

MICRON TECHNOLOGY INC
Form DEF 14A
October 29, 2008

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

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

Micron Technology, Inc.

(Name of Registrant as Specified In Its Charter)

N/A

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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Notice of 2008 Annual Meeting of Shareholders

December 11, 2008

To the Shareholders:

NOTICE IS HEREBY GIVEN that the 2008 Annual Meeting of Shareholders of Micron Technology, Inc., a Delaware corporation (the "Company"), will be held on December 11, 2008, at 9:00 a.m., Mountain Standard Time, at the Company's headquarters located at 8000 South Federal Way, Boise, Idaho 83716-9632, for the following purposes:

1. To elect directors to serve for the ensuing year and until their successors are elected and qualified;
2. To approve an amendment to the Company's 2007 Equity Incentive Plan to increase the number of shares reserved for issuance thereunder by 10,000,000;
3. To ratify the appointment of PricewaterhouseCoopers LLP as the Independent Registered Public Accounting Firm of the Company for the fiscal year ending September 3, 2009; and
4. To transact such other business as may properly come before the meeting or any adjournment thereof.

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

Only shareholders of record at the close of business on October 15, 2008, are entitled to notice of and to vote at the meeting. A complete list of shareholders entitled to vote at the meeting will be open to the examination of any shareholder, for any purpose germane to the business to be transacted at the meeting, during ordinary business hours for the ten-day period immediately preceding the date of the meeting, at the Company's headquarters at 8000 South Federal Way, Boise, Idaho 83716-9632.

The Securities and Exchange Commission recently adopted rules that permit proxy materials to be furnished over the Internet rather than in paper form. Accordingly, we are sending many of our shareholders a notice regarding the availability of this proxy statement, our Annual Report on Form 10-K for fiscal 2008 and other proxy materials via the Internet. This electronic process gives you fast, convenient access to the materials, reduces the impact on the environment and reduces our printing and mailing costs. A paper copy of these materials can be requested using one of the methods described in the materials.

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

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

By Order of the Board of Directors

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

Boise, Idaho
October 28, 2008

YOUR VOTE IS IMPORTANT. PLEASE SUBMIT YOUR PROXY PROMPTLY.

8000 South Federal Way
Boise, Idaho 83716-9632

PROXY STATEMENT
2008 ANNUAL MEETING OF SHAREHOLDERS

December 11, 2008
9:00 a.m. Mountain Standard Time

INFORMATION CONCERNING SOLICITATION AND VOTING

General

The proxy is furnished in connection with the solicitation of proxies on behalf of the Board of Directors of Micron Technology, Inc. (the "Company"), for use at the 2008 Annual Meeting of Shareholders to be held on December 11, 2008, at 9:00 a.m., Mountain Standard Time, or at any adjournment or postponement thereof (the "Annual Meeting"). The purpose of the Annual Meeting is set forth herein and in the accompanying Notice of 2008 Annual Meeting of Shareholders. The Annual Meeting will be held at the Company's headquarters located at 8000 South Federal Way, Boise, Idaho 83716-9632. Directions to the Annual Meeting accompany this Proxy Statement. The Company's telephone number is (208) 368-4000.

This Proxy Statement and related proxy card are first being distributed on or about October 28, 2008, to all shareholders entitled to vote at the meeting.

Shareholders can vote their shares using one of the following methods:

Vote through the Internet at www.proxydocs.com/mu using the instructions included in the notice regarding the Internet availability of proxy materials, the proxy card or voting instruction card;

Vote by telephone using the instructions on the proxy card or voting instruction card if you received a paper copy of the proxy materials;

Complete and return a written proxy or voting instruction card using the proxy card or voting instruction card if you received a paper copy of the proxy materials; or

Attend and vote at the meeting.

Internet and telephone voting are available 24 hours a day, and if you use one of those methods, you do not need to return a proxy or voting instruction card. Unless you are planning to vote at the meeting, your vote must be received by 11:59 p.m., Mountain Standard Time, on December 10, 2008.

Record Date

Shareholders of record at the close of business on October 15, 2008 (the "Record Date") are entitled to notice of and to vote at the meeting.

