with the SanDisk/Samsung license agreement, SanDisk has announced that Samsung sells flash to SanDisk at very favorable pricing.

Lexar also faces significant competition from manufacturers or card assemblers and resellers that either resell flash cards purchased from others or assemble cards from controllers and flash memory chips purchased from companies such as Renesas, Samsung or Toshiba, into flash cards. These competitors include Crucial Technology, a division of Micron, Dane-Elec, Delkin Devices, Feiya, Fuji, Hagiwara, Hama, Hewlett Packard, Data I/O, Infineon, Kingston, Kodak, M-Systems, Matsushita, Memorex, Memory Plus, Micron, PNY, PQI, Pretec, Ritek, Samsung, SanDisk, Silicon Storage Technology, SimpleTech, SMART Modular Technologies, Sony, TDK, Transcend, Viking InterWorks and many others.

In addition, an increasing number of companies are manufacturing their own controllers, including Genesys, Hyperstone, Prolific, SanDisk, Sigmatel, Silicon Storage Technology, SMI, Solid State System, Sony and Zoran. Such companies either combine their controllers with flash memory from third parties



to manufacture their own flash cards or sell their controllers to third parties who use them to assemble flash cards. Additionally, major semiconductor companies such as Infineon, Micron, Renesas, Samsung and Toshiba have also developed or are currently developing their own controllers that will likely compete with Lexar's controller and/or card sales.

Furthermore, many companies have introduced USB flash drives that compete directly with Lexar's JumpDrive line of products. These include Apacer, Belkin, Fuji, Imation, Iomega, JMtek, KTI Networks, Memorex, M-Systems, Netac, PNY, Samsung, SanDisk, SimpleTech, Sony, Trek and many others.

Many of Lexar's competitors are larger than Lexar and, because they manufacture their own controllers and/or flash memory, do not depend to the extent Lexar does on third parties to supply them with those products. Flash memory has been in short supply for a number of quarters which has resulted in Lexar's flash costs decreasing at a slower rate than product pricing in the market. Companies that manufacture their own flash memory will have a significant advantage so long as this allocation situation continues.

Lexar's competitors have also introduced certain flash card formats. For example, a consortium consisting of SanDisk, Matsushita and Toshiba have developed the Secure Digital Card, a media format used in digital cameras as well as in other electronic applications, and Fuji and Olympus introduced the xD Picture Card. Although Lexar currently sells these flash memory products, which it sources from third parties, Lexar must incur significant royalties or higher costs to do so and may not be able to do so in the future at a reasonable rate or at all. In addition, SanDisk has introduced TransFlash, or MicroSD, which is designed to be used in cell phone applications. If Lexar is unable to obtain the rights to manufacture these products, its business will be adversely affected.

Lexar also faces competition from some manufacturers of traditional film products. Kodak and Fuji are the largest and best-known manufacturers of traditional film products. Fuji has entered the flash card market, but does not yet manufacture its own flash cards. In 2004, Lexar entered into an agreement with Kodak to sell flash cards under the Kodak brand on a worldwide basis. With their resources and worldwide brand recognition, if Lexar was to lose the rights to sell products under that brand, Fuji and Kodak would be formidable competitors for Lexar's core business.

Several companies, such as Cornice, IBM, and Matrix Semiconductor, which was acquired by SanDisk in 2005, have introduced competing technologies for use in digital cameras. These include products such as Digital Capture Technology and the MicroDrive. Although the cost per megabyte of rotating media such as Digital Capture Technology and the MicroDrive is lower than that of flash cards, rotating media has historically had higher power consumption and lower reliability than flash cards. Compact discs can also be used as a storage medium for digital cameras and other devices, and, while inexpensive, are relatively bulky. Lexar expects to continue to face competition from existing or future competitors that design and market similar or alternative data storage solutions that may be less costly or provide additional features. If a manufacturer of digital cameras or other consumer electronic devices designs one of these alternative competing standards into its products, the digital media Lexar manufactures, as currently configured, will not be compatible with that product and its revenues may decline, which would result in a material adverse effect on its business.

***If Lexar is unable to develop and introduce, on a timely basis, new products or services that are accepted by Lexar's customers and consumers, Lexar will not be able to compete effectively in Lexar's market.***

Lexar operates in an industry that is subject to evolving industry standards, rapid technological changes, rapid changes in consumer demands and the rapid introduction of new, higher performance products that shorten product life cycles and tend to decrease average selling prices. To remain competitive in this demanding market, Lexar must continually design, develop and introduce new products and services that meet the performance and price requirements of its customers and consumers. For example, as the number of flash card formats proliferates, it puts significant additional

strain on Lexar's engineering group to design controllers for each format. Any significant delay or failure in releasing new products or services would harm Lexar's reputation, provide a competitor a first-to-market opportunity or allow a competitor to achieve greater market share. Also, there can be no assurance that any products or services it introduces will gain market acceptance. The introduction of new products is inherently risky because it is difficult to foresee advances in technology and the adoption of new standards, to coordinate Lexar's technical personnel and strategic relationships, to identify and eliminate design and product flaws and successfully develop product features and designs that will appeal to a wide range of consumers. Lexar may not be able to recoup research and development expenditures if its new products or services are not widely accepted.

***If Lexar is unable to develop or maintain the strategic relationships necessary to develop, sell and market products that are commercially viable and widely accepted, the growth and success of Lexar's business may be limited.***

Lexar may not be able to develop and sell products that are commercially viable and widely accepted if Lexar is unable to anticipate market trends and the price, performance and functionality requirements of digital camera and flash memory manufacturers and customers. Lexar must continue to collaborate closely with its customers, digital camera manufacturers, flash memory manufacturers and other suppliers to ensure that critical development, marketing and distribution projects proceed in a coordinated manner. This collaboration is also important because Lexar's ability to anticipate trends and plan its development activities depends to a significant degree upon its continued access to information derived from strategic relationships Lexar currently has with digital camera and flash memory manufacturers. This collaboration can be difficult because many of these companies are located in Europe or Asia. If any of Lexar's current relationships terminate or otherwise deteriorate, or if Lexar is unable to enter into future alliances that provide it with comparable insight into market trends, Lexar will be hindered in its product development efforts.

***Lexar relies to a significant degree on retailers to sell its digital media products and Lexar's inability to control the activities of such retailers could cause its operating results and gross margins to fluctuate significantly.***

Lexar sells a significant percentage of its digital media products through retailers, most notably in 2005, Best Buy, Office Max, Ritz Camera Centers, Target and Wal-Mart (including Sam's Club). Sales to retailers subject Lexar to many special risks, including the following:

continued downward pricing pressure in the retail channel has necessitated, and Lexar expects will continue to necessitate, price protection of the inventories of Lexar's products that many of Lexar's customers carry;

retailers may emphasize Lexar's competitors' products over Lexar's products or decline to carry Lexar's products or Lexar may lose its exclusive relationship with certain retailers;

loss of market share if the retailers that carry Lexar's products do not grow as quickly and sell as many digital media products as the retailers that carry the digital media products of Lexar's competitors;

loss of business or monetary penalties if Lexar is unable to satisfy the product needs of these customers or fulfill their orders on a timely basis;

increased sales and marketing expenses if Lexar is unable to accurately forecast its customer's orders, including, among other items, increased freight and fulfillment costs if faster shipping methods are required to meet customer demand;

product returns could increase as a result of Lexar's strategic interest in assisting retailers in balancing their inventories;

reduced ability to forecast sales; and

reduced gross margins, delays in collecting receivables and increased inventory levels due to the increasing tendency for some retailers to require products on a consignment basis.

Availability of reliable sell-through data varies throughout the retail channel, which makes it difficult for Lexar to determine actual retail product revenues until after the end of each of its fiscal quarters. Unreliable sell-through data may result in either an overstatement or understatement of Lexar's reported revenues and results of operations. Lexar's arrangements with its customers also provide them price protection against declines in Lexar's recommended selling prices. Except in limited circumstances, Lexar does not have exclusive relationships with its retailers or distributors and therefore must rely on them to effectively sell its products over those of its competitors. Lexar's reliance on the activities of retailers over which it has little or no control could cause its operating results and gross margins, and consequently the price of its common stock, to fluctuate significantly.

***Lexar depends primarily on United Microelectronics Corporation, or UMC, and Silicon Motion, Inc., or SMI, to manufacture Lexar's controllers, and if Lexar is unable to obtain from UMC or SMI sufficient quantities of controllers at acceptable quality, yields and prices, and in a timely manner, Lexar may not be able to meet customer demand for its products, which could limit the growth and success of its business.***

Lexar does not own or operate a semiconductor fabrication facility, or fab. Instead, Lexar relies primarily on two foundries, UMC and SMI, to produce the majority of Lexar's controller products. Lexar's reliance on an independent foundry involves a number of significant risks, including:

reduced control over delivery schedules, quality assurance, manufacturing yields and production costs; and

unavailability of, or delayed access to, next-generation or key process technologies.

Lexar has entered into a supply agreement with UMC under which Lexar is obligated to provide UMC with a rolling forecast of Lexar's anticipated purchase orders. Such forecasts may only be changed by a certain percentage each month. This limits Lexar's ability to react to significant fluctuations in demand for its products. If UMC were to become unable or unwilling to continue manufacturing Lexar's controllers in the required volumes, at acceptable quality, yields and prices, and in a timely manner, Lexar might not be able to meet customer demand for Lexar's products, which could limit the growth and success of Lexar's business. Lexar has qualified other fabs, but Lexar cannot make any assurances that they will have sufficient capacity to accommodate Lexar's demand at any particular time. Lexar's contract with UMC has been extended through December 31, 2006. Lexar has entered into a supply agreement with SMI, whereby SMI supplies Lexar with controllers for certain of Lexar's digital media products. This agreement runs through September 2007 and may be terminated by either party in the event of the other party's bankruptcy or breach of the agreement. Lexar is obligated to provide rolling forecasts to SMI and SMI has agreed to maintain a buffer stock to meet Lexar's needs. SMI also provides Lexar with standard warranty and indemnity protections. If SMI were unable or unwilling to supply Lexar controllers in the required volumes at acceptable quality and prices, Lexar might not be able to meet customer demand for its products, which could limit the growth and success of its business. If SMI failed to meet its warranty on indemnity obligations, Lexar's operating results could be significantly and negatively impacted.

In addition, if competition for foundry capacity increases, Lexar may incur significant expenses to secure access to manufacturing services, which in turn may cause Lexar's product costs to increase substantially. Lexar expects that the demand for capacity at these facilities will change in the near future due to fluctuating demand for consumer electronic and industrial products that depend on semiconductors manufactured at these facilities. All of these foundries are located in an area of the world that may be subject to political and economic instability, the SARS epidemic and natural disasters, particularly earthquakes. While the last major earthquake in Taiwan did not have a significant

impact on deliveries to Lexar from UMC, a similar event in the future at one of their foundries could have a significant impact.

***Lexar depends solely on third-party subcontractors for assembly and testing of Lexar's digital media products, which could result in product shortages or delays or increase Lexar's costs of manufacturing, assembling or testing Lexar's products.***

Lexar's flash cards are primarily assembled and tested by PC Partner in China; Macrotron and Power Digital Card in Taiwan; Venture Manufacturing Services in Singapore and Indonesia; and Venture Manufacturing, Vitron, Macrotron and PC Partner in the United States. Lexar does not have a long-term agreement with Vitron, Venture Manufacturing or PC Partner and typically obtains services from them on a per order basis. Additionally, Lexar's controllers are assembled, tested and packaged primarily by Advanced Semiconductor Engineering in Taiwan and Advanced Interconnection Technologies in Indonesia and in the United States. Lexar's reliance on these subcontractors involves risks such as reduced control over delivery schedules, quality assurance, inventory levels and costs. These risks could result in product shortages or increase Lexar's costs of manufacturing, assembling or testing Lexar's products. If these subcontractors are unable or unwilling to continue to provide assembly and test services and deliver products of acceptable quality, at acceptable costs and in a timely manner, Lexar would have to identify and qualify other subcontractors. This could be time-consuming and difficult and result in unforeseen operations problems.

***If Lexar's efforts to optimize its supply chain are unsuccessful and Lexar is unable to meet its customers' requirements, Lexar's business could be negatively impacted.***

In order to improve its ability to operate within an increasingly competitive environment, Lexar is taking a variety of measures designed to improve operational efficiency, including streamlining its logistics to improve inventory management and reducing manufacturing costs and operating expenses.

One impact of these changes will be that Lexar will carry less inventory as a buffer against irregular deliveries from Lexar's suppliers. If Lexar is unsuccessful in its efforts to improve operational efficiency, or, if the third-party subcontractors and suppliers on whom Lexar depends fail to deliver or manufacture products in a timely manner or are unable or unwilling to provide the products and services Lexar obtains from them at the cost and quality it requires, Lexar's supply of components may be adversely affected. If this were to occur, Lexar would not be able to deliver products to its customers in a timely manner necessary to meet their requirements. As a result, Lexar's business could be harmed, Lexar may lose customers, and Lexar may be unable to achieve its goal of sustaining profitability.

***Lexar's failure to successfully promote its brand and achieve strong brand recognition in target markets could limit or reduce the demand for its products and services.***

Lexar believes that brand recognition will be important to its ability to succeed as the digital photography and the digital media markets continue to develop. Lexar plans to continue to invest in marketing programs to create and maintain prominent brand awareness. If Lexar fails to promote its brand successfully, or if the expenses associated with doing so become increasingly high, Lexar's business may not grow as it anticipates. Other companies, who may have significantly more resources to promote their own brands than Lexar, may not be aggressively promoting their flash card brands. If they begin to more aggressively promote their brand or if Lexar's products exhibit poor performance or other defects, Lexar's brand may be adversely affected, which would inhibit Lexar's ability to attract or retain customers.

***If Lexar encounters difficulties in attracting and retaining qualified personnel, particularly in light of the potential merger with Micron and the resulting uncertainty, Lexar may not be able to successfully execute Lexar's business strategy, it may need to grant large stock-based incentives that could be dilutive to Lexar's stockholders and it may be required to pay significant salaries which would increase its general and administrative costs.***

Lexar's future success will depend to a significant extent on the continued services of its key employees. Lexar's success will also depend on its ability to attract and retain qualified technical, sales, marketing, finance and managerial personnel. If Lexar is unable to find, hire and retain qualified individuals, Lexar may have difficulty implementing portions of its business strategy in a timely manner, or at all.

Lexar may experience difficulty in hiring and retaining candidates with appropriate qualifications particularly in light of the potential merger with Micron and the resulting uncertainty. To attract and retain qualified personnel, Lexar may be required to grant large option or other stock-based incentive awards, which may be highly dilutive to existing stockholders and, as a result of Statement of Financial Accounting Standards 123(R), would require Lexar to record compensation expense related to such grants, which would result in lower reported earnings. Lexar may also be required to pay significant base salaries and cash bonuses to attract and retain these individuals, which could harm Lexar's operating results. If Lexar does not succeed in hiring and retaining candidates with appropriate qualifications, it will not be able to grow its business.

***If Lexar's products contain defects, Lexar may incur unexpected and significant operating expenses to correct the defects, Lexar may be required to pay damages to third parties and Lexar's reputation may suffer serious harm.***

Although the digital media products that Lexar manufactures are tested after they are assembled, these products are extremely complex and may contain defects. These defects are particularly likely when new versions or enhancements are released. The sale of products with defects or reliability, quality or compatibility problems may damage Lexar's reputation and Lexar's ability to retain existing customers and attract new customers. For example, if there are defects in Lexar's products that cause loss of data, customers may lose their digital images stored on Lexar's digital media. In addition, product defects and errors could result in additional development costs, diversion of technical and management resources, delayed product shipments, increased product returns, product liability claims against Lexar which may not be fully covered by insurance or other operational expenditures. For example, during the second quarter of 2005, in collaboration with Canon, Lexar identified a lost image condition found to be rare and specific to select Canon cameras when used with CompactFlash cards, including Lexar's own. To ensure compatibility, Lexar offered an update for Lexar's Professional 80x CompactFlash cards and Canon offered a camera firmware update to address issues experienced with other cards to customers who experienced a problem with the identified Canon cameras. The total estimated cost to rework these products is expected to be approximately \$0.9 million. Aggregate costs incurred to rework the affected products through December 31, 2005 were approximately \$0.3 million. Finally, products Lexar sources from others may have defects that Lexar cannot quickly fix and that will require Lexar to return them to the manufacturer, which could result in delayed product shipments and damage to Lexar's reputation.

***Lexar's significant sales outside the United States subject it to increasing foreign political and economic risks, including foreign currency fluctuations, and it may be difficult for Lexar to anticipate demand and pricing in those regions or effectively manage the distributor channels and relationships in those regions.***

Total net revenues outside of the United States accounted for approximately 42.8% of Lexar's total net revenues in 2005. Lexar generated a majority of its international revenues from product sales in Europe and from product sales and licensing agreements in Asia. The European and Asian markets are

intensely competitive. One of Lexar's principal growth strategies is to expand its presence in this and other international markets both through increased international sales and strategic relationships. For example, Lexar is expanding distribution of its products into Latin America, China, India, Malaysia, Indonesia, the Middle East, Russia and Eastern Europe. Consequently, Lexar anticipates that sales outside of the United States will continue to account for a significant portion of its net revenues in future periods. Accordingly, Lexar is subject to international risks, including:

foreign currency exchange fluctuations;

political and economic instability;

delays in meeting customer commitments due to difficulties associated with managing an international distribution system;

increased time to collect receivables caused by slower payment practices that are common in many international markets;

difficulties associated with managing export licenses, tariffs and other regulatory issues pertaining to international trade;

increased effort and costs associated with the protection of Lexar's intellectual property in foreign countries;

natural disasters, political uncertainties and changing regulatory environments in foreign countries; and

difficulties in hiring and managing employees in foreign countries.

In addition, if Lexar is unable to accurately anticipate demand and pricing of products in international markets, or if Lexar cannot work effectively with Lexar's distribution partners to create demand, develop effective marketing programs, manage inventory levels and collect receivables in a timely fashion, Lexar's operating results will be harmed and its stock price will likely decline. Increases in the value of the United States dollar relative to foreign currencies could cause Lexar's products to become less competitive in international markets and could adversely affect its operating results. Although the sales of Lexar's products are denominated primarily in United States dollars, Lexar also has product sales denominated in British pounds, Euros and other European currencies, as well as the Japanese yen. To the extent Lexar's prices are denominated in foreign currencies, particularly the British pound, the Euro and Japanese yen, Lexar will be exposed to increased risks of currency fluctuations.

Lexar has foreign subsidiaries in Australia, Great Britain, Japan, Hong Kong, Shanghai and Singapore that operate and sell Lexar's products in various global markets. As a result, Lexar is exposed to risks associated with changes in foreign currency exchange rates for Lexar's sales as well as Lexar's costs denominated in those currencies. Lexar uses forward contracts, to manage the exposures associated with Lexar's net asset or liability positions. However, there can be no assurance that any policies or techniques that Lexar has implemented will be successful or that Lexar's business and financial condition will not be harmed by exchange rate fluctuations.

***If Lexar's suppliers or customers elect to compete with Lexar in the digital media market, Lexar's revenues and gross margins would likely decline.***

Lexar sells its controllers to companies that use Lexar's controllers to manufacture flash card products. Many of these customers are large companies that have longer operating histories and greater brand recognition, greater access to flash memory, substantially greater financial, technical, marketing and other resources and longer standing relationships with customers. If these companies elected to compete directly with Lexar in the digital media market or in Lexar's retail channels, Lexar's revenues and gross margins would likely decline.

***Lexar's financial results may be affected by mandated changes in accounting and financial reporting.***

Lexar prepares its financial statements in conformity with accounting principles generally accepted in the United States of America. These principles are subject to interpretation by the SEC and various bodies formed to interpret and create appropriate accounting policies. A change in these policies can have a significant effect on Lexar's reported results and may even retroactively affect previously reported transactions.

In particular, changes to FASB guidelines relating to accounting for stock-based compensation will increase Lexar's compensation expense, could make Lexar's operating results less predictable in any given reporting period and could change the way Lexar compensates its employees or cause other changes in the way Lexar conducts its business. Lexar expects the adoption of the new pronouncement relating to accounting for stock-based compensation will increase compensation cost by approximately \$5 million to \$7 million in 2006.

***Lexar's stock price and those of other technology companies have experienced extreme price and volume fluctuations, and, accordingly, Lexar's stock price may continue to be volatile.***

The trading price of Lexar's common stock has fluctuated significantly since Lexar's initial public offering in August 2000. Many factors could cause the market price of Lexar's common stock to fluctuate, including:

variations in Lexar's quarterly operating results;

announcements regarding the progress of the proposed merger with Micron;

announcements of technological innovations by Lexar or by its competitors;

introductions of new products or new pricing policies by Lexar or by its competitors;

departure of key personnel;

the gain or loss of significant orders or customers;

sales of common stock by Lexar's officers and directors;

changes in the estimates of Lexar's operating performance or changes in recommendations by securities analysts;

announcements related to Lexar's outstanding litigation; and

market conditions in Lexar's industry and the economy as a whole.

In addition, stocks of technology companies have experienced extreme price and volume fluctuations that often have been unrelated or disproportionate to these companies' operating performance. Public announcements by companies in Lexar's industry concerning, among other things, their performance, accounting practices or legal problems could cause fluctuations in the market for stocks of these companies. These fluctuations could lower the market price of Lexar's common stock regardless of Lexar's actual operating performance.

In the past, securities class action litigation has often been brought against a company following a period of volatility in the market price of its securities. Following just such a period of volatility in the market price of Lexar's securities, Lexar was named as a defendant in federal securities class action litigation and named a nominal defendant in similar derivative litigation against certain of Lexar's officers and directors. Although the courts in those actions dismissed the litigation with prejudice, similar litigation in the future could result in substantial costs and divert management's attention and resources, which could harm Lexar's operating results and its business. The conduct of any such proceedings could negatively impact Lexar's stock price, and an unfavorable outcome could have a material adverse impact on its financial position and

liquidity.



### Risks Related to Lexar's Industry

*Lexar's business will not succeed unless the digital photography market and other markets that Lexar targets continue to grow or unless Lexar diversifies its product sales into adjacent markets.*

Lexar currently depends on sales of digital media and connectivity products to digital camera owners for a substantial portion of its revenues, which exposes it to substantial risk in the event the digital photography market does not continue to grow rapidly. The digital photography market has grown very rapidly over the last several years and may now be reaching maturity and lower growth rates. The success of this market depends on many factors, including:

the availability of digital cameras at prices and with performance characteristics comparable to traditional cameras;

the availability of digital media that meets users' requirements with respect to price, speed, connectivity, capacity and compatibility;

the speed at which digital cameras are able to take successive photographs;

the ease with which digital files can be transferred to a personal computer or printer;

the availability of digital image prints comparable in quality and price to traditional photographs; and

market conditions in the industry and the economy as a whole.