Revocability of Proxy

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

Solicitation

The cost of solicitation will be borne by the Company. In addition, the Company may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation materials to such beneficial owners. Proxies may be solicited by the Company's directors, officers and employees, without additional compensation, personally or by telephone or Internet. The Company intends to use the services of Laurel Hill Advisory Group, LLC, a proxy solicitation firm, in connection with the solicitation of proxies. Although the exact cost of the solicitation services is not known at this time, it is anticipated that the fees and expenses paid by the Company for these services will be approximately \$12,500.

Outstanding Shares

The Company has one class of stock outstanding, common stock, \$.10 par value per share (the "Common Stock"). At October 15, 2008, the Record Date, 763,761,101 shares of Common Stock were issued and outstanding and entitled to vote.

Voting Rights and Required Vote

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

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

Directors will be elected if the number of votes "FOR" a particular director exceeds the number of votes "AGAINST" that same director. With respect to each other item of business, the "FOR" vote of a majority of the Votes Cast is required in order for such matter to be considered approved by the shareholders.

Cumulative voting for the election of directors shall not be required unless a shareholder has requested cumulative voting by written notice to the Secretary of the Company at least 15 days prior to the

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

Voting of Proxies

The shares of the Company's Common Stock represented by all properly executed proxies received in time for the meeting will be voted in accordance with the directions given by the shareholders. **If no instructions are given with respect to a properly executed Proxy timely received by the Company, the shares of the Company's Common Stock represented thereby will be voted** (i) **FOR** each of the nominees named herein as directors, or their respective substitutes as may be appointed by the Board of Directors, (ii) **FOR** approval of the amendment to the Company's 2007 Equity Incentive Plan to increase the number of shares reserved for issuance thereunder by 10,000,000, (iii) **FOR** ratification of the appointment of PricewaterhouseCoopers LLP as the Independent Registered Public Accounting Firm of the Company for the fiscal year ending September 3, 2009, and (iv) in the discretion of the proxy holders for such business which may properly come before the Annual Meeting.

ITEM 1 ELECTION OF DIRECTORS

Nominees

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

Name of Nominee	Age	Principal Occupation	Served as a Director Since	Board Committees*		
				A	C	G
Teruaki Aoki	67	Vice Chairman of Sony Foundation for Education	2006		X	X
Steven R. Appleton	48	Chairman and Chief Executive Officer of the Company	1994			
James W. Bagley	69	Executive Chairman of Lam Research Corporation	1997			
Robert L. Bailey	51	Chairman of PMC-Sierra, Inc.	2007	X		X
Mercedes Johnson	54	Former Senior Vice President and Chief Financial Officer of Avago Technologies Limited	2005	X		X
Lawrence N. Mondry	48	Former President and Chief Executive Officer of CSK Auto Corporation	2005		X	X
Robert E. Switz	62	Chairman, President and Chief Executive Officer of ADC Telecommunications, Inc.	2006	X		X

*

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

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

Teruaki Aoki has served as Vice Chairman of Sony Foundation for Education since July 2008. Dr. Aoki has been associated with Sony since 1970 and has held various executive positions, including Senior Executive Vice President and Executive Officer of Sony Corporation as well as President and Chief Operating Officer of Sony Electronics, a U.S. subsidiary. Dr. Aoki holds a Ph.D. in Material Sciences from Northwestern University as well as a BS in Applied Physics from the University of Tokyo. He was elected as an IEEE Fellow in 2003 and serves as Advisory Board Member of Kellogg School of Management of Northwestern University. Dr. Aoki also serves on the board of Citizen Holdings Co., Ltd. Dr. Aoki is the Chairman of the Board's Governance Committee.