In addition to the above factors related to the digital photography market as a whole, Lexar believes the following additional factors will affect the successful adoption of digital photography by consumers:

marketing campaigns that increase brand awareness in end-user markets, both domestically and internationally;

increased association between brand names and attractive price and performance characteristics; and

heightened consumer confidence in digital photography technology.

Over the last several years, Lexar has derived the majority of its revenue from the digital camera market. However, Lexar expects that the digital photography market will experience significantly slower growth rates over the next several years. Newer applications such as USB storage devices, cell phones, personal digital assistants and MP3 players now utilize substantial volumes of flash memory. Lexar's future growth will be increasingly dependent on the development and penetration of new markets and new products for NAND flash memory. If Lexar is unable to successfully expand its product offerings into these markets and into the channels that serve these markets, demand for Lexar's products may not increase at the same rates as they have in the past.

Lexar has traditionally focused on removable digital media and it is presently unclear whether certain of these new applications will use or continue to use removable digital media is unclear. Cell phones, for example, could use embedded rather than removable storage. In addition, USB storage devices, cell phones or MP3s could use miniature hard disk technologies rather than flash based digital media. Such developments would likely result in a reduction of anticipated future demand for Lexar's current line of digital media thereby negatively impacting its revenues, revenue growth and gross margins.

There can be no assurance that new markets and products will develop and grow fast enough, or that new markets will adopt NAND flash technologies or Lexar's products, to enable Lexar to continue its growth. If the digital photography market does not continue to grow and be accepted by professional, commercial and consumer users, or if any reduction in demand in digital photography is not absorbed by new applications, Lexar will not continue to grow at the rates that it has in prior years.



***General economic conditions, political and military conditions associated with current worldwide conflicts and similar events may prevent consumers from purchasing Lexar's products, and reduced demand for digital media and related products may prevent Lexar from achieving targeted revenues and profitability.***

Lexar's revenues and its ability to return to profitability depend significantly on the overall demand for flash cards and related products. Sales of consumer electronic goods, including Lexar's products, have historically been dependent upon discretionary spending by consumers, which may be adversely affected by general economic conditions. Changes in the United States and the global economy, such as a decline in consumer confidence or a slowdown in the United States economy, may cause consumers to defer or alter purchasing decisions, including decisions to purchase Lexar's products. If the economy declines as a result of recent economic, political and social turmoil, consumers may reduce discretionary spending and may not purchase Lexar's products, which would harm Lexar's revenues as softening demand caused by worsening economic conditions has done in the past.

***If digital camera manufacturers do not develop and promote products that are able to take advantage of Lexar's fastest digital media products, the growth and success of Lexar's business may be limited.***

Lexar depends on the research and development, marketing and sales efforts of digital camera manufacturers in developing, marketing and selling digital cameras that can use Lexar's more advanced existing and future products. Most of the digital cameras currently available on the market do not incorporate technologies that can take advantage of the speed available in Lexar's fastest digital film products or the advanced features available in some of its products, such as LockTight CompactFlash. If digital camera manufacturers do not successfully develop, market and sell digital cameras that take full advantage of Lexar's most advanced products, from which Lexar realizes higher gross margins, the growth and success of Lexar's business may be negatively impacted.

***The manufacturing of Lexar's products is complex and subject to yield problems, which could decrease available supply and increase costs.***

The manufacture of flash memory and controllers is a complex process, and it is often difficult for companies to achieve acceptable product yields. Reduced flash memory yields could decrease available supply and increase costs. Controller yields depend on both Lexar's product design and the manufacturing process technology unique to the semiconductor foundry. Because low yields may result from either design defects or process difficulties, Lexar may not identify yield problems until well into the production cycle, when an actual product exists and can be analyzed and tested. In addition, many of these yield problems are difficult to diagnose and time consuming or expensive to remedy.

#### **Risks Related to Lexar's Intellectual Property**

***If Lexar is unable to adequately protect its intellectual property, Lexar's competitors may gain access to its technology, which could harm Lexar's ability to successfully compete in its market.***

Lexar regards its intellectual property as critical to its success. If Lexar is unable to protect its intellectual property rights, Lexar may be unable to successfully compete in its market.

Lexar relies on a combination of patent, copyright, trademark and trade secret laws, as well as confidentiality agreements and other methods to protect its proprietary technologies. As of March 13, 2006, Lexar has been granted or allowed 96 patents in the United States and other countries and had 91 pending United States and foreign patent applications. Lexar cannot assure, however, that:

any of Lexar's existing or future patents will not be invalidated;

patents will be issued for any of Lexar's pending applications;

any claims allowed from existing or pending patents will have sufficient scope or strength; or

Lexar's patents will be issued in the primary countries where its products are sold in order to protect Lexar's rights and potential commercial advantage.

It may also be possible for a third party to copy or otherwise obtain and use Lexar's products or technology without authorization, develop similar technology independently or design around Lexar's patents.

***Lexar is involved in intellectual property litigation, and expects to become involved in additional litigation that could divert management's time and attention, be time-consuming and expensive to defend and limit Lexar's access to important technology.***

Lexar is a party to litigation with third parties to protect its intellectual property or as a result of an alleged infringement of others' intellectual property. Lexar expects to be involved in additional patent litigation in the future. These lawsuits could subject Lexar to significant liability for damages. These lawsuits could also lead to the invalidation of Lexar's patent rights. Patent lawsuits are extremely expensive and time-consuming and can divert management's time and attention. When Lexar sues other companies for patent infringement, it may prompt them to respond by suing Lexar for infringement of their patents. Lexar is also negotiating license agreements with third parties, which could result in litigation if these negotiations are unsuccessful. Additional patent litigation would significantly increase Lexar's legal expenses, which would result in higher operational expenses and lower operating margins. Lexar is currently in patent litigation with Toshiba. In this litigation, Lexar has asserted that Toshiba infringes thirteen of Lexar's patents through their sale of flash memory chips, cards and cameras. In a separate action, Toshiba has asserted that Lexar infringes eight of Toshiba's patents through Lexar's sale of flash devices that Lexar manufactures and readers. Such products comprise a substantial portion of Lexar's revenues. If Lexar is found to infringe Toshiba's patents or if it were involved in other intellectual property litigation, Lexar could be forced to do one or more of the following:

pay damages on products that were found to infringe the other party's intellectual property;

stop selling products or using technology that contain the allegedly infringing intellectual property;

attempt to obtain a license to the relevant intellectual property, which license may not be available on reasonable terms or at all; and

attempt to redesign those products that contain the allegedly infringing intellectual property.

If Lexar is forced to take any of the foregoing actions, Lexar may incur additional costs or be unable to manufacture and sell its products.

***Lexar purchases a number of components and products from third parties and if those products were alleged to violate the intellectual property rights of a third party, Lexar could become involved in additional litigation that could be time-consuming and expensive to defend or Lexar could be forced to pay damages or royalties.***

Lexar does not currently manufacture certain digital media formats and currently purchases such products and components for such products, including controllers from third parties for resale. Not all of Lexar's suppliers provide Lexar with indemnification regarding such sales. Other suppliers impose limits on their indemnification obligations. If such products infringe the intellectual property rights of a third party, if Lexar's suppliers refused to honor their indemnification obligations, or if Lexar is found to owe license fees or royalties relating to these products, Lexar's margins and operating results would be severely negatively impacted.

**THE SPECIAL MEETING OF STOCKHOLDERS OF LEXAR**

**Date, Time and Place**

Lexar will hold the special meeting at the Fremont Marriott, 46100 Landing Parkway, Fremont, California on \_\_\_\_\_, 2006 at \_\_\_\_\_ p.m., local time.

**Purpose of the Special Meeting**

At the special meeting, you will be asked to consider and vote upon the proposals to (i) adopt the merger agreement and (ii) grant discretionary authority to adjourn the meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of adopting the merger agreement.

**Recommendation of Lexar's Board of Directors**

After careful consideration, Lexar's board of directors unanimously recommends that you vote "**FOR**" the proposal to adopt the merger agreement and "**FOR**" the proposal to grant discretionary authority to adjourn the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of adopting the merger agreement.

**Record Date; Shares Entitled to Vote; Quorum**

Only holders of record of common stock at the close of business on \_\_\_\_\_, 2006, the record date for the special meeting, will be entitled to vote at the special meeting. At the close of business on the record date, Lexar had approximately \_\_\_\_\_ shares of common stock outstanding and entitled to vote. Holders of record of shares of Lexar common stock on the record date are entitled to one vote per share at the special meeting on all matters to be considered at the meeting.

A quorum of stockholders is necessary to hold a valid special meeting. A majority of the shares outstanding on the record date, present in person or represented by proxy, will constitute a quorum to transact business at the meeting.

**Voting of Proxies**

Proxies are being solicited on behalf of Lexar's board of directors for use at the special meeting. If you are a stockholder of record, you may submit a proxy for the special meeting by: (i) completing, signing, dating and returning the proxy card in the pre-addressed envelope provided; (ii) using the telephone; or (iii) using the Internet. For specific instructions on how to use the telephone or the Internet to submit a proxy for the special meeting, please refer to the instructions on your proxy card. All signed, returned proxy cards that are not revoked will be voted in accordance with the instructions on the proxy card. Returned signed proxy cards that give no instructions as to how they should be voted on a particular proposal will be counted as votes "**FOR**" that proposal.

If you hold your shares of Lexar common stock in a stock brokerage account or if your shares are held by a bank or nominee (*i.e.*, in "street name"), you must provide the record holder of your shares with instructions on how to vote your shares. Please check the voting instruction card included by your bank, broker or nominee for directions on providing instructions to vote your shares and to see if you may use the telephone or the Internet to provide instructions on how to vote your shares.

If you are a stockholder of record, you may also vote in person at the special meeting. If you hold shares in street name, you may not vote in person at the special meeting unless you obtain a signed proxy from the record holder giving you the right to vote the shares.

### **Effect of Abstentions**

If a stockholder indicates on their proxy card or voting instruction card that they wish to abstain from voting, these shares are considered present and entitled to vote at the meeting and will count toward determining whether or not a quorum is present. Abstentions will have the same effect as a vote against the adoption of the merger agreement, but will not be taken into account in determining the outcome of the proposal to grant discretionary authority to adjourn the meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of adopting the merger agreement.

### **Effect of "Broker Non-Votes"**

If a stockholder does not give a proxy to its broker with instructions as to how to vote the shares, the broker does not have authority under New York Stock Exchange rules to vote those shares for or against "non-routine" matters, such as the adoption of the merger agreement. Brokers can vote on their customers' behalf on "routine" proposals, such as the proposal to adjourn the meeting to solicit additional proxies. These rules apply to Lexar notwithstanding the fact that shares of Lexar's common stock are traded on the Nasdaq National Market. If a broker votes shares that are unvoted by its customers for or against a proposal, these shares are considered present and entitled to vote at the meeting and will count toward determining whether or not a quorum is present. These shares will also be taken into account in determining the outcome of all of the "routine" proposals. If a broker chooses to leave these shares unvoted, even on "routine" matters, they will be counted for the purpose of establishing a quorum, but not for determining the outcome of any of the proposals.

Because brokers cannot vote "unvoted" shares on behalf of their customers for "non-routine" matters, such as the adoption of the merger agreement, it is more important than ever that stockholders vote their shares. If you do not vote your shares, the effect will be a vote against adoption of the merger agreement and you will not have a say in the important issues to be presented at the special meeting.

### **Required Vote**

Approval of the adoption of the merger agreement requires the affirmative vote of the holders of a majority of the shares of Lexar common stock outstanding on the record date of the special meeting. Approval of the proposal to grant discretionary authority to adjourn the special meeting, if necessary, to solicit additional proxies requires the affirmative vote of the holders of a majority of the shares entitled to vote that are present in person or represented by proxy at the meeting and actually cast at the meeting.

The inspector of elections appointed for the meeting will separately tabulate affirmative and negative votes, abstentions and broker non-votes for each proposal.

### **Voting by Lexar's Directors and Executive Officers; Voting Agreements**

Directors and executive officers of Lexar and two affiliated entities of one of Lexar's directors that owned an aggregate of \_\_\_\_\_ shares of Lexar common stock as of the record date, which represented approximately \_\_\_\_\_ % of Lexar's shares of common stock outstanding on that date, have entered into voting agreements with Micron granting Micron an irrevocable proxy to vote his, her or its shares of Lexar common stock in favor of the proposal to adopt the merger agreement. See the section entitled "The Voting Agreements" on page 117 of this proxy statement/prospectus.

### **Revoking of Proxies**

A stockholder may revoke a proxy at any time before it is voted. A proxy may be revoked by completing, signing, dating and returning a proxy with a later date, by delivering a written, dated notice

of revocation to the Secretary of Lexar stating that the proxy is revoked, re-voting by telephone or via the Internet or by attending the meeting and voting in person. If a stockholder has instructed a broker, bank or nominee to vote his, her or its shares of Lexar common stock by executing a voting instruction card or by using the telephone or Internet, the stockholder must follow the directions received from the broker, bank or nominee to change his, her or its instructions.

#### **Expenses of Soliciting Proxies**

Lexar will pay the expenses of soliciting proxies for the meeting. After the original mailing of the proxies and other soliciting materials, Lexar and/or its agents may also solicit proxies by mail, telephone, facsimile, email or in person. After the original mailing of the proxies and other soliciting materials, Lexar will request that banks, brokers, custodians, nominees and other record holders of Lexar's common stock forward copies of the proxy and other soliciting materials to persons for whom they hold shares and request authority for the exercise of proxies. Lexar will reimburse the record holders for their reasonable expenses if they ask Lexar to do so.

Lexar has retained Innisfree M&A Incorporated to assist it with the solicitation of proxies and to verify certain records related to the solicitations. Lexar will pay Innisfree M&A Incorporated a fee of \$50,000, plus its reasonable expenses, for these services.

#### **Householding of Special Meeting Materials**

Some banks, brokers and other nominee record holders may be participating in the practice of "householding" proxy statements. This means that only one copy of the proxy statement/prospectus may have been sent to multiple stockholders in each household. Lexar will promptly deliver a separate copy of either document to any stockholder upon that stockholder's written or oral request to Innisfree M&A Incorporated at 501 Madison Avenue, 20th Floor, New York, NY 10022 or toll free at (877) 456-3427 (banks and brokers may call collect at 212-750-5833).

#### **Lexar Stock Certificates**

Please do not send in any Lexar stock certificates with your proxy cards. Wells Fargo Bank, National Association, the exchange agent for the merger, will send letters of transmittal with instructions for the surrender of certificates representing shares of Lexar common stock to former Lexar stockholders shortly after the merger is completed.

## PROPOSAL NO. 1 THE MERGER

The following is a description of the material aspects of the merger, including the merger agreement. While Micron and Lexar believe that the following description covers the material terms of the merger, the description may not contain all of the information that is important to you. Micron and Lexar encourage you to read carefully this entire proxy statement/prospectus, including the merger agreement attached to this proxy statement/prospectus as Annex A, for a more complete understanding of the merger.

### Background of the Merger

Lexar's board of directors and management have periodically reviewed and assessed the various business trends, competitive factors, including, but not limited to, Lexar's cost structure as compared to its competitors, and market conditions impacting Lexar and the NAND flash memory business generally. As part of Lexar's ongoing evaluation of the marketplace and its competitive position, at its February 17, 2005 meeting, Lexar's board reviewed with management in detail the opportunities, challenges and risks associated with Lexar's business. The board reviewed Lexar's 2004 financial results, anticipated trends in flash memory supply and pricing, competitive factors, Lexar's business model and the elements necessary for Lexar to be successful as an independent entity. The board recognized that Lexar was at a competitive disadvantage, particularly in the area of the cost of flash memory, the primary cost of Lexar's products. The board noted that this cost disadvantage was particularly acute in tight supply environments which had developed as a result of the increasing adoption of NAND flash in consumer products. The board noted that this trend had persisted throughout much of 2004 and was expected to continue at least periodically for the foreseeable future. The board endorsed management's plan to focus on ways to address the cost disadvantage with respect to flash memory and to focus the business on profitability at the expense of revenue growth, while trying to maintain Lexar's broad distribution. The plan also included a number of operational steps intended to improve execution and to improve financial performance. The board recognized that given the anticipated trends in flash memory supply and demand, one option for Lexar would be to expand or establish a significant partnership with a manufacturer of flash memory. The board also acknowledged that if such efforts were not successful, Lexar would have to consider strategic alternatives, including a business combination, and the board discussed what options would be available to Lexar regarding strategic alternatives. Finally, after consultation with the board, management also engaged in a number of settlement negotiations with Toshiba over the next year, but was unable to achieve a resolution that would be acceptable to Lexar.

On March 2, 2005, Lexar's board held a meeting in which, among other things, Eric Stang, Lexar's Chairman of the Board, Chief Executive Officer and President, provided an update regarding Lexar's financial and operating results as well as management's plan to address the cost disadvantage with respect to flash memory, focus on profitability and improve Lexar's execution and financial performance.

On March 23, 2005, Lexar's board held a meeting in which, among other things, Mr. Stang updated the board regarding Lexar's financial and operating results and management's plan to address the business issues discussed at the previous board meeting.

In March 2005, prior to engagement by Lexar, representatives of Deutsche Bank independently contacted representatives of Company X seeking to begin a discussion of a potential business combination with Lexar. From time to time prior to that date, representatives of Deutsche Bank had provided advisory services to Lexar. Company X indicated to Deutsche Bank that it did not wish to discuss a business combination involving Lexar at that time.

In April 2005, Lexar was approached by representatives of Company A on an unsolicited basis to discuss a potential business combination. Lexar's management indicated to Company A that Lexar was



receptive to this discussion and would be willing to discuss a potential business combination with Company A. Subsequent discussions took place including one between Mr. Stang and senior management of Company A on May 2, 2005.

Also in April 2005, representatives of Company B contacted representatives of Lexar on an unsolicited basis to explore Lexar's interest in a potential strategic transaction. Lexar's management indicated to Company B that Lexar was receptive to this discussion and would be willing to explore a potential strategic transaction with Company B.

On May 4, 2005, Lexar's board held a meeting at which Mr. Stang briefed the board on, among other things, Lexar's financial and operating results as well as on the preliminary contacts with Company A and Company B. Also at that meeting, Mr. Stang recommended that Deutsche Bank, representatives of which had previously advised Lexar in connection with unsolicited offers for a potential business combination that Lexar had received several years earlier, formally serve as Lexar's financial advisor to assist in its evaluation of strategic alternatives and the board agreed. After that meeting, Lexar contacted Deutsche Bank, and Brian Jacobs, Lexar's lead outside director, met with representatives of Deutsche Bank to discuss Lexar's options in maximizing its value for stockholders in light of the then-prevailing competitive conditions. Mr. Jacobs and Deutsche Bank representatives also discussed the possibility of selling Lexar's operating business and intellectual property assets separately. In response to this discussion, Deutsche Bank prepared a preliminary analysis of Lexar's business which was subsequently shared with Lexar's board on June 29, 2005.

On June 6, 2005, representatives of Deutsche Bank contacted the financial advisor of Company A to arrange a meeting between Company A and Lexar and their respective financial advisors. Deutsche Bank had a significant number of discussions with the financial advisor of Company A during June 2005 regarding each company's desire to explore a business combination.

On June 17, 2005, Lexar's board held a special meeting during which the board and management reviewed Lexar's financial and operating results. Management discussed with the board the increased competitive pricing pressures facing Lexar, Lexar's operating expenses, the lack of a stable supply of flash memory at competitive pricing and other market forces. Among other things, Mr. Stang provided an update on management's plan to address the cost disadvantage on flash, focus on profitability and improve Lexar's execution and financial performance, as well as the status of discussions with Company A and Company B regarding a potential business combination. Representatives of Deutsche Bank joined the meeting and indicated that during the board's meeting on June 29th they would discuss the preliminary valuation of Lexar and identify its views regarding how other companies might value Lexar's assets.

Also in June 2005, Mr. Stang, Petro Estakhri, Lexar's Chief Technology Officer and Executive Vice President, Engineering and one of Lexar's directors, and Eric Whitaker, Lexar's Executive Vice President, Corporate Strategy and General Counsel, met with two representatives of Company B's strategic transactions group, at which they presented information regarding Lexar's business and strategy. At the conclusion of the meeting, Company B indicated that it would follow up with Lexar after it had discussed the potential transaction internally.

On June 29, 2005, Lexar's board held a special meeting in which it discussed the options available to Lexar regarding strategic alternatives, including the elements necessary for Lexar to be successful as an independent entity. Mr. Stang updated the board with respect to management's action plan to address the cost disadvantage with respect to flash memory, focus on profitability and improve Lexar's execution and financial performance. Mr. Stang confirmed to the board that Lexar expected to have a loss for the second quarter of 2005. Representatives of Deutsche Bank discussed the market's current valuation of Lexar and the potential timing and desirability of various possible strategic alternatives. Representatives of Deutsche Bank also discussed the possibility of selling Lexar's operating business and intellectual property assets separately. During this discussion, management and the board, in

consultation with Deutsche Bank, concluded that such an approach might be feasible, but might also raise certain issues that might not be surmountable. These issues included the difficulty of remaining in the operating business without an intellectual property portfolio necessary to cross-license, in the event of the assertion by third parties of offensive intellectual property claims, the possibility that there were no viable buyers of the operating business alone without the intellectual property portfolio, the complexity of conducting two separate difficult transactions, both of which might require stockholder approval or separate audited "carve out" financial statements, the difficulty of dividing the management and employee base, and potential tax issues associated with a separation and sale of assets.

The board also considered the possibility that absent a business combination or significant new partnership with a producer of flash memory, Lexar could have difficulty achieving sustained profitability. Deutsche Bank and management also discussed with the board that certain companies would value Lexar's intellectual property more than others depending in part on their existing licensing arrangements with Lexar or with other companies in the semiconductor industry.

Discussions with Company A continued during June and July 2005, including a meeting of senior management from both companies on July 20, 2005, and culminating in a meeting of senior management and financial advisors of both companies on August 2, 2005 to discuss, among other items, a potential business combination of the two companies, respective financial outlooks and potential synergies.

On August 4, 2005, Lexar's board held a meeting and Mr. Stang provided an update on management's plan to focus on profitability and to improve Lexar's execution and financial performance. Mr. Stang also briefed the board on the meetings with Company A and summarized the status of the other potential strategic alternatives. Among other things, the board reviewed and discussed management's progress with respect to its discussions with flash suppliers. Following this review, the board authorized management, in consultation with Deutsche Bank, to continue discussions with Company A and Company B, and to engage in discussions with other parties that might be interested in a strategic transaction with Lexar. Subsequent to the meeting, representatives of Deutsche Bank, on behalf of Lexar, contacted parties that Lexar, with Deutsche Bank's advice, believed would potentially be most interested in engaging in a business combination with Lexar given the different business strategies of the various industry participants and their respective strategies, channel position and intellectual property positions. This process continued through February 2006, with Lexar and Deutsche Bank, on behalf of Lexar, ultimately contacting a combined total of 11 parties, including Micron.

On August 8, 2005, a representative of Deutsche Bank contacted senior management of Company C, and indicated that Deutsche Bank was representing Lexar in the exploration of its strategic alternatives, including possibly a sale of Lexar, and asked whether Company C wished to meet to discuss such a potential business combination. The representative of Company C stated that Company C was not interested in meeting to discuss any such business combination at this time.

In late July or early August 2005, the Chief Executive Officer of Company D contacted Mr. Estakhri regarding a potential business combination with Lexar. Several years before, Company D had expressed interest in a possible business combination with Lexar. On August 12, 2005, Messrs. Stang and Estakhri met with senior management of Company D regarding a preliminary discussion of a business combination. The meeting was exploratory in nature and no non-public information was exchanged at that time. Deutsche Bank subsequently contacted the financial advisors of Company D to discuss its views as to the valuation of Lexar in such a business combination and related matters. Company D indicated that it would be interested in exploring a business combination with Lexar only with the knowledge and support of Company X.

On August 12, 2005, representatives of Deutsche Bank met on behalf of Lexar with the Chief Executive Officer and other representatives of Company E to explore Company E's interest in a

business combination with Lexar. The Chief Executive Officer of Company E stated that Company E was unwilling to consider a business combination with Lexar. Later that month, Mr. Whitaker spoke with a senior executive of Company E to discuss a potential strategic transaction relating to the intellectual property portfolio of Lexar. During that conversation, the representative of Company E confirmed that Company E was not interested in exploring a business combination with Lexar.

On August 15, 2005, Company D provided a draft three-party nondisclosure agreement to Lexar to cover Company D and Company X. This agreement was intended to allow Company D and Company X to mutually explore a business combination with Lexar. Lexar negotiated this agreement with Company D through September and October of 2005 and executed a nondisclosure agreement with Company D and Company X on October 19, 2005.

On August 17 and August 23, 2005, a representative of Deutsche Bank had several telephone conversations on behalf of Lexar with representatives of Company B's strategic transactions group regarding a business combination with Lexar. The representatives discussed the parties' common beliefs in the strategic rationale and benefits of a business combination and the parties' respective interests in further exploring a business combination. In early September 2005, Mr. Whitaker spoke on the telephone with Company B's in-house legal counsel regarding the provision of non-public information in connection with a due diligence review of Lexar. On September 7, 2005, Messrs. Stang, Whitaker and Estakhri, Brian McGee, Lexar's then Chief Financial Officer, and representatives of Deutsche Bank met on behalf of Lexar with representatives of Company B to discuss Lexar's business and the market generally. On September 21, 2005, a representative of Deutsche Bank spoke on behalf of Lexar with a representative of Company B regarding Lexar's objectives for a business combination with Company B, including the potential strategic synergies of the business combination and structural matters.

On September 12 and September 18, 2005, a representative of Deutsche Bank spoke on behalf of Lexar with a representative of the financial advisor for Company A regarding whether Company A intended to continue the prior discussions relating to a potential business combination with Lexar. On September 21, 2005, Company A provided a due diligence request list to Lexar.

Since February 2005, Lexar's management had engaged in ongoing discussions with multiple flash suppliers regarding obtaining a more competitive flash cost position. In late August 2005, representatives of Lexar began negotiations with representatives of Company C regarding a supply agreement aimed at ensuring Lexar with a guaranteed level of supply of flash memory with potentially more attractive pricing than it was then obtaining from its other suppliers. In addition, in connection with such supply agreement, Company C proposed making an equity investment in Lexar and the parties discussed entering into an intellectual property arrangement. Under this potential intellectual property arrangement, Company C required that Lexar transfer to Company C certain of Lexar's patents. Lexar continued to discuss these potential strategic agreements with Company C through early March 2006.

On September 28, 2005, Lexar's board held a special meeting in which it again, among other things, discussed in detail management's progress in improving Lexar's financial performance, the need to improve its position with respect to flash memory pricing and its options for doing so, and potential strategic alternatives. Lexar's management updated the board on the negotiations regarding the proposed strategic agreements, including relating to flash memory supply, with Company C. At this meeting, representatives of Deutsche Bank and management updated the board regarding the status of discussions with several of the potential strategic partners regarding strategic alternatives for Lexar. The board authorized management to continue discussions with each of the interested parties.

On October 4, 2005, representatives of Company B provided Lexar its business and legal due diligence requests, which were discussed at a meeting held on October 5, 2005, with representatives of

both companies. During October 2005, Company B continued its due diligence review of Lexar with both inside and outside legal counsel.

On October 7, 2005, representatives of Company A notified Lexar executives that Company A would not proceed at that time with a business combination with Lexar. Several more contacts were initiated by Lexar executives and representatives of Deutsche Bank to Company A and its financial advisor, culminating in a conference call on October 26, 2005, among the Chief Executive Officer of Company A, Mr. Stang, representatives of Deutsche Bank and representatives of the financial advisor to Company A. In this conference call, Company A again confirmed it did not wish to proceed at this time with a business combination with Lexar and would not undertake further work to evaluate a transaction.

On October 10, 2005, a representative of Deutsche Bank held a meeting on behalf of Lexar with the executive overseeing the mergers and acquisitions at Company F to discuss a potential business combination with Lexar. Several years earlier, Company F had discussed a business combination with Lexar and had conducted a due diligence review of Lexar, but had ultimately decided not to proceed. On October 21, 2005, a representative of Deutsche Bank had a telephone call on behalf of Lexar with a representative of Company F regarding Company F's interest in again evaluating a business combination with Lexar. On October 24, 2005, a representative of Company F contacted a representative of Deutsche Bank to inform the representative that Company F had no interest in proceeding further toward a business combination with Lexar or in having any further discussions with Lexar.

During October 2005, representatives of Deutsche Bank had a significant number of discussions on behalf of Lexar with the financial advisor of Company D. On October 14 and October 19, 2005, Messrs. Stang and Estakhri contacted the Chief Executive Officer of Company D regarding a potential business combination with Lexar. After the execution of a nondisclosure agreement with Company D and Company X on October 19, 2006, Company D's financial advisor requested business and legal due diligence materials from Lexar. On October 29, 2005, senior executives of Lexar met with four senior executives of Company D, including the Chief Executive Officer, together with representatives of Deutsche Bank and the financial advisor and outside legal advisor of Company D, regarding a potential business combination, and provided information regarding Lexar's business outlook in response to Company D's due diligence request.

On October 26, 2005, Lexar's board held a special meeting in which Mr. Stang summarized the status of the proposed strategic agreements with Company C focused on securing a cost-effective flash memory supply source and of discussions with Company A, Company B and Company D regarding a potential business combination, and updated the board regarding Lexar's strategic alternatives. Following discussion of the merits and risks of a business combination, critical factors to the success of a combination, preliminary views on valuation of a transaction and potential reactions from competitors and partners, the board authorized management to continue discussions with each of the interested parties and directed Deutsche Bank to request each of them to submit a preliminary written proposal regarding a potential business combination with Lexar.

On October 31, 2005, a representative of Deutsche Bank informed the respective representatives of Company B and Company D that Lexar would hold a board meeting on November 7, 2005 to review proposals regarding a business combination and requested that each make such preliminary proposal by that date. By that time, Lexar's management and Deutsche Bank on behalf of Lexar had contacted seven companies, of which only Company B and Company D were willing to consider a potential business combination with Lexar.

On November 3, 2005, Lexar's board held a meeting in which Mr. Stang reviewed Lexar's strategic alternatives, including, among other items, its relationship with flash suppliers and management's discussions with Company C regarding the proposed flash memory supply agreement and related

strategic agreements. Mr. Stang also discussed the terms that Company C had proposed for an equity investment in Lexar and the potential impact the proposed strategic agreements would have on Lexar's cost structure and financial results. Representatives of Deutsche Bank updated the board regarding the status of discussions with the various parties potentially interested in a business combination with Lexar. Representatives from Fenwick & West LLP, Lexar's outside legal counsel, or Fenwick & West, also reviewed with the board its fiduciary duties in evaluating such strategic alternatives.

On November 7, 2005, Company D submitted a written non-binding indication of interest for a business combination with Lexar involving primarily stock consideration. The value of the proposal at the time was \$8.75 per share, representing a premium of approximately 6% to the closing trading price of Lexar's common stock one trading day prior to the submission of the preliminary proposal. In this proposal, Company D indicated that it would only continue further on an exclusive negotiation basis and required an immediate acceptance or rejection of the proposal. Company B did not submit any proposal, but instead called representatives of Deutsche Bank and indicated that it was still considering whether it wished to proceed further and needed more time to prepare a proposal regarding a business combination with Lexar. In consultation with the board and management, Lexar did not invite Company C to submit a proposal as Company C had previously indicated that it was not interested in a business combination, but had been willing to engage with Lexar in discussions concerning flash memory supply arrangements. Management also wished to avoid disrupting the ongoing negotiations with Company C regarding a supply agreement aimed at securing a guaranteed level of supply of flash memory for Lexar with more attractive pricing and to reduce Lexar's reliance on its existing flash memory suppliers.

On November 7, 2005, Lexar's board held a special meeting at which representatives from Deutsche Bank reviewed discussions with potential acquirors concerning a business combination involving Lexar, as well as an analysis of the non-binding indication of interest received that day from Company D. The board discussed the terms of the proposed offer, evaluated Lexar's options in responding to the proposal and analyzed certain key concerns relating to the proposed transaction, the feasibility of addressing those issues and various strategies for doing so. Representatives of Deutsche Bank advised the board with respect to the proposed financial terms and representatives from Fenwick & West and Latham & Watkins LLP, Lexar's antitrust counsel, addressed legal and regulatory issues related to the proposed transaction. The Lexar board determined that the proposed transaction terms were inadequate and not sufficiently attractive to end the process of evaluating other alternatives. The Lexar board also reviewed risks relating to the ability to obtain the regulatory approvals necessary to consummate a business combination with Company D, which the board, based on advice of counsel, viewed as potentially significant. The board authorized Lexar's management and representatives of Deutsche Bank to respond to Company D with a counter-proposal that reflected a higher valuation for Lexar.

On November 8, 2005, representatives of Deutsche Bank presented on behalf of Lexar a counter-proposal to Company D's financial advisor. The counter-proposal was rejected by Company D. Company D also indicated it did not have significant flexibility in its proposal and also indicated that it was not willing to continue discussions on a non-exclusive basis and had decided to terminate further work on this project.

On November 9, 2005, Lexar's board held a special meeting at which representatives of Deutsche Bank reported to the board that Company D was not willing to proceed further with discussions regarding a potential business combination with Lexar under the terms of Lexar's counter-proposal or on a non-exclusive basis. Representatives of Deutsche Bank also updated the board regarding the latest discussions with Company B concerning a possible business combination with Lexar and reviewed with the board considerations of whether the proposed strategic agreements with Company C could impact strategic discussions with Company B or other persons who might become interested in a business combination with Lexar.

On November 11, 2005, at a special meeting of Lexar's board, representatives of Deutsche Bank updated the board on the status of a potential business combination with Company B. Lexar's management updated the board on the negotiations regarding the strategic agreements with Company C and further provided an update on management's plan to improve Lexar's financial performance. At the conclusion of this meeting, the Lexar board expressed support for continuing discussions regarding a potential business combination with Company B and instructed management to continue discussions regarding the flash memory supply and related strategic agreements with Company C.

Around this time, during negotiations of the strategic agreements with Company C, Mr. Stang met with a senior executive of Company C who confirmed that while Company C continued to be interested in pursuing discussions relating to a flash memory supply and other strategic agreements between Lexar and Company C, Company C was not interested in pursuing a business combination with Lexar at that time.

On November 23, 2005, a representative of Company B informed a representative from Deutsche Bank that Company B had spoken with Steven Appleton, Micron's Chairman of the Board, Chief Executive Officer and President, regarding a potential joint acquisition of Lexar by Micron and Company B. On December 2, 2005, a representative from Deutsche Bank spoke on behalf of Lexar with Abid Ahmad, Micron's Director, Corporate Development, regarding the process for Micron pursuing a potential joint acquisition of Lexar with Company B and the proposed timing for such a transaction.

On December 1, 2005, a representative of Deutsche Bank spoke on behalf of Lexar with representatives of Company B regarding a potential business combination with Lexar. Lexar continued to provide Company B with business and legal due diligence materials. On December 3, 2005, Messrs. Stang, Whitaker, and Estakhri met with representatives of Company B to discuss a potential joint acquisition of Lexar by Company B and Micron. A further business due diligence call between Lexar and Company B occurred on December 6, 2005.

On December 1, 2005, Deutsche Bank representatives again contacted on behalf of Lexar the financial advisor for Company D to explore continuing negotiations, but the financial advisor for Company D indicated that Company D declined to continue further negotiations.

On December 1, 2005, Mr. Stang and Mr. Estakhri met with two senior executives of Company G to discuss whether Company G would have an interest in a business combination with Lexar.

On December 2, 2005, the Court granted Toshiba a new trial with respect to the amount of the damages, setting aside the \$465 million verdict previously awarded to Lexar in March 2005.

On December 5, 2005, representatives of Deutsche Bank met with senior executives of Company C, who stated that Company C was not interested in pursuing a business combination with Lexar at that time due, in part, to internal issues at Company C.

On December 7, 2005, at a meeting of Lexar's board, representatives of Deutsche Bank updated the board regarding the status of discussions with Company B and Micron regarding a potential business combination. Among other items, Mr. Stang discussed the status of Lexar's negotiations with Company C regarding the proposed flash memory supply and related strategic agreements.

On December 7, 2005, Lexar received a request for business due diligence materials from Micron. The parties had previously executed a mutual non-disclosure agreement on April 22, 2005 in connection with evaluating other business opportunities, and they now agreed that it would apply to the proposed transaction. On December 8, 2005, Messrs. Stang, Estakhri, Whitaker and McGee met with Mr. Ahmad and other representatives of Micron and with representatives of Deutsche Bank regarding a potential business combination. At that meeting, Micron began its business due diligence review of

Lexar by listening to a presentation by the Lexar representatives on Lexar's corporate direction and business, and strategic objectives and challenges.

From October 2005 through the middle of January 2006, Company B continued its due diligence review of Lexar with both outside counsel and internal personnel. On December 8, 2005, representatives of Deutsche Bank met on behalf of Lexar with representatives of Company B to discuss the potential valuation of Lexar. Representatives of Deutsche Bank also explored whether Company B would be interested or willing to acquire the business of Lexar without acquiring the intellectual property portfolio. Representatives of Company B stated that this was not an option they would consider.

On December 13, 2005, a representative of Deutsche Bank again contacted on behalf of Lexar the financial advisor for Company D to determine whether Company D would be willing to resume negotiations. The Deutsche Bank representative indicated that negotiations with other parties were progressing rapidly and that Lexar could be asked to enter a period of exclusivity in the near future and that Company D should indicate serious interest if it intended to renew negotiations with Lexar. The financial advisor to Company D contacted the representative of Deutsche Bank a few days later and confirmed that Company D was not interested in renewing negotiations with Lexar at this time.

On December 13, 2005, Mr. Stang met with Mr. Appleton to discuss Lexar's business, Micron's business, the potential for a business combination between the parties and proposed structures for such a business combination. On the next day, Messrs. Appleton and Ahmad and Roderic Lewis, Vice President of Legal Affairs, General Counsel and Corporate Secretary of Micron, met separately with representatives of Company B to discuss the proposed acquisition. On December 14, 2005, Micron conducted further legal due diligence review of Lexar. On December 23, 2005, Micron contacted Skadden, Arps, Slate, Meagher & Flom LLP, or Skadden Arps, to engage Skadden Arps as its outside counsel in connection with the proposed business combination with Lexar and directed Skadden Arps to begin its legal due diligence review of Lexar as soon as possible. Skadden Arps continued to conduct its legal due diligence review until the merger agreement was executed on March 8, 2006.

On December 14, 2005, Company G sent a nondisclosure agreement to Lexar for the purpose of discussing joint business opportunities and a potential combination. As described more fully below, Lexar executed the nondisclosure agreement with Company G on December 20, 2005. Lexar continued to discuss a potential business combination with Company G until late February 2006.

On January 2, 2006, Messrs. Stang and Estakhri met with Messrs. Appleton and Ahmad to continue Micron's business due diligence review of Lexar.

On January 3, 2006, two senior executives of Lexar met with business and financial executives of Company G to continue discussions regarding Company G's potential interest in Lexar, and follow-up discussions were held by telephone over the next weeks.

On January 9, 2006, a representative from Company B informed a representative from Deutsche Bank that Company B wished to reduce the percentage that it would own in the potential joint acquisition of Lexar with Micron and that it intended to include a private equity firm in addition to Micron.

On January 11, 2006, a representative of Deutsche Bank once again contacted on behalf of Lexar the financial advisor of Company D to advise them that negotiations with other parties were proceeding rapidly and invited Company D to re-engage in discussions. Company D did not seek to re-engage in negotiations with Lexar regarding a potential business combination.

On January 12, 2006, representatives from Deutsche Bank spoke with Mr. Ahmad regarding the valuation of Lexar. On January 17, 2006, Mr. Whitaker spoke with representatives of Micron regarding due diligence matters. On January 18, 2006, Mr. Ahmad informed a representative from Deutsche

Bank that Micron would be willing to continue to move forward in pursuit of a possible transaction even though Company B had informed Mr. Appleton that it was no longer interested in an acquisition of Lexar, even at the reduced level of equity participation that Company B had previously indicated. The parties then discussed Lexar's financial outlook and other financial due diligence matters.

On January 19, 2006, Mr. Appleton informed Mr. Stang by email that Company B had confirmed to Micron that it had decided not to pursue the acquisition. A representative of Company B subsequently confirmed this to a representative of Deutsche Bank. Mr. Appleton indicated that Micron was still interested in moving forward with an acquisition of Lexar in conjunction with a private equity firm.

On January 20, 2006, a representative from Deutsche Bank met on behalf of Lexar with representatives of a private equity firm regarding the potential joint acquisition of Lexar with Micron. On January 23, 2006, a representative from Deutsche Bank spoke on behalf of Lexar with a representative of the private equity firm regarding a potential business combination with Lexar, who indicated that it would be difficult for a private equity firm on its own to move forward with an acquisition of Lexar given Lexar's cash flow characteristics and competitive environment. On January 24, 2006, Lexar and the private equity firm executed a nondisclosure agreement and thereafter the private equity group began conducting its legal and business due diligence review of Lexar.

Also on January 20, 2006, two senior executives of Lexar met with the Chief Executive Officer and other representatives of Company G and discussed a possible business combination. Over the course of the next several days, numerous additional telephone calls and meetings occurred between representatives of Lexar and Deutsche Bank with representatives of Company G and its financial advisor. Ultimately, representatives of Company G indicated in late January 2006 that it was not interested in directly acquiring Lexar, but wanted to discuss the possibility of Lexar acquiring a portion of Company G's business. Representatives of Lexar and representatives of Company G engaged in preliminary discussions until mid-February 2006 regarding Lexar's purchase of Company G's business or a portion of its business. Representatives of Company G's financial advisor communicated to representatives of Deutsche Bank that Company G would not explore a business combination with Lexar, except for the potential acquisition by Lexar of a portion of Company G's business.

On January 23, 2006, Lexar's board held a meeting at which Mr. Stang provided an update on management's plan to improve Lexar's financial performance. Mr. Stang informed the board that although Lexar's strategy to focus on profitability had resulted in positive net income in the third quarter of 2005, management now expected a loss for both the fourth quarter of 2005 and the first quarter of 2006 as a result, in part, of significant competitive pricing pressures. Representatives from Deutsche Bank updated the board regarding the status of discussions with Micron and other third parties regarding a potential business combination. Mr. Stang also summarized for the board the status of Lexar's discussions with Company C regarding the terms of the proposed flash memory supply and related strategic agreements and other discussions. At the conclusion of this meeting, the Lexar board expressed support for continuing discussions regarding a potential business combination with Micron and other interested parties including potentially Company G and instructed management to continue discussions regarding the strategic agreements with Company C.

On January 24, 25, and 30, 2006, a representative from Deutsche Bank held conversations on behalf of Lexar with Mr. Ahmad regarding the structure of a potential business combination with Lexar and the participation of the private equity firm in the acquisition of Lexar.

On January 31, 2006, a representative of Deutsche Bank had a telephone conversation on behalf of Lexar with the Chief Executive Officer of Company H regarding a potential business combination with Lexar. Deutsche Bank had previously contacted representatives of Company H on behalf of Lexar in the fall of 2005 to inquire whether Company H would be interested in considering a business combination with Lexar. At that time, Company H had indicated that exploring a transaction with



Lexar was not a high priority and Company H was not at that time interested in meeting with Deutsche Bank or Lexar to commence discussions. However, during this conversation on January 31, 2006, the Chief Executive Officer of Company H indicated that it was interested in at least engaging in preliminary discussions as to whether any transaction was worth exploring. Deutsche Bank and the executive agreed to set up a meeting to commence such discussions and to provide information concerning Lexar.

On February 1, 2006, Messrs. Stang, Estakhri and Whitaker, along with representatives from Deutsche Bank, met with Messrs. Appleton and Ahmad regarding the business issues related to the synergies and challenges of a potential business combination.

On February 3, 2006, Mr. Whitaker and Michael Scarpelli, Lexar's Chief Financial Officer, spoke with Mr. Ahmad and another representative of Micron by telephone to discuss the structure of the potential business combination and other transaction-related issues. During this call the parties discussed Micron proceeding alone to acquire Lexar, and some preliminary matters relating to the structure of the transaction.