Steven R. Appleton joined the Company in February 1983 and has served in various capacities with the Company and its subsidiaries. Mr. Appleton first became an officer of the Company in August 1989 and

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

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

Robert L. Bailey was the President and Chief Executive Officer of PMC-Sierra ("PMC") from July 1997 until May 2008. PMC is a leading provider of broadband communication and storage semiconductor solutions for the next-generation Internet. Mr. Bailey has been a director of PMC since October 1996. He has been Chairman of PMC's Board of Directors since 2005 and also served as PMC's Chairman from February 2000 until February 2003. Mr. Bailey served as President, Chief Executive Officer and director of PMC-Sierra, Ltd., PMC's Canadian operating subsidiary since December 1993. Mr. Bailey was employed by AT&T-Microelectronics (now a division of LSI Logic) from August 1989 to November 1993, where he served as Vice President and General Manager, and at Texas Instruments in various management positions from June 1979 to August 1989. Mr. Bailey holds a BS degree in Electrical Engineering from the University of Bridgeport and an MBA from the University of Dallas.

Mercedes Johnson was the Senior Vice President and Chief Financial Officer of Avago Technologies Limited, a semiconductor company, from December 2005 to August 2008. Prior to that, she served as the Senior Vice President, Finance, of Lam from June 2004 to January 2005 and as Lam's Chief Financial Officer from May 1997 to May 2004. Before joining Lam, Ms. Johnson spent 10 years with Applied Materials, Inc., where she served in various senior financial management positions, including Vice President and Worldwide Operations Controller. Ms. Johnson holds a degree in Accounting from the University of Buenos Aires and currently serves on the Board of Directors for Intersil Corporation.

Lawrence N. Mondry was the President and Chief Executive Officer of CSK Auto Corporation ("CSK"), a specialty retailer of automotive aftermarket parts, from June 2006 to July 2008. Prior to his appointment at CSK, Mr. Mondry served as the Chief Executive Officer of CompUSA Inc. from November 2003 to May 2006. Mr. Mondry joined CompUSA in 1990. Mr. Mondry currently serves on the Board of Directors of CSK. Mr. Mondry is the Chairman of the Board's Compensation Committee.

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

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

Code of Business Conduct and Ethics

The Board of Directors has adopted a Code of Business Conduct and Ethics that is applicable to all directors, officers and employees of the Company. A copy of the Micron Code of Business Conduct and Ethics is available on the Company's website at www.micron.com/code and is also available in print upon request. Any amendments or waivers of the Code of Business Conduct and Ethics will also be posted on

the Company's website within four business days of the amendment or waiver as required by applicable rules and regulations of the Securities and Exchange Commission ("SEC") and NYSE Listing Requirements.

Director Independence

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

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

The director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).

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

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

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

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

As of September 30, 2008, the Company's Board of Directors has determined that directors Aoki, Bailey, Johnson, Mondry and Switz are each "independent" within the meaning of Section 303A.02(b) of the NYSE Listed Company Manual. Each of these directors has no relationship with the Company, other than any relationship that is categorically not material under the guidelines shown above and other than as disclosed in this Proxy Statement under "Compensation of Directors" and "Certain Relationships and Related Transactions."

Board Meetings and Committees

The Board of Directors of the Company held seven meetings during fiscal 2008. The Board of Directors met in Executive Session four times during fiscal 2008. In fiscal 2008, the Board of Directors had a standing Audit Committee, Governance Committee and Compensation Committee. During fiscal 2008, the Audit Committee met ten times, the Compensation Committee met four times and the Governance

Committee met once. In addition to formal committee meetings, the chairmen of the committees engaged in regular discussions with management regarding various issues relevant to their respective committees. All incumbent directors attended 75% or more of the aggregate of (i) the total number of meetings of the Board of Directors and (ii) the total number of meetings of all committees of the Board on which they served, during fiscal 2008. Five directors attended the Company's Annual Meeting of Shareholders in 2007. The Company encourages director attendance at the Annual Meeting of Shareholders.