On February 6, 2006, Messrs. Whitaker and McGee, along with a representative from Deutsche Bank, met on behalf of Lexar with Mr. Ahmad and other representatives of Micron to discuss Lexar's financial outlook and business. On February 9, 2006, Messrs. Stang, Whitaker and Estakhri met with Messrs. Appleton and Ahmad to discuss preliminary valuations of Lexar that Micron was considering for a business combination and the structure for such a transaction. Mr. Whitaker had a follow-up conversation with Mr. Ahmad on February 10, 2006 regarding the timing of legal due diligence, and the negotiation process for potentially entering into a definitive merger agreement. Mr. Whitaker and Mr. Ahmad continued to speak regularly regarding the potential business combination until the definitive agreements were executed on March 8, 2006.

On February 10, 2006, Lexar's board held a meeting at which it reviewed with representatives of Deutsche Bank the status of discussions with potential strategic partners. Deutsche Bank presented information to the board on Micron's financials and stock, transaction premiums, transaction timing and other related matters. The board considered, with input from management and its legal and financial advisors, possible strategic alternatives, including potential business combinations with Micron or other potential strategic partners, and the possibility of remaining an independent entity and entering into the strategic agreements with Company C. The board discussed the benefits and challenges of remaining an independent entity and the terms of the proposed flash memory supply and related strategic agreements with Company C. The board noted that the structure of the agreements with Company C still relied upon a market-based pricing formula for flash memory and the success of this arrangement would depend on Company C's pricing strategy, technology roadmap, and cost structure. The board further noted that the transfer of patents to Company C represented a significant cost. Mr. Stang discussed the current business environment and the significant pricing declines in the marketplace. At the conclusion of this meeting, the Lexar board expressed support for continuing discussions regarding a potential business combination with Micron and instructed management to continue discussions regarding the strategic agreements with Company C, specifying that a number of terms in the proposed arrangement with Company C would need to be resolved favorably for Lexar in order to improve the potential impact of the strategic agreements to meet Lexar's objectives.

On February 13, 2006, Lexar's board held a special meeting at which Mr. Stang, among other things, summarized for the board the status of Lexar's discussions with Micron regarding a potential business combination and an update regarding the potential financial impact of the proposed supply agreement with Company C.

On February 13, 2006, Lexar issued a press release announcing its preliminary results for the fourth quarter and year ended December 31, 2005 in which Lexar reported that it expected to incur a net loss in the range of \$17 million to \$21 million for the quarter.

On February 14, 2006, Lexar formally executed an engagement letter with Deutsche Bank confirming its prior agreement to act as Lexar's financial advisor.

On February 14, 2006, Lexar signed a non-disclosure agreement with Company H and an executive from Lexar and representatives of Deutsche Bank met on behalf of Lexar with several representatives of Company H regarding a possible business combination with Lexar. On February 15, 2006, Company H informed representatives of Deutsche Bank that it did not wish to proceed further in considering a business combination with Lexar. Company H indicated that, in its view, Lexar's competitive position and lack of profitability as an independent entity was such that Lexar required a strategic transaction with a semiconductor company that could supply low cost flash to Lexar, and Company H did not have such capabilities. Company H indicated that Lexar's intellectual property portfolio and product expertise were interesting to Company H, but not of sufficient value to Company H to merit a business combination or any other transaction at this time. Deutsche Bank reported these discussions to management of Lexar.

On February 15, 2006, Mr. Stang and Mr. Appleton spoke by telephone regarding a potential transaction, and later that day, Micron provided Lexar with an exclusivity agreement and a non-binding term sheet for a potential business combination. Among other terms, the term sheet included an offer price and specified that the consideration would be payable in shares of Micron stock, and required that Lexar grant Micron a perpetual, worldwide, non-exclusive royalty free license to all patents and pending patent applications owned or controlled by Lexar for the term of the license. During the course of the negotiations related to a business combination, Micron presented the potential license agreement as an integral aspect of the transaction, without which it would not proceed with the potential business combination. Representatives of Micron stated that Micron was not willing to enter into a business combination with Lexar, and effectively put Lexar "in play," only to have Lexar be acquired by a competitor of Micron that would then be in a position to turn around and use Lexar's patents potentially to assert infringement claims against Micron. Micron's representatives stated that rather than risk that potential outcome, it would be Micron's determination not to enter into an agreement with Lexar with respect to a business combination in the first place.

On February 16, 2006, Lexar's board held a special meeting to discuss the proposed terms and structure of a business combination with Micron and any other strategic options available to Lexar at that time. Representatives of Deutsche Bank presented a financial analysis and a summary of market terms and representatives from Fenwick & West discussed with the board its fiduciary duties in the context of a business combination with Micron. Fenwick & West also indicated that it had communicated with Delaware counsel and presented Delaware counsel's perspective on the proposed transactions. Lexar's management updated the board on the progress of the negotiations of the proposed strategic agreements with Company C and other discussions. Fenwick & West and Mr. Whitaker then summarized the current terms of the business combination with Micron that were currently under negotiation and Micron's proposal for a license agreement. The Lexar board, with the advice of management of Lexar and its legal and financial advisors, also considered and discussed various matters relating to the possible terms and valuations under which such a business combination should be pursued further. The board rejected the offer price proposed by Micron and gave Mr. Stang instructions with respect to an acceptable valuation range in such a transaction and authorized Lexar's management to enter into an exclusivity agreement with Micron if discussions regarding price moved into that acceptable valuation range.

On February 16 and 17, 2006, representatives of Lexar, Micron and their respective advisors continued to negotiate the offer price, material terms, exclusivity agreement and the potential license agreement.

On February 18, 2006, representatives of Skadden Arps provided Lexar and Fenwick & West a preliminary draft of the sections of the merger agreement containing the representations and

warranties. On February 19, 2006, Skadden Arps provided Lexar and Fenwick & West with the initial draft of the complete merger agreement.

On February 20, 2006, Messrs. Stang, Whitaker and Scarpelli on behalf of Lexar and Messrs. Appleton and Ahmad, W.G. Stover, Jr., Micron's Vice President of Finance and Chief Financial Officer, and other representatives of Micron and representatives of Skadden Arps, Deutsche Bank and Fenwick & West met to further negotiate on behalf of their clients general transaction terms and the elements of the exclusivity agreement, with the discussions focusing on Lexar's valuation in the business combination and the potential license agreement. The parties reached preliminary agreement regarding valuation for the transaction, subject to certain conditions, that was within the range authorized by Lexar's board. The parties also agreed that the license would be a cross-license covering each party's patent portfolio and further agreed to discuss the term, termination events, field of use and patent capture period included of such cross-license. The exclusivity agreement provided for an exclusive negotiating period through March 3, 2006 to facilitate the negotiation and execution of the definitive merger agreement. This exclusivity agreement, however, expressly permitted Lexar to continue its discussions with Company C regarding the potential flash memory supply and related strategic agreements between the parties. Micron indicated that it was unwilling to continue to negotiate the transaction any further unless Lexar immediately executed the exclusivity agreement.

On the morning of February 21, 2006, Lexar's board held a special meeting at which management updated the board on the proposed merger with Micron. Management advised the board that the parties had reached a preliminary agreement on a valuation for the transaction and had entered into the exclusivity agreement. Management and representatives from Fenwick & West updated the board regarding the significant open transaction issues, including an extensive discussion regarding the potential terms of the cross-license agreement, and further discussed the board's fiduciary duties and the specific deal terms as they related to the board's fiduciary duties.

On February 21, 2006, representatives of Fenwick & West provided Skadden Arps and Micron with proposed revisions to the draft merger agreement, and later that day representatives of Lexar, Micron and their respective legal and financial advisors had a conference call to discuss open issues on the merger agreement and the proposed cross-license agreement.

In the evening of February 21, 2006, Lexar's board held another special meeting to further discuss the significant open transaction issues, including the cross-license agreement, and related transaction terms. Fenwick & West advised the board with respect to its fiduciary duties. Mr. Whitaker updated the board on the progress made in negotiating the cross-license agreement during the course of the day. The board further discussed the cross-license agreement with management and representatives of Deutsche Bank and Fenwick & West. At the conclusion of this meeting, the board expressed support for continuing discussions regarding a potential business combination with Micron and gave instructions to management to further negotiate certain terms of the cross-license agreement.

On February 22, 2006, representatives of Skadden Arps provided Fenwick & West and Lexar with drafts of the form of voting agreement and cross-license agreement with respect to patents of Lexar and Micron. On February 22, 2006, Mr. Scarpelli, Mr. Whitaker and representatives of Deutsche Bank met with Mr. Stover and Mark Heil, Micron's Finance Director and Corporate Controller, to conduct a due diligence review on the financial condition of Micron. Later that day, representatives of Lexar, Micron and their respective legal advisors met to further negotiate the merger agreement. Over the course of the next two weeks, the parties continued to negotiate the terms of the merger agreement, cross-license agreement, voting agreements and other transaction documents, representatives of Micron and Skadden Arps continued their due diligence review of Lexar and representatives of Lexar, Deutsche Bank and Fenwick & West continued their due diligence review of Micron.

On February 28, 2006, Lexar's board held a special meeting at which management updated the board regarding the status of the negotiations and the significant open issues with the business

combination with Micron, including resolution of the methodology for determining the exchange ratio and certain terms of the merger agreement and the cross-license agreement, and management's plan to resolve the open issues. Mr. Stang also updated the board on the status of the negotiations and open issues with the proposed strategic agreements with Company C and sought and received the board's approval of his continuing negotiations with Company C later that week pending resolution of the open issues with the potential business combination with Micron. At the conclusion of this meeting, the board expressed support for continuing discussions regarding a potential business combination with Micron and indicated certain terms of the merger agreement and the cross-license agreement that were essential to Lexar's negotiation with Micron regarding the proposed business combination. Later that day, Mr. Stang and Mr. Appleton had several calls at the conclusion of which they reached a general understanding regarding an exchange ratio of 0.5625, which, based on Micron's closing trading price on the day prior was equal to approximately \$8.80 per share, which represented a premium of 28.9% to the closing trading price of Lexar's common stock on the previous day.

From March 1 through March 3, 2006, during various negotiation meetings and telephone calls, representatives of Micron and Lexar and their respective legal advisors continued to negotiate the terms of the merger agreement, the voting agreement and the cross-license agreement.

On March 2, 2006, at a special meeting of the Micron board of directors, Mr. Appleton presented the terms of the proposed merger with Lexar. The board deliberated and thereafter approved the transaction, subject to management's satisfaction with the resolution of open issues.

In the evening of March 3, 2006, Lexar's board held a special meeting at which Mr. Stang described to the board the rationale for management's recommendation of the merger. Mr. Stang also presented potential disadvantages of the merger and Lexar's strategic alternatives, including pursuing an alternative strategy to remain an independent entity and entering into the proposed flash memory supply and related strategic agreements with Company C. Mr. Stang updated the board on the progress of the negotiation of the strategic agreements with Company C. After discussion of Mr. Stang's update, the board concluded that the current terms of such agreements were not sufficient to achieve the competitive objectives sought by Lexar. Representatives from Fenwick & West and Mr. Whitaker reviewed in detail with the board the terms of the proposed business combination with Micron, including the merger agreement, the cross-license agreement, voting agreements and other related agreements. Representatives of Fenwick & West also advised the board on its fiduciary duties to the Lexar stockholders.

The board was also advised that Micron was continuing to conduct its legal due diligence review of Lexar and negotiation of certain provisions of the merger agreement. The board was also apprised of the interests of Lexar's executive officers and directors in the merger. For more information, see the section entitled "Interests of Lexar's Directors and Executive Officers in the Merger" beginning on page 89 of this proxy statement/prospectus. Representatives of Deutsche Bank reviewed with the board the financial terms of the proposed merger, presented detailed financial analysis regarding those terms and delivered its oral opinion, subsequently confirmed orally on March 7, 2006 and in writing on March 8, 2006, to Lexar's board that, as of such dates, based upon and subject to the assumptions made, matters considered and limits of the review undertaken by Deutsche Bank, the exchange ratio of 0.5625 of a Micron share for each Lexar share was fair, from a financial point of view, to the stockholders of Lexar. Deutsche Bank also noted that, due to a decline in the trading price of Company D, the prior proposal of Company D, had it been accepted by Lexar at the time it was made, would now be worth less than the value of that proposal at the time it was made, and would be worth less per share than the value of the Micron proposal.

Following the presentations, and after further review and discussion, the board unanimously determined that the merger transaction with Micron was fair to, and in the best interests of, Lexar and its stockholders and voted unanimously to approve and adopt the merger agreement and related

agreements and approve the merger and related matters and resolved to recommend that Lexar stockholders adopt the merger agreement.

From March 4 through March 7, 2006, respective legal counsel for Lexar and Micron and representatives of both companies worked to finish due diligence, complete the disclosure schedules and the merger agreement and terminate a Lexar licensing agreement with a third party in order to prepare Lexar's patent portfolio for transfer in connection with the merger. On March 5, 2006, Lexar and Micron extended the term of the exclusivity agreement through March 13, 2006.

On March 6, 2006, Lexar's board held a special meeting in which management updated the board on matters related to and the status of the proposed business combination with Micron. On the evening of March 7, 2006, the board held a special meeting and was again updated on the proposed business combination with Micron by management and representatives of Fenwick & West and Deutsche Bank. The board confirmed its approval and adoption of the merger agreement and related agreements and the approval of the merger and related matters.

Early in the morning on March 8, 2006, the parties signed the merger agreement and the cross-license agreement and each of Lexar's directors and executive officers and two affiliates of one of the directors signed voting agreements to vote their respective shares of Lexar common stock in favor of the proposed merger were delivered to Micron. The parties then issued a joint press release publicly announcing the transaction.

#### **Lexar's Reasons for the Merger and Recommendation of Lexar's Board**

Lexar's board of directors believes that the merger presents an opportunity to combine two leaders in different segments of the memory semiconductor business, and will position Lexar to benefit from a reliable and competitively priced supply of flash memory. Lexar's board of directors also believes that the merger will position the combined company to be able to drive incremental cost savings and result in faster development and growth in emerging markets. Lexar's board consulted extensively with management and its advisors and considered a number of factors in reaching its decision to approve the merger agreement and the merger and to recommend adoption of the merger agreement to Lexar's stockholders, including the following, all of which it viewed as generally supporting its decision:

***Achieve Vertical Integration.*** Flash memory semiconductors represent the majority of the cost of Lexar's digital media products. Lexar does not have its own source of flash memory and must procure these key components from other semiconductor companies. Lexar's board of directors has determined that, in light of prevailing and projected market conditions, Lexar's long-term strategic value and competitive position would be greatly enhanced by a merger with Micron. Micron, one of the world's leading producers of semiconductors, produces flash memory and, through a recently announced joint venture with Intel, has further committed itself to become a leader in NAND flash memory technology, the type of flash memory used primarily by Lexar. As a result, Lexar's board of directors believes that Lexar, as a combined entity with Micron, will be able to achieve vertical integration and enhanced gross margin percentages by gaining access to Micron's lower cost flash memory supply when it becomes available.

***Enhance Opportunities for Growth.*** Lexar's board of directors believes that this proposed strategic merger with Micron will position Lexar to more quickly and effectively enhance its products and develop products for new market opportunities, especially with regard to opportunities in the emerging mobile handset and solid state computing segments.

***Operational Synergies.*** Lexar's board believes that combining Lexar's operations with Micron's operations will yield cost synergies to Lexar's operations, including improving inventory management, optimizing product architectures to reduce production costs and reducing product handling, testing and packaging costs.

***Micron's Business, Opportunities and Financial Condition.*** Lexar's board of directors considered Micron's operating history, financial condition, business strategy and anticipated future performance. The board recognized that Micron is a leading designer, manufacturer and marketer of various types of memory products and is also achieving strategic diversification and revenue growth in its imaging products. The board reviewed Micron's historical stock price performance and the current valuation of its stock in the public markets relative to other companies in its industry. The board also considered Micron's greater financial resources, manufacturing and technical capabilities, large patent portfolio and joint venture relationship with Intel with respect to NAND flash memory. The board also considered the potential for the combination with Lexar to enhance Micron's value as a result of combining Micron's technology and manufacturing of NAND flash memory with Lexar's leadership in NAND controllers and system design technology, brand recognition and retail channel strength to create a vertically integrated entity focused in the NAND business.

***The Merger Consideration.*** Lexar's board considered the relationship of the value of the Micron common stock to be issued to Lexar stockholders as consideration in the merger to the recent and historical trading prices of Lexar's common stock, and the premium that this consideration represented to these historical trading prices. The board took into account that the implied price per share based on the 0.5625 exchange ratio represented a premium of 27.9%, 33.0% and 19.0% to the average closing trading price of Lexar common stock for the one week, four weeks and eight weeks, respectively, ended March 3, 2006 (the Friday before the merger agreement was signed) and an 18.8% premium to the closing trading price of Lexar common stock on March 7, 2006, the final trading day before the public announcement of the proposed merger. It also considered the form of the merger consideration, Micron common stock, and that this presented an opportunity for Lexar's stockholders to participate in the potential strategic and operational synergies to be achieved through the combination of the two companies. The board considered the fact that the Micron shares to be received in the merger would be registered under the United States securities laws and would be available for trading on a well-recognized United States securities exchange, and, as such, would be freely tradable by Lexar's stockholders, subject to certain restrictions applicable to Lexar's affiliates.

***Lexar's Business, Condition and Prospects as an Independent Entity.*** Lexar's board of directors considered a number of factors related to Lexar's business, financial condition, prospects and challenges as an independent entity and concluded that these factors supported the proposed merger with Micron:

*Lexar's Recent Financial Performance and Outlook.* Lexar's board considered Lexar's recent financial results and future prospects, including the fact that Lexar had incurred a loss for each of calendar years 2004 and 2005, including a substantial loss for the fourth quarter of 2005. The board also considered Lexar's financial outlook for the first quarter of fiscal 2006 and future periods and the anticipated difficulty in returning to profitability. The board noted that despite substantial growth of its revenues, Lexar had an accumulated deficit of \$203.7 million as of December 31, 2005. The board considered the possibility that, absent a business combination or significant partnership with a producer of flash memory semiconductors, Lexar could have a continued inability to achieve sustained profitability, in which case it could be forced to engage in additional equity or debt financings on possibly unattractive terms.

*Growth and Risks of OEM Sales and Decreasing Sales of Retail Products.* Lexar's board considered that Lexar's revenue growth in 2005 was largely driven by sales of controllers and components to OEM customers, a business it views as opportunistic and dependent upon prevailing markets for flash memory supply, and which is not anticipated to be a stable source of revenue in future periods. In addition, Lexar's revenue from the largest component of its business, retail product revenue, increased only \$16.1 million, or 2.6%, in 2005 as compared with 78.8% in 2004, and had decreased in the last three quarters of 2005 as compared to the same periods in 2004.

*Increasing Competitive and Pricing Pressures.* Lexar's board considered the fact that the market for digital media and flash-based storage products is highly competitive, and Lexar's key competitors have increasingly benefited from vertical integration and used their superior cost positions to impose pricing pressure on Lexar. While historically Lexar has matched the price decreases of its competitors, in the first quarter of 2005, Lexar embarked on a strategy designed to emphasize corporate profitability. Consistent with this strategy, during 2005, Lexar either raised or selectively lowered its selling prices on certain products which resulted in Lexar maintaining a price premium in relation to its competitors' prices for many of its products. This strategy resulted in a significant decrease in Lexar's rate of revenue growth and a loss of market share and product placements during 2005 to Lexar's competitors. In the first quarter of 2006, many of Lexar's competitors broadly and substantially reduced their product prices. In response to these competitive pricing pressures, in the first quarter of 2006, Lexar adjusted its business strategy and significantly lowered its prices to remain competitive in the marketplace. These pricing pressures have had a negative effect on Lexar's revenues, gross margins and operating results, and Lexar's board expected this pricing environment to continue to prevail for the foreseeable future.

*Uncertainty Regarding Adequate Supply of Cost-Effective Flash Memory.* Lexar's board considered the fact that the cost of flash memory represents a significant portion of the cost of manufacturing digital media and, as such, is a primary factor for success in this business. Lexar is at a cost disadvantage to many of its competitors with respect to flash memory and is at a particular disadvantage to SanDisk Corporation because of SanDisk's vertical integration through its joint venture with Toshiba Corporation to develop and manufacture both low-cost and high-performance flash memory. Because of SanDisk's cost advantage with respect to flash memory pricing, it has been able to reduce prices for its products, which has negatively impacted Lexar's business, as discussed above. Lexar has historically relied on Samsung as its primary supplier of flash memory, and Lexar depends on Samsung to provide it with sufficient quantities of flash memory and at prices, sales terms and credit terms that are appropriate to meet Lexar's needs. Lexar's board considered the risks of this dependency on Samsung and noted that particularly in an environment of tight supply for flash memory, which has recently been the case and which trend is expected to continue to influence Lexar's business prospects and operating results for fiscal year 2006, Samsung has not been sufficiently competitive in its pricing of flash memory to Lexar.

*Intellectual Property Litigation: Efforts, Costs and Timing.* Lexar's board considered that Lexar's ability to grow its revenues and improve its gross margins depends in part on its ability to license its technology to third parties or through assertion of its intellectual property rights, and that these efforts depend largely on the success of Lexar's various ongoing intellectual property litigation matters. Lexar has incurred significant costs in connection with its ongoing trade secret and patent litigation with Toshiba, which costs are likely to continue to be significant in the future. Although in March 2005 Lexar was awarded a \$465 million verdict in its trade secret litigation with Toshiba, in December 2005 the court awarded Toshiba a new trial on the amount of the damages. As a result, there is uncertainty as to the amount of damages Lexar may ultimately receive from Toshiba. In addition, it will likely take a number of years for this litigation, as well as the patent litigation, to reach its conclusion, and Lexar will continue to incur substantial additional legal costs during its pendency. Furthermore, both Lexar and Toshiba have appealed elements of the court's December 2005 order. If Toshiba were to prevail in the trade secrets litigation on appeal or in the patent litigation or if the appeal is delayed, it could harm Lexar's ability to secure licensing revenues from Toshiba and other potential licensees. Finally, Lexar is also involved in additional patent litigation matters with other parties, which are also expensive and time consuming, and there is significant uncertainty regarding

the ultimate outcome of these matters and the amount of time it will take before they are resolved.

*Competition and the Need to Invest in Research and Development.* The Lexar board considered Lexar's uncertain prospects for successfully competing with other companies with greater resources, including the resulting need for Lexar to maintain global operations and invest substantial sums for continued research and development, participate in development of industry standards, transition to new opportunities, such as cellular phones and solid state storage drive segments, and enhance its technology and product offerings.

*Extensive Exploration of Strategic Alternatives.* Lexar's board of directors considered the fact that Lexar, with the assistance of Deutsche Bank, conducted an extensive and thorough exploration of its strategic alternatives, including exploring both business combination transactions and a set of strategic transactions with a flash memory supplier in which Lexar would have remained an independent company, but ultimately concluded that the proposed merger with Micron was the best alternative for Lexar and its stockholders.

*Thorough M&A Process.*

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) Beginning in March 2005 and continuing from time to time throughout 2005 and the beginning of 2006, Lexar held discussions with a number of companies regarding a potential strategic transaction, with Deutsche Bank assisting Lexar in this process since mid-2005. Lexar and Deutsche Bank, on behalf of Lexar, contacted or received inquiries from 11 parties, including Micron, during this time, consisting of those companies that Lexar, with Deutsche Bank's advice, considered to be likely potential acquirors and/or strategic partners of Lexar. Of these parties, eight companies entered into non-disclosure agreements with Lexar for the purposes of exploring a possible strategic transaction with Lexar and five companies engaged in formal due diligence of Lexar. In considering the level of interest by potential acquirors and/or strategic partners, the Lexar board of directors noted the following:

The value of Lexar's patent portfolio to any given potential acquiror is dependent in part on (i) the extent to which Lexar has already cross-licensed its patent portfolio to such potential acquiror, (ii) the extent to which a potential acquiror has entered into cross-licenses with other third parties and (iii) the breadth and other terms of such cross-licenses.

The value of Lexar's retail channels to any given potential acquiror is dependent in part on whether a potential acquiror has a strategic need for Lexar's channels or whether the channels are duplicative of or redundant with its existing channels. Thus, the value of Lexar's retail channels may vary widely from one potential acquiror to another.

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) Although Lexar engaged in extensive discussions with several parties and permitted parties to perform due diligence investigations of Lexar, only one party other than Micron made an acquisition proposal. Following review, the board determined that the offer was inadequate and subject to greater closing and other risks than the Micron offer. Lexar made a counter offer to such other party that was rejected. Therefore, ultimately only Micron submitted a formal offer to acquire Lexar that the Lexar board determined provided an appropriate valuation and likelihood of consummation.

*Exploration of Strategic Relationships with Flash Memory Suppliers.* Lexar also began discussions with other flash memory suppliers in early 2005, which discussions continued into 2006. In particular, Lexar discussed a potential strategic relationship with one of the



flash memory suppliers in which the parties would enter into a supply agreement that would provide Lexar with a guaranteed volume of flash memory and certain favorable pricing terms, the supplier would make a minority equity investment in Lexar, and the parties would enter into an intellectual property arrangement. The exclusivity agreement entered into with Micron in connection with the negotiation of the merger agreement permitted Lexar to continue discussions with the flash memory supplier during this time. Lexar's board ultimately determined that this potential transaction was not a superior alternative to the Micron acquisition because, among other reasons, Lexar would continue to be exposed to the risks of market-based pricing formulas in times of tight supply, the equity investment was potentially dilutive and could adversely affect future strategic transactions Lexar might wish to pursue, and the intellectual property arrangement might potentially diminish the value of Lexar's intellectual property. After extensive deliberation, Lexar's board concluded that the merger with Micron was a superior alternative for Lexar and its stockholders than pursuing a strategic relationship with the flash memory supplier and continuing to operate as an independent company.

**Opinion of Deutsche Bank.** Lexar's board considered the financial analyses provided to it by Deutsche Bank at meetings of the board, including the meeting on March 3, 2006. The board further considered Deutsche Bank's opinion delivered to it orally on March 3, 2006 and subsequently confirmed orally on March 7, 2006 and in writing on March 8, 2006, to the effect that, subject to the assumptions made, matters considered and limits on the review undertaken by Deutsche Bank, the exchange ratio of 0.5625 of a share of Micron common stock for each share of Lexar's common stock to be received in the merger was fair, from a financial point of view, to the holders of Lexar's common stock. See "Opinion of Lexar's Financial Advisor" beginning on page 82 of this proxy statement/prospectus.

**Execution Risks of the Merger.** Lexar's board of directors considered, after consultation with management and outside legal counsel, and given the nature of the marketplace in which Lexar competes and the businesses of Lexar and Micron, that the regulatory approvals and clearances needed to complete the transaction were likely to be obtained without undue delay or the imposition of burdensome terms on the combined entity. Lexar's board also considered the likelihood that the merger would be consummated in light of the nature of the closing conditions in the merger agreement, including the absence of any requirement that Micron stockholders approve the merger.

**United States Federal Income Tax Treatment.** Lexar's board considered the ability of Lexar stockholders to receive Micron shares in the merger in a tax-free exchange, as further described under "Material United States Federal Income Tax Consequences of the Merger" beginning on page 94 of this proxy statement/prospectus.

**The Terms of the Merger Agreement.** Lexar's board reviewed and considered the terms of the merger agreement including, among other things, the fixed exchange ratio for the shares of Micron common stock to be received by Lexar's stockholders in the merger, the board's ability in certain situations, including upon an event having a material adverse effect on Micron, to terminate the merger agreement, the size of the termination fee payable by Lexar in certain circumstances upon or following a termination of the merger agreement and the closing conditions applicable to the parties.

**Ability to Consider and Accept Superior Bid.** The Lexar board considered that, in addition to Lexar's extensive exploration of potential strategic alternatives prior to entering into the merger agreement, the merger agreement permits Lexar, subject to certain requirements, to engage in negotiations with, and provide non-public due diligence information to, a party that submits an acquisition proposal that the Lexar board concludes is, or is reasonably likely to result in, a transaction that is superior to the merger with Micron. Furthermore, subject to certain requirements (including, in certain circumstances, payment of a termination fee of \$22 million), the Lexar board is permitted under the merger agreement to change its recommendation to Lexar's stockholders in favor of adoption of the merger agreement with Micron, and unilaterally terminate the merger agreement and enter into a binding agreement with another party if the Lexar board determines that the alternate transaction is superior to the terms of the merger with Micron.

***The Terms of the Patent Cross-License Agreement.*** Lexar's board also considered Micron's requirement that the parties' execute a patent license agreement as a condition of entering into the merger agreement. Through extensive negotiations, the parties agreed upon a cross-license that Lexar's board approved as a condition of the merger agreement after reviewing and considering the terms of the cross-license, including that the cross-license: (i) included a past release for all patent infringement claims for past uses and distributions of products that were licensed as part of the agreement; (ii) was not assignable or sublicensable by Micron to a third party; (iii) provided a license to Lexar in its field of use to Micron's extensive patent portfolio, which license would continue, subject to certain reasonable limits, in the event that Lexar was acquired by another company; (iv) was a non-exclusive license only to Micron and to certain of its subsidiaries and not to joint venture partners or to downstream combination products incorporating Micron products where the combination was done by downstream component purchasers; (v) except with respect to controllers designed by or for Micron, did not license the manufacture and sale of third party controller products; (vi) was reasonably limited in duration and patents included in the scope of the license; and (vii) would allow another party to acquire Lexar and obtain all of the benefits of Lexar's intellectual property, subject to not being able to assert infringement claims based on Lexar's patents against Micron for a limited period of time. The Lexar board also considered that if Lexar's stockholders voted against the merger or the merger agreement was terminated under certain other circumstances, the cross-license could terminate on March 8, 2007, provided Lexar was not acquired or had not entered into a definitive agreement or letter of intent to be acquired by that date or the Lexar board had not changed its recommendation in favor of the merger or otherwise breached the merger agreement. In addition, the board considered whether the cross-license could have the effect of discouraging a competing acquisition offer, noting that in view of the features of the license described above, the non-exclusive nature of the cross-license would not preclude another party from making a bid for Lexar as a third party acquiror would be able to fully exploit Lexar's intellectual property subject solely to the limitation that such acquiror would not be able to use Lexar's patents to sue Micron for infringement for a limited period of time. The board also considered that Micron had made it clear throughout the negotiations that it would not pursue an acquisition transaction without the licensing arrangements. The Lexar board ultimately reviewed and approved entering into the patent cross-license agreement in light of these factors, among others, and the desirability of the proposed merger with Micron. See "The Patent Cross-License Agreement" beginning on page 119 of this proxy statement/prospectus.

Lexar's board of directors also considered a number of potentially negative factors in its evaluation of the merger, including the following:

***Micron's Stock Price.*** The Lexar board considered the price volatility of Micron's common stock and the possibility that the trading value at the time of the merger could be substantially below the trading prices prevailing at the time of entry into the merger agreement, and that due to the fixed exchange ratio, Lexar stockholders would not receive additional shares of Micron stock should Micron's stock price decline.

***Benefits from Successful Execution of Lexar's Strategy.*** The Lexar board considered that due to the merger, in the event of successful execution of Lexar's current business and litigation strategy, Lexar's stockholders would not be the sole recipients of any resulting increase in Lexar's long-term value.

***Integration Risk.*** The Lexar board considered the challenges to be confronted by Micron in integrating the operations of the two companies and the possibility that the failure to quickly achieve successful integration could adversely affect the value of the Micron shares to be received in the merger.

***Risks to Business Pending the Merger.*** The Lexar board considered the fact that certain of Lexar's key suppliers are competitors of Micron, and that the public announcement of the merger

agreement could result in disruptions in supply for the combined company or, if the merger was not consummated, Lexar.

**Loss of Personnel and Diversion of Management.** The Lexar board considered that as a result of the proposed merger, key personnel of Lexar might terminate their employment with it. In addition, the board considered the risk of diverting management's attention from day-to-day operation of Lexar's business during the pendency of the merger.

**Termination Fee.** The Lexar board considered that the merger agreement requires that Lexar pay a termination fee of \$22 million to Micron in certain circumstances upon or following termination of the merger agreement, and the potential effects of this requirement in deterring other potential acquirors of Lexar.

**Terms of Patent Cross-License.** Lexar's board of directors reviewed and considered the terms of Lexar's patent cross-license agreement with Micron, including the potential of Micron competing with Lexar were Lexar to be acquired by a third party, and the fact that the patent cross-license could not be terminated by Lexar prior to March 8, 2011 in the event the merger agreement is terminated under certain circumstances.

**Failure to Consummate the Merger.** The Lexar board considered the risk that the merger might not be completed as a result of the failure to receive regulatory approvals or satisfy other closing conditions, as well as the potential adverse reactions of Lexar's employees, customers and suppliers if the merger, having been publicly announced, is not completed.

**Other Risks.** The Lexar board considered the other risks described above under "Risk Factors" beginning on page 23 of this proxy statement/prospectus.

Lexar's board of directors weighed these positive and negative factors and realized that there can be no assurance about future results, including results expected or considered in the factors above. However, Lexar's board concluded that the potential positive factors outweighed the potential risks associated with the merger or continuing as an independent company.

In connection with the merger, Lexar management prepared forecasts, projections and estimates. As a matter of policy, Lexar does not publicly disclose internal management forecasts, projections or estimates of the type prepared in connection with the merger, and such forecasts, projections and estimates were not prepared with a view towards public disclosure. These forecasts, projections and estimates were based on numerous variables and assumptions which are inherently uncertain and which may not be within the control of management, including, without limitation, factors related to general economic conditions, business trends, competitive factors, Lexar's cost structure, and the outcome of pending litigation. Accordingly, actual results could vary materially from those set forth in such forecasts, projections and estimates. Please see the sections entitled "Cautionary Statement Regarding Forward-Looking Information" and "Risk Factors - Risks Related to Lexar" beginning on pages 21 and 36 of this proxy statement/prospectus.

This discussion of information and factors considered by Lexar's board is not intended to be exhaustive, but is intended to summarize all material factors considered by Lexar's board. In view of the number and variety of factors considered in connection with its evaluation of the merger, the board did not consider it practicable to, and did not attempt to, quantify or otherwise assign relative weights to the specific factors it considered. Lexar's board of directors viewed its position and recommendations as being based on all of the information and the factors considered by it. In addition, individual directors may have given different weight to different factors. After taking into account all of the factors set forth above, Lexar's board of directors approved the merger agreement and the merger and unanimously determined that the proposed merger is fair to, and in the best interests of, Lexar and its stockholders, and declared the merger to be advisable. Accordingly, Lexar's board of directors

unanimously recommends that Lexar stockholders vote "**FOR**" the proposal to adopt the merger agreement.

In considering the recommendation of Lexar's board of directors to vote "**FOR**" the proposal to adopt the merger agreement, Lexar's stockholders should be aware that the executive officers and directors of Lexar have certain interests in the merger that may be different from, or in addition to, the interests of Lexar's stockholders generally. Lexar's board of directors was aware of these interests and considered them when adopting the merger agreement and recommending that Lexar's stockholders vote to approve the merger agreement. See "Interests of Lexar's Directors and Executive Officers in the Merger" beginning on page 89 of this proxy statement/prospectus.

This explanation of Lexar's reasons for the merger and all other information presented in this section are forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading "Cautionary Statement Regarding Forward-Looking Information" beginning on page 21 of this proxy statement/prospectus.

#### **Opinion of Lexar's Financial Advisor**

Deutsche Bank has acted as financial advisor to Lexar in connection with the merger. On March 3, 2006, Deutsche Bank delivered its oral opinion to the Lexar board of directors, subsequently confirmed orally on March 7, 2006 and in writing on March 8, 2006, to the effect that, as of such dates, based upon and subject to the assumptions made, matters considered and limits of the review undertaken by Deutsche Bank, the exchange ratio was fair, from a financial point of view, to the stockholders of Lexar.

*The full text of Deutsche Bank's written opinion, dated March 8, 2006, which discusses, among other things, the assumptions made, matters considered and limits on the review undertaken by Deutsche Bank in connection with the opinion, is attached as Annex C to this proxy statement/prospectus and is incorporated into this proxy statement/prospectus by reference. Lexar's stockholders are urged to read this opinion in its entirety. The following summary of the Deutsche Bank opinion is qualified in its entirety by reference to the full text of the opinion.*

In connection with Deutsche Bank's role as financial advisor to Lexar, and in arriving at its opinion, Deutsche Bank has reviewed certain publicly available financial and other information concerning Lexar and Micron and certain internal analyses and other information, including Lexar's forecasts and projections, furnished to it by Lexar. Deutsche Bank has also held discussions with members of the senior managements of Lexar and Micron regarding the businesses and prospects of their respective companies and the joint prospects of a combined company. In addition, Deutsche Bank has:

reviewed the reported prices and trading activity for Lexar common stock and Micron common stock;

compared certain financial and stock market information for Lexar and Micron with similar information for certain companies whose securities are publicly traded;

reviewed the financial terms of certain recent business combinations, which it deemed comparable in whole or in part;

reviewed the terms of the merger agreement and certain related documents; and

performed such other studies and analyses and considered such other factors as it deemed appropriate.

In preparing its opinion, Deutsche Bank did not assume responsibility for the independent verification of, and did not independently verify, any information, whether publicly available or

furnished to it, concerning Lexar or Micron, including, without limitation, any financial information, forecasts or projections, considered in connection with the rendering of its opinion. Accordingly, for purposes of its opinion, Deutsche Bank assumed and relied upon the accuracy and completeness of all such information and Deutsche Bank did not conduct a physical inspection of any of the properties or assets, and did not prepare or obtain any independent evaluation or appraisal of any of the assets or liabilities of Lexar or Micron. With respect to the financial forecasts and projections made available to Deutsche Bank and used in its analysis, Deutsche Bank has assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of Lexar as to the matters covered thereby. In rendering its opinion, Deutsche Bank expressed no view as to the reasonableness of such forecasts and projections or the assumptions on which they are based. Deutsche Bank's opinion was necessarily based upon economic, market and other conditions as in effect on, and the information made available to Deutsche Bank as of, the date of its opinion. For purposes of rendering its opinion, Deutsche Bank assumed that, in all respects material to its analysis:

the representations and warranties of Micron, Lexar and March 2006 Merger Corp. contained in the merger agreement are true and correct;

Micron, Lexar and March 2006 Merger Corp. will each perform all of the covenants and agreements to be performed by it under the merger agreement and all conditions to the obligations of each of Micron, Lexar and March 2006 Merger Corp. to consummate the merger will be satisfied without any waiver or modification thereof; and

all material governmental, regulatory or other approvals and consents required in connection with the consummation of the merger will be obtained and that in connection with obtaining any necessary governmental, regulatory or other approvals and consents, or any amendments, modifications or waivers to any agreements, instruments or orders to which either Lexar or Micron is a party or is subject or by which it is bound, no limitations, restrictions or conditions will be imposed or amendments, modifications or waivers made that would have an adverse effect on Lexar or Micron or materially reduce the contemplated benefits of the merger to stockholders of Lexar.

Set forth below is a summary of the material financial analyses performed by Deutsche Bank in connection with its opinion and reviewed with the board of directors of Lexar at its meeting on March 3, 2006.

*Price Trading History Analysis.* Deutsche Bank reviewed and analyzed the daily public closing share prices and trading volume of Lexar common stock for each trading day in the twelve-month period ending on March 3, 2006. Deutsche Bank then compared the range of the high and low daily public closing share prices of Lexar common stock over such period to the implied value of Lexar common stock based on the exchange ratio, using the Micron common stock share price as of March 3, 2006. The following table sets forth the results of this analysis:

<i>Last Twelve Months Lexar Trading Range</i>	<i>Implied Price of Lexar Common Stock Based on Exchange Ratio</i>
\$2.68 - \$9.50	\$8.94

Deutsche Bank observed that the implied price of Lexar common stock based on the exchange ratio was within the range of results for the foregoing analysis.

*Selected Publicly Traded Company Analysis.* Deutsche Bank reviewed certain financial information and compared commonly used valuation measurements for Lexar to corresponding information and measurements for a group of publicly traded companies that participate in part or in whole in the flash

memory and, or storage and consumer electronics related products industries, which are referred to as the selected companies. The selected companies consisted of:

<i>Flash Memory Companies</i>	<i>Storage and Consumer Electronics Related Products Companies</i>
SanDisk Corporation	Western Digital Corporation
M-Systems Flash Disk Pioneers Ltd.	Logitech International S.A.
	Imation Corp.
	Maxtor Corporation
	Gateway Inc.
	Creative Technology Ltd.
	SMART Modular Technology, Inc.

The financial information and valuation measurements reviewed by Deutsche Bank included, among other things:

current share price;

fully-diluted equity market valuation;

enterprise value (the fully-diluted equity market valuation plus the principal amount of any debt, reduced by the amount of cash and cash equivalents);

ratios of enterprise value to revenue; and

ratios of price to earnings.

To calculate the trading multiples for the selected companies, Deutsche Bank used publicly available information concerning historical and projected financial performance, including analyst reports, published historical financial information and earnings estimates as reported by the I/B/E/S database for the selected companies. I/B/E/S, a subsidiary of Thomson Financial, is a data service that monitors and publishes compilations of earnings estimates by selected research analysts regarding companies of interest to institutional investors.

Deutsche Bank's selected publicly traded company analysis yielded the ranges of Lexar common stock share prices implied by the multiples of the selected companies set forth in the chart below. Deutsche Bank then compared such ranges to the implied value of Lexar's common stock based on the exchange ratio, using the Micron common stock share price as of March 3, 2006. The following table sets forth the results of this analysis:

<i>Selected Publicly Traded Company Analysis Implied Lexar Share Price</i>	<i>Implied Price of Lexar Common Stock Based on Exchange Ratio</i>
Enterprise Value to Estimated 2006 Revenue	\$ 8.94
\$3.87 - \$12.31	
Enterprise Value to Estimated 2007 Revenue	\$ 8.94
\$4.06 - \$11.76	
Price to Estimated 2007 Earnings	\$ 8.94
\$5.45 - \$9.43	

Deutsche Bank observed that the implied price of Lexar common stock based on the exchange ratio was within the range of results for the foregoing analysis.

Deutsche Bank also reviewed certain financial information and metrics for a group of companies whose principal assets are intellectual property. However, because Lexar does not currently derive significant revenue or profit from its intellectual property and its prospects of increasing its licensing



revenue in the future are uncertain, Deutsche Bank did not deem these companies to be directly comparable to Lexar and did not include them in its publicly traded company valuation analysis.

None of the companies utilized in the selected publicly traded company analysis is identical to Lexar. Accordingly, Deutsche Bank believes the analysis is not simply mathematical. Rather, it involves complex considerations and qualitative judgments, reflected in Deutsche Bank's opinion, concerning differences in financial and operating characteristics of the selected companies and other factors that could affect the public trading value of the selected companies.

*Selected Precedent M&A Transaction Analysis.* Deutsche Bank reviewed the financial terms, to the extent publicly available, of four proposed or completed mergers and acquisition transactions since October 2000 involving companies in the data storage industry, which Deutsche Bank considered relevant in whole or in part. The transactions reviewed, which are referred to as the selected transactions, were:

<i>Announcement Date</i>	<i>Target</i>	<i>Acquiror</i>
01/19/06	Memorex International Inc.	Imation Corp.
12/21/05	Maxtor Corporation	Seagate Technology
10/20/04	Certance LLC	Quantum Corp.
10/04/00	Quantum Corp. (HDD Group)	Maxtor Corporation

Deutsche Bank calculated various multiples based on publicly available information for each of the selected transactions. Deutsche Bank then compared the range of Lexar common stock share prices implied by the multiples of the selected transactions to the implied value of Lexar common stock based on the exchange ratio, using the Micron common stock share price as of March 3, 2006. The following table sets forth the results of this analysis:

	<i>Selected Precedent M&amp;A Transaction Analysis Implied Lexar Share Price</i>	<i>Implied Price of Lexar Common Stock Based on Exchange Ratio</i>
Enterprise Value to Next Twelve Month Revenue	\$3.69 - \$7.52	\$ 8.94

Deutsche Bank observed that the implied price of Lexar common stock based on the exchange ratio was above the range of results for the foregoing analysis.

All multiples for the selected transactions were based on public information available at the time of announcement of that transaction, without taking into account differing market and other conditions since the selected transactions were announced. Because the reasons for, and circumstances surrounding, each of the selected transactions analyzed were so diverse, and due to the inherent differences between the operations and financial conditions of Lexar and the companies involved in the selected transactions, Deutsche Bank believes the analysis is not simply mathematical. Rather, it involves complex considerations and qualitative judgments, reflected in Deutsche Bank's opinion, concerning differences between the characteristics of the selected transactions and the merger that could affect the value of the companies and businesses involved in the selected transactions and Lexar.

*Discounted Cash Flow Analysis.* Deutsche Bank performed a discounted cash flow analysis of Lexar. Deutsche Bank calculated the discounted cash flow value as the sum of the net present values of:

the estimated future cash flow that Lexar will generate for the last three quarters of 2006 through 2010, plus

Lexar's value at the end of such period, which we refer to as its terminal value.



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The estimated future cash flows for the last three quarters of 2006 through 2010 are based on the financial projections for Lexar that were prepared by Lexar's management. The terminal values for Lexar were calculated based on projected free cash flow for 2010 and a range of terminal free cash flow growth rates of 4.0% to 6.0%. Deutsche Bank used discount rates ranging from 15.1% to 18.3%. Deutsche Bank used these discount rates based on its judgment of the estimated weighted average cost of capital for Lexar and the median weighted average cost of capital for the selected companies.

Deutsche Bank then compared the range of Lexar common stock share prices implied by the discounted cash flow analysis to the implied value of Lexar's common stock based on the exchange ratio, using the Micron common stock share price as of March 3, 2006. The following table sets forth the results of this analysis:

<i>Discounted Cash Flow Analysis</i> <i>Implied Lexar Share Price</i>	<i>Implied Price of Lexar Common Stock</i> <i>Based on Exchange Ratio</i>
\$5.51 - \$7.93	\$ 8.94

Deutsche Bank observed that the implied price of Lexar common stock based on the exchange ratio was above the range of results for the foregoing analysis.

*Stock Price Premia Analysis.* Deutsche Bank identified 78 transactions announced since January 1, 2003, in which the consideration was 100% stock and in which the transaction value was over \$50 million. These 78 transactions are referred to as the selected public company transactions. For each of the selected public company transactions, Deutsche Bank reviewed the premium to the acquired company's per share market price one day prior to the announcement of the transaction, one week prior to the announcement of the transaction and four weeks prior to the announcement of the transaction. Deutsche Bank then observed the 25th percentile premium, the median premium and the 75th percentile premium for each of the foregoing three time periods prior to the announcements of the selected public company transactions. The following table summarizes the results of this analysis.

	<i>One Day Prior</i>	<i>One Week Prior</i>	<i>Four Weeks Prior</i>
25th Percentile Premium	10.3%	11.2%	13.4%
Median Premium	24.8%	25.7%	24.7%
75th Percentile Premium	45.8%	43.0%	52.0%

Deutsche Bank then compared the range of Lexar common stock share prices implied by the stock price premia analysis to the implied value of Lexar common stock based on the exchange ratio, using the Micron common stock share price as of March 3, 2006. The following table sets forth the results of this analysis:

<i>Stock Price Premia Analysis</i> <i>Implied Lexar Share Price</i>	<i>Implied Price of Lexar Common Stock</i> <i>Based on Exchange Ratio</i>
\$7.59 - \$11.05	\$ 8.94

Deutsche Bank observed that the implied price of Lexar common stock based on the exchange ratio was within the range of results for the foregoing analysis.

*Exchange Ratio Premia Analysis:* Deutsche Bank identified 25 transactions announced since January 1, 2003, in which the consideration was 100% stock, in which the target was a technology company and in which the transaction value was over \$50 million. These 25 transactions are referred to as the selected technology transactions. For each of the selected technology transactions, Deutsche Bank reviewed the premium to the average market exchange ratio over the one day, one week and four week periods prior to the announcement of the transaction. Deutsche Bank then observed the 25th

percentile premium, the median premium and the 75th percentile premium for each of the three time periods prior to the announcement of the selected technology transactions. The following table summarizes the results of this review.

	<u>One Day Prior</u>	<u>One Week Prior Average</u>	<u>Four Weeks Prior Average</u>
25th Percentile Premium	16.1%	13.8%	15.6%
Median Premium	35.1%	31.8%	34.3%
75th Percentile Premium	47.5%	53.1%	47.7%

Deutsche Bank then compared the range of Lexar common stock share prices implied by the exchange ratio premia analysis to the implied value of Lexar common stock based on the exchange ratio, using the Micron common stock share price as of March 3, 2006. The following table sets forth the results of this analysis:

<u>Exchange Ratio Premia Analysis Implied Lexar Share Price</u>	<u>Implied Price of Lexar Common Stock Based on Exchange Ratio</u>
\$7.67 - \$10.78	\$ 8.94

Deutsche Bank observed that the implied price of Lexar common stock based on the exchange ratio was within the range of results for the foregoing analysis.

*General.* The foregoing summary describes all analyses and factors that Deutsche Bank deemed material in its presentation to the Lexar board of directors, but is not a comprehensive description of all analyses performed and factors considered by Deutsche Bank in connection with preparing its opinion. The preparation of a fairness opinion is a complex process involving the application of subjective business judgment in determining the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, is not readily susceptible to summary description. Deutsche Bank believes that its analyses must be considered as a whole and that considering any portion of such analyses and of the factors considered without considering all analyses and factors could create a misleading view of the process underlying the opinion. In arriving at its fairness determination, Deutsche Bank did not assign specific weights to any particular analyses.

In conducting its analyses and arriving at its opinions, Deutsche Bank utilized a variety of generally accepted valuation methods. The analyses were prepared for the purpose of enabling Deutsche Bank to provide its opinion to the Lexar board of directors as to the fairness to Lexar stockholders of the exchange ratio and do not purport to be appraisals or necessarily reflect the prices at which businesses or securities actually may be sold, which are inherently subject to uncertainty. In connection with its analyses, Deutsche Bank made, and was provided by Lexar's management with, numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Lexar or its advisors. Analyses based on estimates or forecasts of future results are not necessarily indicative of actual past or future values or results, which may be significantly more or less favorable than suggested by such analyses. Because such analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of Lexar or its advisors, none of Lexar, Deutsche Bank or any other person assumes responsibility if future results or actual values are different from these forecasts or assumptions.

The terms of the transaction were determined through negotiations between Lexar and Micron and were approved by the Lexar board of directors. Although Deutsche Bank provided advice to Lexar during the course of these negotiations, the decision to enter into the transaction was solely that of the Lexar board of directors. As described above, the opinion and presentation of Deutsche Bank to the board of directors was only one of a number of factors taken into consideration by the Lexar board of

directors in making its determination to approve the transaction. Deutsche Bank's opinion was provided to the Lexar board of directors to assist it in connection with its consideration of the merger and does not constitute a recommendation to any stockholder as to how to vote or take any other action with respect to the merger.

Deutsche Bank's opinion does not in any manner address the prices at which shares of Lexar or Micron common stock will trade after the announcement or consummation of the transaction. Deutsche Bank assumes no responsibility for updating or revising its opinion based on circumstances or events occurring after the date thereof.

Lexar selected Deutsche Bank as financial advisor in connection with the transaction based on Deutsche Bank's qualifications, expertise, reputation and experience in mergers and acquisitions. Lexar retained Deutsche Bank pursuant to a letter agreement dated February 9, 2006, which is referred to as the engagement letter. As compensation for Deutsche Bank's services as financial advisor to Lexar in connection with the merger, Lexar has agreed to pay Deutsche Bank a cash fee, a substantial portion of which is contingent upon consummation of the merger. If the merger closes, the total fee will be calculated as a percentage of the aggregate merger consideration, with the actual percentage calculated in respect of the relationship of the aggregate merger consideration to Lexar's market capitalization at the announcement of the merger, as determined pursuant to the engagement letter. If the transaction closed on March 24, 2006, the total fee would be approximately \$5 million. Regardless of whether the merger is consummated, Lexar has agreed to reimburse Deutsche Bank for reasonable fees and disbursements of Deutsche Bank's counsel and all of Deutsche Bank's reasonable travel and other out-of-pocket expenses incurred in connection with the merger or otherwise arising out of the retention of Deutsche Bank under the engagement letter. Lexar has also agreed to indemnify Deutsche Bank and certain related persons to the full extent lawful against certain liabilities, including certain liabilities under the federal securities laws arising out of its engagement or the merger.

Deutsche Bank is an affiliate of Deutsche Bank AG, which together with its affiliates is referred to as the DB Group. Deutsche Bank is an internationally recognized investment banking firm experienced in providing advice in connection with mergers and acquisitions and related transactions. One or more members of the DB Group has, from time to time, provided cash management services to Micron, for which it has received compensation. In the ordinary course of business, members of the DB Group may actively trade in the securities and other instruments and obligations of Micron, Lexar and their affiliates for their own accounts and for the accounts of their customers. Accordingly, the DB Group may at any time hold a long or short position in such securities, instruments and obligations.

#### **Micron's Reasons for the Merger**

Micron believes that its proposed acquisition of Lexar will strengthen its position in the NAND flash business and enable the combined company to deliver innovative NAND flash solutions from design, development and manufacturing to marketing and sales of products to worldwide consumers and device manufacturers. Micron is acquiring Lexar for a variety of strategic reasons, including the following:

by combining Micron's strength in technology development and design with Lexar's strengths in controller and system design together with Lexar's associated intellectual property, Micron expects to deliver innovative solutions to the market;

with direct access to Lexar's retail channels, Micron will be able to better serve the flash storage requirements of consumer electronics and enterprise customers;

Micron believes it can better align Lexar's cost structure with prevailing business conditions and decrease Lexar's development time and provide scale to Lexar's marketing, thus enabling Lexar to compete more effectively;

by combining Micron's innovation in NAND technology development and design with Lexar's innovation in controller and system design Micron expects to assume a leadership position in NAND technology and associated intellectual property;

the combined company should be well-positioned to take advantage of the growth opportunities presented by Lexar's assets, including its comprehensive portfolio of controller and system patents, extensive distribution network and supplier relationships; and

the combined company is expected to benefit from a number of synergies by:

directly connecting Lexar to Micron's production capacity thereby reducing the combined company's foundry costs of producing NAND; and

reducing marketing costs by combining Micron's worldwide operations and marketing presence with recognized Lexar and Kodak branded products.

#### **Interests of Lexar's Directors and Executive Officers in the Merger**

In considering the recommendation of the Lexar board of directors with respect to adopting the merger agreement, you should be aware that the directors and executive officers of Lexar have interests in the merger that are different from, or in addition to, the interests of Lexar stockholders generally. The Lexar board of directors was aware of the interests described below and considered them, among other matters, during its deliberations on the merits of the merger and in making its decision to approve the merger, the merger agreement and the related transactions, and in making its recommendation that Lexar stockholders vote for the adoption of the merger agreement.

**Accelerated Vesting of Stock Options.** Under the terms of Lexar's 2000 Equity Incentive Plan, or the Plan, 25% of the shares subject to outstanding stock options, other than automatic grants to non-employee directors, that are unvested at the effective time of the merger will accelerate and become immediately exercisable, and the remaining options outstanding under the Plan will continue to vest in equal monthly installments over the remaining original vesting term. Further, pursuant to the stock option agreements under the Plan for three of Lexar's executive officers, Eric B. Stang, Petro Estakhri and Eric S. Whitaker, in the event of the termination of such executive officer without Cause (as defined below) or if the executive officer terminates his employment for Good Reason (as defined below) within one year of the effective time of the merger, all unvested stock options granted to the executive officer pursuant to the Plan will become 100% vested. In addition, as described below, certain Lexar executive officers will have additional option acceleration pursuant to the terms of their retention agreements and offer letters. The Plan also provides that 100% of the shares subject to outstanding stock options held by Lexar's non-employee directors that were granted as automatic stock option grants under the Plan and that are unvested at the effective time of the merger will accelerate and become immediately exercisable.

Pursuant to the terms of the merger agreement, at the effective time of the merger, Micron will assume any outstanding options to purchase shares of Lexar common stock with a per share exercise price less than or equal to \$9.00 that is held by either an employee of Lexar or any of its subsidiaries as of the effective time of the merger or a former employee of Lexar who terminated his or her employment within 90 days prior to the effective time of the merger, including executive officers of Lexar. All other outstanding options, including all outstanding stock options held by Lexar's non-employee directors, will be terminated upon the effective time of the merger and the holders of such options will be entitled to receive an amount of cash equal to the product of: (i) the number of shares of Lexar common stock subject to such option that are unexpired, unexercised and outstanding immediately prior to the effective time of the merger; and (ii) the excess, if any, of \$9.00 over the per share exercise price of such Lexar option immediately prior to the effective time of the merger.

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The following table identifies as of \_\_\_\_\_, 2006, for each individual who has served as an executive officer or director of Lexar at any time since January 1, 2005, the aggregate number of shares subject to outstanding options to purchase Lexar common stock, the aggregate number of shares subject to outstanding but unvested options to purchase Lexar common stock that will accelerate in connection with the merger, the weighted average exercise price of unvested outstanding options to be accelerated in the merger, and the payment to be received by non-employee directors for their cashed out options.

Name*	Aggregate Shares Subject to Options Outstanding	Aggregate Shares Subject to Unvested Options to be Accelerated in the Merger	Weighted Average Exercise Price of Unvested Options to be Accelerated in the Merger	Payment for Cashed Out Options
Eric B. Stang, <i>President, Chief Executive Officer and Chairman of the Board of Directors</i>	2,238,043			\$
Petro Estakhri, <i>Chief Technology Officer, Executive Vice President of Engineering and a Director</i>	3,700,000			
Eric S. Whitaker, <i>Executive Vice President, Corporate Strategy, General Counsel and Corporate Secretary</i>	1,405,000			
Michael P. Scarpelli, <i>Executive Vice President and Chief Financial Officer</i>	250,000			
Mark W. Adams, <i>Chief Operating Officer</i>	300,000			
Brian T. McGee, <i>Former Vice President of Corporate Development and former Chief Financial Officer</i>	640,000			
William T. Dodds, <i>Director</i>	200,000			844,250
Robert C. Hinckley, <i>Director</i>	100,000			301,000
Brian D. Jacobs, <i>Director</i>	146,000			441,750
Charles E. Levine, <i>Director</i>	75,000			83,000
Mary Tripsas, <i>Director</i>	100,000			301,000

\*

John A. Rollwagen served as a director of Lexar until June 1, 2005. Mr. Rollwagen has no outstanding options to purchase Lexar common stock.

**Change of Control and Severance Agreements.** Lexar has entered into employment and change of control arrangements with the following executive officers that, in connection with a merger, provide for, among other things, certain vesting acceleration and severance benefits at the effective time of or following the merger, as described below.

*Retention Agreement with Eric B. Stang*

Pursuant to the terms of Eric B. Stang's retention agreement, dated October 22, 2001, at the effective time of the merger, Mr. Stang will receive a cash bonus of \$260,000. In addition, 25% of all shares subject to outstanding stock options held by Mr. Stang that are unvested at the effective time of the merger will accelerate and become immediately exercisable. Furthermore, such accelerated options will remain exercisable (i) for six months following such acceleration or (ii) pursuant to the terms of the original grant agreement, whichever period is greater. The remaining 75% of the shares subject to outstanding stock options held by Mr. Stang that are unvested at the effective time of the merger will accelerate and become immediately exercisable in full nine months after the effective time of the merger and will remain exercisable (i) for six months following such acceleration or (ii) pursuant to the terms of the original grant agreement, whichever period is greater.

In addition, if, during the period commencing one month prior to the effective time of the merger and continuing for 18 months thereafter, Mr. Stang is terminated without Cause or voluntarily resigns following a Constructive Termination Event (as defined below), he will receive his base salary and medical and life insurance benefits for 15 months. In addition, he will receive his annual target bonus of 50% of his salary, pro-rated up to the date of termination, regardless of whether he would have earned a bonus prior to his termination. Additionally, 100% of the stock options or restricted stock granted to or purchased by him after the effective time of the merger will accelerate and become immediately exercisable in full, followed by a six-month period during which the stock options may be exercised. Upon such termination, Mr. Stang also will be entitled to retain any cellular phone, notebook computer and camera equipment as then currently provided to him by Lexar immediately prior to his termination.

*Retention Agreement with Petro Estakhri*

Pursuant to the terms of Petro Estakhri's retention agreement, dated November 9, 2001, at the effective time of the merger, Mr. Estakhri will receive a cash bonus of \$325,000. In addition, 25% of all shares subject to outstanding stock options held by Mr. Estakhri that are unvested at the effective time of the merger will accelerate and become immediately exercisable. Furthermore, such accelerated options will remain exercisable: (i) for six months following such acceleration or (ii) pursuant to the terms of the original grant agreement, whichever period is greater. The remaining 75% of the shares subject to outstanding stock options held by Mr. Estakhri that are unvested at the effective time of the merger will accelerate and become immediately exercisable in full nine months after the effective time of the merger and will remain exercisable: (i) for six months following such acceleration or (ii) pursuant to the terms of the original grant agreement, whichever period is greater.

In addition, if, during the period commencing one month prior to the effective time of the merger and continuing for 18 months thereafter, Mr. Estakhri is terminated without Cause or voluntarily resigns following a Constructive Termination Event, he will receive his base salary for 15 months and medical and life insurance benefits for 12 months. In addition, he will receive his annual target bonus of 50% of his salary, pro-rated up to the date of termination, regardless of whether he would have earned a bonus prior to his termination. Additionally, 100% of the stock options or restricted stock granted to or purchased by him before or after the effective time of the merger will accelerate and become immediately exercisable in full, followed by a six-month period during which the stock options may be exercised. He also will be entitled to retain any cellular phone and notebook computer as then currently provided to him by Lexar immediately prior to his termination.

Finally, if Mr. Estakhri is subject to any excise tax imposed on him because benefits that are due to him under his retention agreement are deemed an excess parachute payment pursuant to Section 280G of the Code, and he would thereby be subject to an excise tax under Section 4999 of the Code, then he will receive a gross-up payment to compensate him as if there were no such excise tax, but only up to \$150,000.

*Retention Agreement and Letter Agreement with Eric S. Whitaker*

Pursuant to the terms of a retention agreement, dated October 22, 2001, and a Letter Agreement, dated January 17, 2006, with Eric S. Whitaker, at the effective time of the merger, Mr. Whitaker will receive a cash bonus of \$125,000. In addition, 25% of all shares subject to outstanding stock options held by Mr. Whitaker that are unvested at the effective time of the merger will accelerate and become immediately exercisable. Furthermore, such accelerated options will remain exercisable: (i) for six months following such acceleration or (ii) pursuant to the terms of the original grant agreement, whichever period is greater. The remaining 75% of the shares subject to outstanding stock options held by Mr. Whitaker that are unvested at the effective time of the merger will accelerate and become immediately exercisable in full nine months after the effective time of the merger and will remain exercisable: (i) for six months following such acceleration or (ii) pursuant to the terms of the original grant agreement, whichever period is greater.

In addition, if, during the period commencing one month prior to the effective time of the merger and continuing for 18 months thereafter, Mr. Whitaker is terminated without Cause or voluntarily resigns following a Constructive Termination Event, he will receive his base salary and medical and life insurance benefits for 12 months. In addition, he will receive his annual target bonus of 40% of his salary, pro-rated up to the date of termination, regardless of whether he would have earned a bonus prior to his termination. Additionally, 100% of the stock options or restricted stock granted to or purchased by him before or after the effective time of the merger will accelerate and become immediately exercisable in full, followed by a six-month period during which the stock options may be exercised. He also will be entitled to retain any cellular phone and notebook computer as then currently provided to him by Lexar immediately prior to his termination.

If Mr. Whitaker voluntarily resigns for any reason after June 1, 2006 (provided that he provides 100 hours of consulting services to Lexar during the six-month period following such voluntary resignation), he will receive his base salary and medical and life insurance benefits for six months. In addition, he will receive his annual target bonus of 40% of his salary, pro-rated up to the date of his resignation, but only if he would have received such bonus absent his resignation. Additionally, he will receive an additional 12 months of vesting for the stock options or restricted stock held by him on such date of resignation, followed by a 12-month period during which the stock options may be exercised. He will also be entitled to retain any cellular phone, notebook computer and camera equipment as then currently provided to him by Lexar immediately prior to his resignation.

*Offer Letter with Michael P. Scarpelli*

Pursuant to the terms of Michael P. Scarpelli's offer letter, dated December 22, 2005, at the effective time of the merger, and provided that Mr. Scarpelli continues in the employment of Micron or the surviving company in the merger, as set forth in the Plan, 25% of the unvested portion of the options to purchase 250,000 shares of Lexar common stock granted to Mr. Scarpelli in accordance with the offer letter will accelerate and become immediately exercisable.

If Mr. Scarpelli is terminated without cause within one year of the effective time of the merger, an additional 25% of the unvested shares subject to such stock option (making 50% in total) will accelerate and become immediately exercisable. In addition, if the effective time of the merger is before January 16, 2007 (Mr. Scarpelli's one-year anniversary with Lexar) and Mr. Scarpelli's vested options at the effective time of the merger do not represent at least \$200,000 of gain to him, Mr. Scarpelli will receive a cash payment equal to the amount required to provide him with a total gain of \$200,000.

*Offer Letter with Mark W. Adams*

Pursuant to the terms of Mark W. Adams' offer letter, dated December 14, 2005, at the effective time of the merger, and provided that Mr. Adams continues in the employment of Micron or the

surviving company in the merger, as provided in the Plan, 25% of the unvested portion of the options to purchase 300,000 shares of Lexar common stock granted to Mr. Adams in accordance with the offer letter will accelerate and become immediately exercisable.

If Mr. Adams is terminated without cause within one year of the effective time of the merger, an additional 25% of the unvested shares subject to such stock option (making 50% in total) will accelerate and become immediately exercisable. In addition, if the effective time of the merger is before January 4, 2007 (Mr. Adams' one-year anniversary with Lexar) and Mr. Adams' vested options at the effective time of the merger do not represent at least \$200,000 of gain to him, Mr. Adams will receive a cash payment equal to the amount required to provide him with a total gain of \$200,000.

*Definitions.* For purposes of this section, the following terms generally having the following meanings:

"Constructive Termination Event" will be deemed to have occurred at the close of business on the 14th day after any of the following action(s) are taken by Micron (or the surviving company in the merger) and such actions are not reversed in full by Micron (or the surviving company in the merger) prior to the expiration of such 14-day period unless the executive officer has otherwise agreed to the specific relevant event in writing: (i) the executive officer's aggregate benefits are materially reduced (as such reduction and materiality are determined by customary practice within the high technology industry within the State of California) below those in effect immediately prior to the effective date of such Constructive Termination Event, (ii) the executive officer's duties and/or authority are materially decreased or increased from those in effect immediately prior to the effective date of such Constructive Termination Event, or (iii) the executive officer is required to perform his employment obligations (other than routine travel consistent with that prior to the effective date of such Constructive Termination Event) at a location more than 25 miles away from his principal place of work as was in effect immediately prior to the effective date of such Constructive Termination Event.

"Cause" means (i) willful misconduct in the performance of the executive officer's duties to the company that has resulted or is likely to result in substantial and material damage to the company; (ii) commission of any act of fraud with respect to the company; or (iii) conviction of a felony or a crime involving moral turpitude causing material harm to the business and affairs of the company. No act or failure to act by the executive officer will be considered "willful" if done or omitted by the executive officer in good faith with reasonable belief that such action or omission was in the best interests of the company.

"Good Reason" means (i) without the executive officer's written consent, a 10% reduction of the executive officer's compensation as in effect immediately prior to the effective time of the merger; provided that the substitution of substantially equivalent compensation and benefits will not be deemed a reduction of the executive officer's compensation, (ii) without the executive officer's written consent, the executive officer's place of work being moved more than 15 miles from its previous location, or (iii) without the executive officer's written consent, a substantial change in the executive officer's work responsibilities or authority relative to the entire surviving corporate business entity.

**Indemnification; Directors' and Officers' Insurance.** The merger agreement provides that Micron will and will cause the surviving company in the merger to:

from and after the effective time of the merger, fulfill and honor Lexar's obligations under any indemnification agreements with its directors and officers that existed on the date of the merger agreement and to any directors, officers, employees or agents under any indemnification provisions under Lexar's certificate of incorporation and bylaws that were in effect on the date of the merger agreement, subject to applicable law;

maintain in the certificate of incorporation and bylaws of the surviving company in the merger provisions relating to exculpation, indemnification and the advancement of expenses that are at



least as favorable to the indemnified directors, officers, employees and agents as those contained in Lexar's organizational documents that were in effect on the date of the merger agreement, which neither Micron nor the surviving company in the merger will, except as required by law, amend, repeal or otherwise modify for a period of six years from the effective time of the merger in any manner that would adversely affect the rights of the indemnified parties; and

for a period of six years after the effective time of the merger, maintain directors' and officers' liability insurance covering those persons who were covered by Lexar's directors' and officers' liability insurance policy on the date of the merger agreement for events occurring prior to the effective time of the merger of at least the same coverage and amounts and containing terms and conditions that are, in the aggregate, no less favorable to the insured than those applicable to Lexar's directors and officers on the date of the merger agreement; provided, however, in no event will the surviving company in the merger be required to expend in any one year more than 250% of the annual premium currently paid by Lexar for such coverage (and to the extent the annual premium would exceed 250% of the annual premium currently paid by Lexar for such coverage, the surviving company in the merger will use reasonable efforts to cause to be maintained the maximum coverage available for such 250% of such amount); and provided further, however, that Micron may satisfy its obligations by purchasing a "tail" policy under Lexar's existing directors' and officers' insurance policy, which has a term of six years after the effective time of the merger.

#### **Material United States Federal Income Tax Consequences of the Merger**

The following is a summary of the material United States federal income tax consequences of the merger applicable to a holder of shares of Lexar common stock that receives Micron common stock in the merger. This discussion is based upon the Code, Treasury Regulations, judicial authorities, published positions of the Internal Revenue Service, and other applicable authorities, all as currently in effect and all of which are subject to change or differing interpretations (possibly with retroactive effect). This discussion is limited to United States persons that hold their shares of Lexar common stock as capital assets for United States federal income tax purposes (generally, assets held for investment). This discussion does not address all of the tax consequences that may be relevant to particular Lexar stockholders in light of their individual investment circumstances, including non-United States persons, persons receiving payment for terminated options, or persons who have acquired Lexar stock upon the exercise of stock options or pursuant to other compensatory arrangements, and other Lexar stockholders that are subject to special treatment under United States federal income tax laws. In addition, this discussion does not address the tax consequences of the merger under state, local, or foreign tax laws. No ruling has been or will be sought from the Internal Revenue Service regarding the tax consequences of the merger, and no assurance can be given that the Internal Revenue Service would not assert, or that a court would not sustain, a position contrary to any of the tax consequences set forth below.

#### **HOLDERS OF SHARES OF LEXAR COMMON STOCK ARE URGED TO CONSULT THEIR TAX ADVISORS AS TO THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER, AS WELL AS THE EFFECTS OF STATE, LOCAL, AND FOREIGN TAX LAWS.**

Micron's obligation to complete the merger is conditioned upon its receipt at closing of a tax opinion from Skadden, Arps, Slate, Meagher & Flom LLP that the merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Code; provided, that if Skadden, Arps, Slate, Meagher & Flom LLP fails to render such opinion, the condition to Micron's obligation to complete the merger nonetheless will be deemed satisfied if Fenwick & West LLP renders such opinion to Micron. Lexar's obligation to complete the merger is conditioned upon its receipt at closing of a tax opinion from Fenwick & West LLP that the merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Code; provided that if Fenwick & West LLP fails to render such

opinion, the condition to Lexar's obligation to complete the merger nonetheless will be deemed satisfied if Skadden, Arps, Slate, Meagher & Flom LLP renders such opinion to Lexar. These opinions will be based on factual representations and covenants made by Micron and Lexar (including those contained in tax representation letters to be provided by Micron and Lexar at the time of closing), and on customary factual assumptions. The tax opinions are not binding on the Internal Revenue Service or any court and do not preclude the Internal Revenue Service from asserting, or a court from sustaining, a contrary conclusion.

The following material United States federal income tax consequences will result from qualification of the merger as a "reorganization" within the meaning of Section 368(a) of the Code:

a Lexar stockholder will not recognize any gain or loss upon the receipt of Micron common stock in exchange for Lexar common stock in connection with the merger, except with respect to cash received in lieu of a fractional share of Micron common stock;

a Lexar stockholder will have an aggregate tax basis in the Micron common stock received in the merger equal to the stockholder's aggregate tax basis in its shares surrendered pursuant to the merger, reduced by the portion of the stockholder's tax basis in its shares surrendered in the merger that is allocable to a fractional share of Micron common stock. If a Lexar stockholder acquired any of its shares of Lexar common stock at different prices or at different times, Treasury Regulations provide guidance on how such stockholder may allocate its tax basis to shares of Micron common stock received in the merger. Lexar stockholders that hold multiple blocks of Lexar common stock are urged to consult their tax advisors regarding the proper allocation of their basis among shares of Micron common stock received under the Treasury Regulations;

the holding period of the Micron common stock received by a Lexar stockholder in connection with the merger will include the holding period of the Lexar common stock surrendered in connection with the merger; and

cash received by a Lexar stockholder in lieu of a fractional share of Micron common stock in the merger will be treated as if such fractional share had been issued in connection with the merger and then redeemed by Micron, and a Lexar stockholder will recognize capital gain or loss with respect to such cash payment, measured by the difference between the amount of cash received and the tax basis in such fractional share.

#### **Accounting Treatment of the Merger**

In accordance with United States generally accepted accounting principles, Micron will account for the merger using the purchase method of accounting. Under this method of accounting, Micron will record the market value (based on an average of the closing prices of Micron common stock for a range of trading days from a few days before and after March 8, 2006, the announcement date) of its common stock issued in connection with the merger, the amount of cash consideration to be paid to holders of Lexar common stock and stock options, the fair value of certain Micron options issued to replace Lexar options assumed in connection with the merger and the amount of direct transaction costs associated with the merger as the estimated purchase price of acquiring Lexar. Micron will allocate the estimated purchase price to the net tangible and amortizable intangible assets acquired (including developed and core technology and patents, advertiser contracts and lists, and affiliate agreements), based on their respective fair values at the date of the completion of the merger. Any excess of the estimated purchase price over those fair values will be accounted for as goodwill.

Intangible assets, other than goodwill, will be amortized over their estimated useful lives. Goodwill resulting from the business combination will not be amortized but instead will be tested for impairment at least annually (more frequently if certain indicators are present).

In the event that the management of the combined company determines that the value of goodwill has become impaired, the combined company will incur an accounting charge for the amount of impairment during the fiscal quarter in which the determination is made.

#### **Effect of the Merger on Lexar Stock Option Plans and Employee Stock Purchase Plan**

When the merger is completed, Micron will terminate unexpired, unexercised Lexar stock options that are outstanding as of the effective time of the merger that either: (i) have a per share exercise price greater than \$9.00 or (ii) are held by persons other than employees of Lexar or its subsidiaries or by employees who have terminated their employment with Lexar within 90 days prior to the effective time of the merger. Persons holding terminated options, which includes Lexar's non-employee directors, will be entitled to receive a cash amount equal to the product of the number of shares issuable upon exercise of such options multiplied by the amount, if any, by which the exercise price of such option is less than \$9.00. Micron will assume all other options upon the effective time of the merger. Each option assumed by Micron will be subject to, and exercisable and vested upon, the same terms and conditions as under the Lexar plans and the applicable option and other related agreements issued pursuant to such plans, except that: (i) 25% of the shares subject to outstanding stock options that are unvested at the effective time of the merger will accelerate and become immediately exercisable, (ii) each assumed option will be exercisable for a number of shares of Micron common stock equal to the number of shares of Lexar common stock subject to such option immediately prior to the effective time of the merger, multiplied by 0.5625, rounded down to the nearest whole number and (iii) the exercise price per share of Micron common stock subject to any assumed option will equal the exercise price per share of Lexar common stock subject to such option in effect immediately prior to the effective time of the merger, divided by 0.5625, rounded up to the nearest whole cent. In addition, certain Lexar executive officers will receive additional option acceleration pursuant to the terms of their retention agreements and offer letters. See "Interests of Lexar's Directors and Executive Officers in the Merger" beginning on page 89.

Immediately prior to the effective time of the merger, the Lexar employee stock purchase plan will be terminated. To the extent permitted by the employee stock purchase plan, the rights of participants in the employee stock purchase plan with respect to any offering period then underway under the employee stock purchase plan will be determined by treating the last business day prior to the effective time of the merger as the last day of such offering period and by making such other pro-rata adjustments as may be necessary to reflect the shortened offering period but otherwise treating such shortened offering period as a fully effective and completed offering period for all purposes under the employee stock purchase plan. Outstanding rights to purchase shares of Lexar common stock will be exercised in accordance with the terms of the employee stock purchase plan, and each share of Lexar common stock purchased pursuant to such exercise will be, by virtue of the merger, converted into the right to receive 0.5625 of a share of Micron common stock, without issuance of certificates representing issued and outstanding shares of Lexar common stock to participants under the employee stock purchase plan. If the closing of the merger has not occurred on or prior to July 31, 2006, Lexar will take all reasonable steps to suspend new enrollment under the terms of the employee stock purchase plan from such time, and to provide that no new offering periods will commence on or after August 1, 2006, until immediately prior to the closing of the merger when the employee stock purchase plan will be terminated.

Micron has agreed to file a registration statement on Form S-8 or such other available form with the SEC as soon as reasonably practicable, and in no event later than seven business days following the effective time of the merger, in connection with the shares underlying the assumed Lexar options. Micron has agreed to use reasonable efforts to maintain the effectiveness of this registration statement as long as any assumed options are outstanding.

### **Regulatory Filings and Approvals Required to Complete the Merger**

Under the HSR Act, and related rules, Micron and Lexar may not complete the merger until the expiration of a 30-day waiting period following the filing of notification reports with the DOJ and the FTC by Micron and Lexar, which each party made on March 24, 2006, unless a request for additional information or documents is received from the FTC or the DOJ or unless early termination of the waiting period is granted. If, within the initial 30-day waiting period, either the DOJ or the FTC requests additional information or documents concerning the merger, then the waiting period will be extended until the 30th calendar day after the date of substantial compliance with the request by both parties, unless earlier terminated by the FTC or the DOJ.

Micron and Lexar may not complete the merger until they notify, furnish information to, and, where applicable, obtain clearance from competition authorities in China, Germany, Ireland, Norway and South Korea.

While Micron and Lexar expect to obtain all of these regulatory approvals, there can be no assurance that Micron and Lexar will obtain the regulatory approvals necessary or that the granting of these regulatory approvals will not involve the imposition of conditions on the completion of the merger or require changes to the terms of the merger. These conditions or changes could require the grant of a complete or partial license, a divestiture or spin-off, or the holding separate of assets or businesses and, if such required actions are not immaterial, could result in the conditions to Micron's obligation to complete the merger not being satisfied.

In addition, at any time before or after the completion of the merger, the DOJ, the FTC or others could take action under the antitrust laws, including seeking to prevent the merger, to rescind the merger or to conditionally approve the merger upon the divestiture by Lexar or Micron of substantial assets. In addition, in some jurisdictions, a competitor, customer or other third party could initiate a private action under the antitrust or other laws challenging or seeking to enjoin the merger, before or after it is completed.

### **Listing of Shares of Micron Common Stock Issued in the Merger on the New York Stock Exchange**

Micron will use reasonable efforts to cause the shares of Micron common stock issued in connection with the merger to be authorized for listing on the New York Stock Exchange before the completion of the merger, subject to official notice of issuance.

### **Delisting and Deregistration of Lexar Common Stock After the Merger**

When the merger is completed, Lexar common stock will be delisted from the Nasdaq National Market and deregistered under the Securities Exchange Act of 1934, as amended, or the Exchange Act. In addition, Lexar will cease to be a reporting company under the Exchange Act.

### **Restrictions on Sales of Shares of Micron Common Stock Received in the Merger**

The shares of Micron common stock to be issued in connection with the merger will be registered under the Securities Act and will be freely transferable, except for shares of Micron common stock issued to any person who is deemed to be an "affiliate" of Lexar prior to the merger. Persons who may be deemed to be "affiliates" of Lexar prior to the merger include individuals or entities that control, are controlled by, or are under common control of Lexar, prior to the merger, and may include officers and directors, as well as principal stockholders of Lexar, prior to the merger. Affiliates of Lexar will be notified separately of their affiliate status.

Persons who may be deemed to be affiliates of Lexar prior to the merger may not sell any of the shares of Micron common stock received by them in connection with the merger except pursuant to:

an effective registration statement under the Securities Act covering the resale of those shares;

an exemption under paragraph (d) of Rule 145 under the Securities Act; or

any other applicable exemption under the Securities Act.

Micron's registration statement on Form S-4, of which this proxy statement/prospectus forms a part, does not cover the resale of shares of Micron common stock to be received in connection with the merger by persons who may be deemed to be affiliates of Lexar prior to the merger.

**No Appraisal Rights**

Under Delaware law, Lexar stockholders will not have appraisal rights pursuant to the merger and the other transactions contemplated by the merger agreement.

## THE MERGER AGREEMENT

The following summary describes the material provisions of the merger agreement. The provisions of the merger agreement are complicated and not easily summarized. This summary may not contain all of the information about the merger agreement that is important to you. The merger agreement is attached to this proxy statement/prospectus as Annex A and is incorporated by reference into this proxy statement/prospectus, and Micron and Lexar encourage you to read it carefully in its entirety for a more complete understanding of the merger agreement. The merger agreement is not intended to provide any other factual information about either Micron or Lexar. Such information can be found elsewhere in this proxy statement/prospectus and in the other public filings each of Micron and Lexar makes with the SEC, which are available without charge at [www.sec.gov](http://www.sec.gov).

### Structure of the Merger

The merger agreement provides for the merger of March 2006 Merger Corp., a newly formed, wholly owned subsidiary of Micron, with and into Lexar, with Lexar surviving the merger as a wholly owned subsidiary of Micron.

### Completion and Effectiveness of the Merger

Micron and Lexar will complete the merger when all of the conditions to completion of the merger contained in the merger agreement described in the section entitled " Conditions to Completion of the Merger" beginning on page 111 of this proxy statement/prospectus are satisfied or waived, including adoption of the merger agreement by the stockholders of Lexar. The merger will become effective upon the filing of a certificate of merger with the Secretary of State of the State of Delaware.

Micron and Lexar are working to complete the merger as quickly as possible. Micron and Lexar currently plan to complete the merger during the second or third calendar quarter of 2006. However, because completion of the merger is subject to various conditions, Micron and Lexar cannot predict the exact timing of the merger or whether the merger will occur at all.

### Conversion of Lexar Common Stock in the Merger

Upon completion of the merger, each share of Lexar common stock outstanding immediately prior to the effective time of the merger will be canceled and extinguished and automatically converted into the right to receive 0.5625 of a share of Micron common stock upon surrender of the certificate representing such share of Lexar common stock in the manner provided in the merger agreement. Upon completion of the merger, Micron will assume certain outstanding options to purchase Lexar common stock; all other options to purchase Lexar common stock will be cancelled in exchange for cash payments. See the description in the section entitled " Treatment of Lexar Stock Options" beginning on page 107 of this proxy statement/prospectus.

The merger consideration (*i.e.*, 0.5625 of a share of Micron common stock for each share of Lexar common stock) also will be adjusted to reflect the effect of any stock split, reverse stock split, stock dividend (including any dividend or distribution of securities convertible into Micron common stock or Lexar common stock), reorganization, recapitalization, reclassification or other like change with respect to Micron common stock or Lexar common stock having a record date on or after March 8, 2006, and prior to completion of the merger.

Each share of Lexar common stock held by Lexar or owned by Micron or any of their direct or indirect wholly owned subsidiaries immediately prior to the merger will be automatically canceled and extinguished, and none of Lexar, Micron or any of their direct or indirect subsidiaries will receive any securities of Micron or other consideration in exchange for those shares.

Based on the exchange ratio and the number of shares of Lexar common stock outstanding as of the record date, a total of approximately \_\_\_\_\_ shares of Micron common stock will be issued in connection with the merger to holders of Lexar common stock.

#### **Fractional Shares**

Micron will not issue any fractional shares of common stock in connection with the merger. Instead, each holder of Lexar common stock exchanged in connection with the merger who would otherwise be entitled to receive a fraction of a share of common stock of Micron will receive cash, without interest, in an amount equal to the fraction multiplied by the average closing price of one share of Micron common stock for the 10 most recent trading days that Micron common stock has traded ending on the trading day one day prior to the date the merger is completed, as reported on the New York Stock Exchange.

#### **Exchange Procedures**

As promptly as practicable after completion of the merger, Micron will cause Wells Fargo Bank, National Association, the exchange agent for the merger, to mail to each record holder of Lexar common stock a letter of transmittal and instructions for surrendering the record holder's stock certificates in exchange for a certificate representing Micron common stock. Those holders of Lexar common stock who properly surrender their Lexar stock certificates in accordance with the exchange agent's instructions will receive (i) the number of whole shares of Micron common stock that the holder is entitled to receive pursuant to the merger agreement, (ii) cash in lieu of any fractional share of Micron common stock, and (iii) any dividends or other distributions, if any, to which they are entitled under the terms of the merger agreement. The surrendered certificates representing Lexar common stock will be canceled. After the effective time of the merger, each certificate representing shares of Lexar common stock that has not been surrendered will represent only the right to receive each of items (i) through (iii) enumerated in this paragraph. Following the completion of the merger, Lexar will not register any transfers of Lexar common stock on its stock transfer books.

**Holders of Lexar common stock should not send in their Lexar stock certificates until they receive a letter of transmittal from Wells Fargo Bank, National Association, the exchange agent for the merger, with instructions for the surrender of Lexar stock certificates.**

#### **Distributions with Respect to Unexchanged Shares**

Holders of Lexar common stock are not entitled to receive any dividends or other distributions on Micron common stock until the merger is completed. After the merger is completed, holders of Lexar common stock will be entitled to dividends and other distributions declared or made, if any, after completion of the merger with respect to the number of whole shares of Micron common stock which they are entitled to receive upon exchange of their Lexar stock certificates, but they will not be paid any dividends or other distributions on the Micron common stock until they surrender their Lexar stock certificates to the exchange agent in accordance with the exchange agent's instructions.

#### **Transfers of Ownership and Lost Stock Certificates**

Micron will issue (i) shares of Micron common stock, (ii) cash in lieu of a fractional share of Micron common stock and (iii) any dividends or distributions that may be payable in a name other than the name in which a surrendered Lexar stock certificate is registered only if the person requesting such exchange presents to the exchange agent all documents required to show and effect the unrecorded transfer of ownership and to show that such person paid any applicable stock transfer taxes. If a Lexar stock certificate is lost, stolen or destroyed, the holder of such certificate may need to

deliver an affidavit or bond prior to receiving the merger consideration payable with respect to such stock.

### **Representations and Warranties**

The merger agreement contains customary representations and warranties that Micron and Lexar made to, and solely for the benefit of, each other. The representations and warranties in the merger agreement expire at the effective time of the merger. The assertions embodied in those representations and warranties are qualified by information in confidential disclosure schedules that Micron and Lexar have exchanged in connection with signing the merger agreement. While Micron and Lexar do not believe that these disclosure schedules contain information that securities laws require the parties to publicly disclose other than information that has already been so disclosed, they do contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the merger agreement. Accordingly, you should not rely on the representations and warranties as characterizations of the actual state of facts, since they were only made as of the date of the merger agreement and certain representations and warranties may have been modified in important part by the underlying disclosure schedules. These disclosure schedules contain information that has been included in the companies' general prior public disclosures, as well as additional non-public information. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the merger agreement, which subsequent information may or may not be fully reflected in the companies' public disclosures.

### **Lexar's Conduct of Business Before Completion of the Merger**

Under the merger agreement, Lexar has agreed that, until the earlier of the completion of the merger or termination of the merger agreement, or unless Micron consents in writing, Lexar and each of its subsidiaries will use all reasonable efforts to carry on their business in the usual, regular and ordinary course, in substantially the same manner as previously conducted, and in compliance with all applicable laws and regulations, pay their material debts when due, subject to bona fide disputes over such debts, and use reasonable efforts consistent with past practice to preserve intact their present business organization and employee base and preserve their relationships with customers, suppliers, licensors, licensees and others with which they have business dealings.

Under the merger agreement, Lexar has also agreed that, until the earlier of the completion of the merger or termination of the merger agreement, or unless Micron consents in writing, it will not (and will not permit its subsidiaries to), subject to specified exceptions:

enter into a new line of business that is material to Lexar and its subsidiaries taken as a whole;

declare or pay dividends or make any other distributions in respect of any capital stock, or effect any stock splits, combinations or reclassifications or authorize the issuance of any other securities in respect of capital stock, other than any such transaction by a wholly owned subsidiary of Lexar that remains a wholly owned subsidiary of it after consummation of the merger;

purchase, redeem or otherwise acquire any shares of Lexar capital stock, except repurchases of restricted shares of common stock held by a Lexar employee in connection with the termination of such employee's employment;

issue, deliver, sell, authorize, pledge or otherwise encumber any shares of Lexar capital stock or other voting securities or any securities convertible into, or rights, warrants or options to acquire, shares of Lexar capital stock or other voting securities, or grant any restricted stock, performance shares or other equity based awards other than (i) issuances of shares pursuant to exercise of outstanding stock options, (ii) issuances of a limited number of shares issuable in



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accordance with Lexar's employee stock purchase plan, or (iii) grants of a limited number of stock options under existing stock option plans in the ordinary course of business consistent with past practice and in connection with new hires;

permit or propose any amendments to its certificate of incorporation or bylaws (or similar governing instruments of its subsidiaries);

acquire or agree to acquire through merger, purchase of any equity interest in or purchases of all or substantially all of the assets of any business or other business organization;

except for purchases of inventory in the ordinary course of business consistent with past practice, acquire, agree to acquire or participate in any negotiations regarding the acquisition of any assets that are material, individually or in the aggregate, to the business of Lexar and its subsidiaries, or in any event, for consideration in excess of \$250,000, subject to limited exceptions;

enter into any joint ventures or strategic partnerships if it would present a material risk of delaying the merger, require consent of a party to consummate the merger or require an investment of at least \$500,000 by Lexar or any of its subsidiaries;

sell, lease, license, encumber or otherwise dispose of any properties or assets which are material, individually or in the aggregate, to the business of Lexar and its subsidiaries, for consideration in excess of \$500,000, except for the sale or license of current Lexar products in the ordinary course of business consistent with past practice;

effect any material restructuring of Lexar or any of its subsidiaries with respect to employees;

make any loans, financings or investments in any other person or entity, other than loans or investments by or to Lexar to or from a wholly owned subsidiary, employee loans or advances for expenses in the ordinary course of business consistent with past practice and in accordance with applicable law or extension of credit or financing to customers made in the ordinary course of business consistent with past practice;

except as required by generally accepted accounting principles, international accounting standards or any governmental authorities as concurred by Lexar's independent auditors, make any change in accounting methods or principles of accounting or revalue any of its assets;

fail to file, on a timely basis, all material tax returns required to be filed on or prior to the closing of the merger or fail to timely pay or remit any material taxes dues regarding such tax returns;

amend any material tax returns, make or change any material election relating to taxes, adopt or change any material accounting method relating to taxes unless required by applicable law, or settle, consent or enter into any closing agreement relating to any audit or consent to waive the statutory period of limitations of any audit;

except in the ordinary course of business consistent with past practice, enter into any license, distribution, supply, procurement, manufacturing, marketing, original equipment manufacturer, value-added reseller, system integrator, system outsourcer or similar contract, agreement or obligation that either may not be canceled by Lexar or its subsidiaries upon 30 days' notice and provide for annual payments of at least \$100,000 or that involve exclusive terms of any kind that are binding on Lexar or its subsidiaries;

cancel, terminate or materially amend any material insurance policy other than renewal of existing policies;



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subject to limited exceptions, commence or settle any lawsuit, proceeding or other investigation by or, to Lexar's knowledge, against Lexar or any of its subsidiaries or relating to any of their business, properties or assets, other than settlements with prejudice entered into in the ordinary course of business and only requiring Lexar and its subsidiaries to pay monetary damages not exceeding \$250,000 or involving ordinary course collection claims for accounts receivable due and payable to Lexar;

except as required by legal requirements or pursuant to contracts binding on Lexar or its subsidiaries on March 8, 2006:

increase the compensation or benefits of, pay or grant any bonus, change of control, severance or termination pay to any employees, service providers or directors of Lexar or its subsidiaries;

adopt or amend any employee benefit plan or make any contributions, other than regularly scheduled contributions, to any employee benefit plan;

waive any stock repurchase rights, accelerate vesting or exercisability of options or restricted stock, reprice options or authorize cash payments in exchange for options;

enter into, modify or amend any management, employment, severance, separation, settlement, consulting, contractor, change of control or other agreement or contract with any employees or service providers; or

enter into any collective bargaining agreement;

enter into any agreement that would subject Micron or the surviving company to any non-compete, most-favored nation, unpaid future deliverables, service requirements outside the ordinary course of business or exclusivity or future royalty payments or other material restriction on any of their respective businesses after the merger;

provide a material refund, credit or rebate to any customer, reseller or distributor other than in the ordinary course of business consistent with past practice;

hire any non-officer employees other than in the ordinary course of business consistent with past practice or hire, elect or appoint any officers other than to fill vacancies or elect any directors, except in accordance with Lexar's certificate of incorporation and bylaws with respect to director vacancies;

incur or guarantee any indebtedness in excess of \$250,000, issue or sell any debt securities or options, warrants or other rights to acquire debt securities, enter into any "keep well" or other agreement to maintain any financial statement condition, or incur or modify any other material liability, other than (i) in the ordinary course of business consistent with past practice, (ii) with the financing of ordinary course trade payables consistent with past practice, (iii) pursuant to existing credit facilities as in effect on the date of the merger agreement, or (iv) loans, investments, or guarantees by Lexar or any of its subsidiaries to, in or of its subsidiaries;

enter into any agreement to purchase, sell or grant any security interest in any real property or enter into any material lease, sublease or other occupancy agreement or materially modify or terminate any of the terms of any existing lease;

enter into, modify or amend in a manner adverse in any material respect to Lexar or its subsidiaries or terminate any material contract or waive, release or assign any material rights under such material contracts in a manner adverse in any material respect to Lexar or its subsidiaries other than in the ordinary course of business consistent with past practice;



enter into any customer contract that contains any material non-standard terms other than as is consistent with past practice;

enter into any contract that adversely affects any patents or applications for patents of Lexar, its subsidiaries, any parent of Lexar or any affiliates of such entity;

dispose of or transfer any intellectual property or intellectual property rights or dispose of or unlawfully disclose any trade secrets;

abandon or permit to lapse any rights to any United States patent or patent application without consulting with Micron; or

agree in writing or otherwise to take any of the foregoing actions.

#### **Lexar Prohibited from Soliciting Other Offers**

Under the terms of the merger agreement, subject to limited exceptions described below, Lexar has agreed that none of it, any of its subsidiaries or any of its or its subsidiaries' officers or directors will, and Lexar will use all reasonable efforts to cause Lexar's affiliates, subsidiaries, agents and representatives, including their investment bankers, attorneys and accountants not to, directly or indirectly:

solicit, initiate, encourage, or knowingly induce any inquiry concerning the making, submission or announcement of, any acquisition proposal, as described below;

participate or engage in any discussions or negotiations with any third party regarding any acquisition proposal of the type described below;

furnish to any third party any nonpublic information with respect to, or take any other action to encourage any inquiries concerning the making of any proposal that constitutes or would reasonably be expected to lead to, any acquisition proposal;

approve, endorse or recommend or make or authorize any public statement, recommendation or solicitation in support of any acquisition proposal; or

execute or enter into, or agree to execute or enter into, any letter of intent or similar document or any contract, agreement or commitment contemplating or otherwise relating to any acquisition proposal or any transaction contemplated by such an acquisition proposal, except to the extent specifically permitted pursuant to a superior offer or change of recommendation as described below.

An "acquisition proposal" is any offer or proposal relating to any transaction or series of related transactions involving:

any purchase from Lexar or acquisition by any person or group of more than a 20% interest in the total outstanding voting securities of Lexar or any of its subsidiaries;

any tender offer or exchange offer that if consummated would result in any person or group beneficially owning 20% or more of the total outstanding voting securities of Lexar or any of its subsidiaries;

any merger, consolidation, business combination or similar transaction involving Lexar or any of its subsidiaries;

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any sale, lease outside the ordinary course of business, exchange, transfer, license outside the ordinary course of business, acquisition or disposition of more than 20% of the assets of Lexar (including its subsidiaries taken as a whole); or

any liquidation or dissolution of Lexar.

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Under the merger agreement, Lexar agreed to cease, as of March 8, 2006, all existing activities, discussions or negotiations by Lexar and its subsidiaries conducted to such date with any third parties with respect to the consideration of any acquisition proposal. In addition, Lexar agreed to exercise its rights under any confidentiality or non-disclosure agreements with such third parties in connection with the consideration of any acquisition proposal to require the return or destruction of non-public information provided by Lexar to any such third parties prior to March 8, 2006.

Lexar is obligated to promptly, and in any event within 24 hours, notify Micron upon receipt of any acquisition proposal or any request for nonpublic information or inquiry that would reasonably be expected to lead to an acquisition proposal or from any third party seeking to have discussions or negotiations with Lexar relating to a possible acquisition proposal. The notice must include the material terms and conditions of the acquisition proposal, request or inquiry, the identity of the person or group making the acquisition proposal, request or inquiry and a copy of all written materials provided in connection with the acquisition proposal, request or inquiry. In addition, in the event that Lexar enters into negotiations with a third party making an acquisition proposal, it is required to give Micron 24 hours' written notice of its intention to enter into negotiations with the third party. Following delivery of an initial notice to Micron, Lexar must also promptly notify Micron orally and in writing of all information as is reasonably necessary to keep Micron informed in all material respects of the status and details of the acquisition proposal, request or inquiry. Lexar further agreed to generally provide Micron with 48 hours' notice (or such lesser prior notice as is provided to the members of its board of directors) of any meeting of its board of directors at which its board of directors is reasonably expected to consider any acquisition proposal or any such inquiry or to consider providing nonpublic information to any third party.

Notwithstanding the prohibitions contained in the merger agreement with respect to acquisition proposals, if Lexar receives an unsolicited, bona fide written acquisition proposal that its board of directors concludes in good faith, after consultation with its outside legal counsel and its financial advisor, is, or is reasonably likely to result in, an acquisition proposal that constitutes a superior offer, as described below, then Lexar may furnish nonpublic information to, and engage in negotiations with, the third party making the acquisition proposal, provided that:

Lexar complies with the terms of the merger agreement relating to acquisition proposals;

prior to furnishing nonpublic information or entering into any negotiations or discussions with such third party, Lexar enters into a confidentiality agreement with the third party that contains the customary limitations on the use and disclosure of such information in substantially the form of the confidentiality agreement between Lexar and Micron and also contemporaneously furnishes Micron with a copy of the information furnished to the potential third party acquiror to the extent not previously furnished to Micron; and

Lexar's board of directors reasonably determines in good faith, after consultation with its outside legal counsel, that failure to do so would reasonably likely be expected to result in a breach of its fiduciary duties to the Lexar stockholders under applicable law.

An acquisition proposal will constitute a "superior offer" if each of the following conditions is met:

the acquisition proposal is an unsolicited bona fide proposal made by a third party to:

acquire more than a 50% interest in the total outstanding voting securities of Lexar or any of its subsidiaries;

commence a tender offer or exchange offer that if consummated would result in any person or group beneficially owning 50% or more of the total outstanding voting securities of Lexar or any of its subsidiaries;

acquire Lexar or any of its subsidiaries through a merger, consolidation, business combination or similar transaction;

acquire by any sale, lease outside the ordinary course of business, exchange, transfer, license outside the ordinary course of business, acquisition or disposition by Lexar of more than 50% of the assets of Lexar (including its subsidiaries taken as a whole); or

liquidate or dissolve Lexar; and

the acquisition proposal is on terms that the Lexar board of directors has in good faith concluded, after consultation with its outside legal counsel and financial advisor, taking into account, among other things, all legal, financial, regulatory and other aspects of the offer and the third party making the offer, to be more favorable to Lexar's stockholders (in their capacities as stockholders) than the terms of the merger and is reasonably capable of being completed.

### **Obligations of the Lexar Board of Directors with Respect to Its Recommendation and Holding a Meeting of Its Stockholders**

Promptly after the registration statement, of which this proxy statement/prospectus forms a part, is declared effective by the SEC, Lexar has agreed to take all action necessary to call, hold and convene a meeting of its stockholders within 45 days after the mailing of this proxy statement/prospectus, and to use reasonable efforts to solicit from its stockholders proxies in favor of adopting the merger agreement, and to take all other action necessary or advisable to secure the vote or consent of its stockholders required by the Delaware General Corporation Law to obtain such approvals. The Lexar board of directors agreed to recommend that the Lexar stockholders vote in favor of adopting the merger agreement at the special meeting.

Notwithstanding Lexar's board of directors' obligations described in the preceding paragraph, in response to a superior offer, the board of directors of Lexar may withhold, withdraw, amend or modify its recommendation to its stockholders in favor of the merger and, in the case of a superior offer that is a tender or exchange offer made directly to its stockholders, may recommend that Lexar's stockholders accept the tender or exchange offer, the board of directors of Lexar may approve, endorse or recommend a superior offer, or Lexar or its subsidiaries may execute or enter into or propose to execute or enter into any letter of intent or agreement contemplating or relating to a superior offer if all of the following conditions are met:

the board of directors of Lexar has determined in good faith, after consultation with its financial advisor and its outside legal counsel, that a superior offer has been made and has not been withdrawn;

the stockholders of Lexar have not approved the merger agreement in accordance with applicable law;

it has provided Micron, at least four business days prior to publicly changing its recommendation, written notice of its receipt of a superior offer and has disclosed in the notice the most recent terms and conditions of the superior offer, the identity of the third party or group making the superior offer, and its intent to change its recommendation to its stockholders;

during the four business day period described above, Lexar has negotiated in good faith with Micron and has provided Micron with a reasonable opportunity to make adjustments to the terms and conditions of the merger agreement proposed by Micron as would enable Lexar to proceed with its recommendation to the Lexar stockholders in favor of the adoption of the merger agreement without changing its recommendation;



the board of directors of Lexar has determined, after consultation with its financial advisor, that the terms of the superior offer are more favorable to the stockholders of Lexar than the merger and after consultation with its outside legal counsel, that the failure of the board of directors to change its recommendation would reasonably be expected to result in a breach of its fiduciary duties to its stockholders under applicable law; and

Lexar has not breached any of the provisions in the merger agreement relating to the special meeting of stockholders, the recommendation of the board of directors and non-solicitation of other acquisition proposals.

Regardless of whether the board of directors of Lexar has received an acquisition proposal or has withheld, withdrawn, amended or modified its recommendation to its stockholders to vote "**FOR**" the proposal to adopt the merger agreement, Lexar is obligated under the terms of the merger agreement to call, give notice of, convene and hold a special meeting of its stockholders to consider and vote upon the proposal to adopt the merger agreement unless Lexar has entered into a definitive binding agreement with respect to a superior offer in compliance with its obligations described above in the section entitled " Lexar Prohibited from Soliciting Other Offers" beginning on page 104 of this proxy statement/prospectus and Lexar has paid Micron the termination fee described below in the section entitled " Payment of Termination Fee" beginning on page 115 of this proxy statement/prospectus.

Notwithstanding the obligations described in the preceding paragraphs, Lexar and its board of directors may take and disclose to its stockholders a position contemplated by Rules 14a-9, 14d-9 and 14e-2(a) under the Exchange Act. Without limiting the preceding sentence, the Lexar board of directors may not change its recommendation to stockholders to vote in favor of adoption of the merger agreement except in accordance with the procedures described in the preceding paragraphs.

#### **Treatment of Lexar Stock Options**

When the merger is completed, Micron will assume those outstanding options to purchase shares of Lexar common stock with a per share exercise price less than or equal to \$9.00 that is held by either an employee of Lexar or any of its subsidiaries as of the closing of the merger or a former employee of Lexar who terminated his or her employment within 90 days prior to the effective time of the merger. All other outstanding options will terminate upon the effective time of the merger and the holders of such options that are unexpired, unexercised and outstanding immediately prior to the effective time of the merger will be entitled to receive an amount of cash equal to the product of (i) the number of shares of Lexar common stock subject to such option and (ii) the excess, if any, of \$9.00 over the per share exercise price of such Lexar option immediately prior to the effective time of the merger. Under the terms of the merger agreement, the options assumed by Micron will be converted into options to purchase shares of Micron common stock. Each option assumed by Micron will be subject to, and exercisable and vested upon, the same terms and conditions as under the Lexar plans and the applicable option and other related agreements issued pursuant to such plans, except that: (i) 25% of the shares subject to outstanding stock options that are unvested at the effective time of the merger will accelerate and become immediately exercisable, (ii) each assumed option will be exercisable for a number of shares of Micron common stock equal to the number of shares of Lexar common stock subject to such option immediately prior to the effective time of the merger, multiplied by 0.5625, rounded down to the nearest whole number and (iii) the exercise price per share of Micron common stock subject to any assumed option will equal the exercise price per share of Lexar common stock subject to such option in effect immediately prior to the effective time of the merger, divided by 0.5625, rounded up to the nearest whole cent. As of the record date, options for approximately \_\_\_\_\_ shares of Lexar common stock were outstanding in the aggregate under the Lexar plans.

The conversion of options will be effected in a manner intended to comply with Section 409A of the Code and the conversion of the options that are intended to be "incentive stock options," as

defined in Section 422 of the Code will be effected in a manner consistent with the applicable provisions of the Code for purposes of preserving incentive stock option treatment where appropriate.

Micron has agreed to file a registration statement on Form S-8 or such other available form with the SEC, to the extent available and applicable, for the shares of Micron common stock issuable with respect to Lexar options assumed by Micron in connection with the merger as soon as practicable after the merger, but not later than seven business days following completion of the merger.

#### **Treatment of Rights under the Lexar Employee Stock Purchase Plan**

Immediately prior to the effective time of the merger, the Lexar employee stock purchase plan will be terminated. To the extent permitted by the employee stock purchase plan, the rights of participants in the employee stock purchase plan with respect to any offering period then underway under the employee stock purchase plan will be determined by treating the last business day prior to the effective time of the merger as the last day of such offering period and by making such other pro rata adjustments as may be necessary to reflect the shortened offering period but otherwise treating such shortened offering period as a fully effective and completed offering period for all purposes under the employee stock purchase plan. Outstanding rights to purchase shares of Lexar common stock will be exercised in accordance with the terms of the employee stock purchase plan, and each share of Lexar common stock purchased pursuant to such exercise will be, by virtue of the merger, converted into the right to receive 0.5625 of a share of Micron common stock, without issuance of certificates representing issued and outstanding shares of Lexar common stock to participants under the employee stock purchase plan. If the closing of the merger has not occurred on or prior to July 31, 2006, Lexar will take all reasonable steps to suspend new enrollment under the terms of the employee stock purchase plan from such time, and to provide that no new offering periods will commence on or after August 1, 2006, until immediately prior to the closing of the merger when the employee stock purchase plan will be terminated.

#### **Treatment of Lexar 401(k)**

Unless Micron provides written notice otherwise, Lexar will terminate its 401(k) savings plan prior to the effective time of the merger, and Lexar employees will have the right to elect to receive a distribution of their account balances in the 401(k) savings plan in accordance with the plan and applicable law. Subject to applicable law and compliance with the terms and conditions of Micron's 401(k) savings plan, Lexar employees will have the right to rollover their distributions into Micron's 401(k) savings plan after the merger is completed.

#### **Treatment of Lexar Employees**

In the merger agreement, solely to the extent that continuing Lexar employees are covered under Micron's employee benefit plans, Micron has agreed to use all reasonable efforts to give continuing Lexar employees credit for prior service with Lexar or its subsidiaries for purposes of (i) eligibility and vesting under any Micron employee benefit plan and (ii) determination of benefit levels under any Micron vacation or severance plan in which the employees are eligible to participate following the effective time of the merger. However, if Lexar maintains a comparable employee benefit, vacation or severance plan, then the employees will only be credited under the Micron plan to the extent that service was or would have been credited under the comparable Lexar plan. Solely to the extent that continuing Lexar employees are covered under Micron's employee benefit plans, Micron has agreed to give credit under its welfare benefit plans to continuing Lexar employees for co-payments, credits toward deductibles and out-of-pocket maximums, and time accrued against applicable waiting periods, for the welfare plan year in which the merger occurs. Micron has also agreed to waive the requirements for evidence of insurability and pre-existing conditions under Micron benefit plans in which the employees are eligible to participate, but if Lexar or any of its subsidiaries maintains a comparable

benefit plan, only to the extent that the requirements and conditions were not applicable to a particular employee under such comparable benefit plan.

Under the merger agreement, no Lexar employee or other person or entity other than Lexar has any rights of enforcement relating to the provisions described above, and no Lexar employee or other person or entity other than Lexar is intended to be a contractual beneficiary of the provisions described above.

#### **Director and Officer Indemnification and Insurance**

The merger agreement provides that Micron will and will cause the surviving company in the merger to:

from and after the effective time of the merger, fulfill and honor Lexar's obligations under any indemnification agreements with its directors and officers that existed on the date of the merger agreement and to any directors, officers, employees or agents under any indemnification provisions under Lexar's certificate of incorporation and bylaws that were in effect on the date of the merger agreement, subject to applicable law;

maintain in the certificate of incorporation and bylaws of the surviving company in the merger provisions relating to exculpation, indemnification and the advancement of expenses that are at least as favorable to the indemnified directors, officers, employees and agents as those contained in Lexar's organizational documents that were in effect on the date of the merger agreement, which neither Micron nor the surviving company in the merger will, except as required by law, amend, repeal or otherwise modify for a period of six years from the effective time of the merger in any manner that would adversely affect the rights of the indemnified parties; and

for a period of six years after the effective time of the merger, maintain directors' and officers' liability insurance covering those persons who were covered by Lexar's directors' and officers' liability insurance policy on the date of the merger agreement for events occurring prior to the effective time of the merger of at least the same coverage and amounts and containing terms and conditions that are, in the aggregate, no less favorable to the insured than those applicable to Lexar's directors and officers on the date of the merger agreement; provided, however, in no event will the surviving company in the merger be required to expend in any one year more than 250% of the annual premium currently paid by Lexar for such coverage (and to the extent the annual premium would exceed 250% of the annual premium currently paid by Lexar for such coverage, the surviving company in the merger will use reasonable efforts to cause to be maintained the maximum coverage available for such 250% of such amount); and provided further, however, that Micron may satisfy its obligations by purchasing a "tail" policy under Lexar's existing directors' and officers' insurance policy, which has a term of six years after the effective time of the merger.

#### **Tax Matters**

Each of Micron, March 2006 Merger Corp. and Lexar agreed that it will not, and will not permit any of its subsidiaries to, take, or fail to take, any action prior to the closing of the merger that would reasonably be expected to cause the merger to fail to qualify as a reorganization within the meaning of Section 368(a) of the Code.

#### **Formation of IP LLC and Transfer of Patents, Patent Applications and Draft Applications**