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

Audit Committee

Ms. Johnson and Messrs. Bailey and Switz currently serve on the Audit Committee. Mr. Switz is the Chairman of the Audit Committee. On August 11, 2008, Ms. Johnson was appointed to the Audit Committee and Mr. Mondry resigned from the Audit Committee. The Board has determined that Ms. Johnson and Messrs. Bailey and Switz each qualifies as an "audit committee financial expert" for purposes of the rules and regulations of the SEC. The purpose of the Audit Committee is to assist the Board in overseeing and monitoring (i) the integrity of the Company's financial statements, (ii) the performance of the Company's internal audit function and its Independent Registered Public Accounting Firm, (iii) the qualifications and independence of the Company's Independent Registered Public Accounting Firm, and (iv) the Company's compliance with legal and regulatory requirements. The Audit Committee is also responsible for preparing the Audit Committee report that is included in the Company's annual Proxy Statement. See "Report of the Audit Committee of the Board of Directors." The complete duties and responsibilities of the Audit Committee are set forth in its written charter, which is available at www.micron.com and is also available in print upon request to corporatesecretary@micron.com. A copy of the Audit Committee charter was included as an appendix to the Company's 2006 Proxy Statement.

Governance Committee

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

The Governance Committee is responsible for identifying nominees for the Company's Board of Directors. There are no minimum qualifications that nominees must possess however the following factors are strongly considered by the Governance Committee in making its recommendations: substantial experience in the semiconductor industry or related industries; strong business acumen and judgment; excellent interpersonal skills; business relationships with key individuals in industry, government and education that may be of significant assistance to the Company and its operations; familiarity with accounting rules and practices; and "independence" as defined and required by NYSE Listing Application Standards and relevant rules and regulations of the SEC. The Board of Directors has determined that it would be advisable to add additional members to the Board. To that end, the Governance Committee works with a third party executive search firm to assist them in the identification and evaluation of potential candidates to the Company's Board of Directors. As a result of the Governance Committee's

efforts and the executive search firm's efforts, Dr. Aoki and Mr. Switz were added to the Company's Board of Directors in 2006. It is currently anticipated that additional candidates will join the Company's Board of Directors in 2009.

The Governance Committee will consider director nominee recommendations from shareholders. Shareholder recommendations are subject to the same criteria used to evaluate other candidates. Shareholders wishing to recommend a prospective nominee should submit the candidate's name and qualifications to the Company's Corporate Secretary at corporatesecretary@micron.com. The Company's Bylaws contain the provisions that address the process by which a shareholder may actually nominate an individual to stand for election to the Company's Board of Directors. A copy of the Company's Bylaws can be found on the Corporate Governance page of its website at www.micron.com and is available in print upon request to corporatesecretary@micron.com. During fiscal 2008, the Company did not receive any director nominations from shareholders.

Compensation Committee

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

Executive Sessions

The Board of Directors meets regularly in executive sessions in which only non-employee directors are present. On September 30, 2008, Mr. Bagley was reappointed to preside at these executive sessions for fiscal 2009. He has served as presiding director since September 2002.

Communications with the Board

Shareholders and interested parties wishing to communicate with the Company's Board of Directors may contact Mr. Bagley at presidingdirector@micron.com.

COMPENSATION OF DIRECTORS

The Governance Committee of the Board of Directors oversees the setting of compensation for the Company's non-employee members of its Board of Directors. At the end of fiscal 2007, the Governance Committee worked with Mercer, an outside compensation consultant, to review and evaluate director compensation for fiscal 2008 in light of prevailing market conditions. Mercer gathered compensation data from the Company's custom peer group of companies as well as from the National Association of Corporate Directors (NACD 2006-2007) Director Compensation Report. (For a discussion of the peer group of companies, please see Executive Compensation and Related Information Compensation Discussion and Analysis.) In October 2007, upon completion of its review and evaluation, the Governance Committee concluded that changes to the Company's director compensation practices were not warranted.

Elements of Director Compensation

Annual Retainer. Directors who are not employees of the Company are entitled to receive an annual retainer of \$50,000. Pursuant to the Company's 1998 Non-Employee Director's Stock Incentive Plan ("DSIP"), non-employee directors may elect to take some or all of their annual retainer in the form of cash, shares of Common Stock or deferred rights to receive Common Stock upon termination as a director. During the period from October 1, 2007 to October 1, 2008, Ms. Johnson received 1,892 shares of Common Stock under the DSIP. During the same period, Mr. Bagley deferred the receipt of 9,162 shares of Common Stock under the DSIP. Directors who are employees of the Company receive no additional or special remuneration for their service as directors.

Set forth below are the amounts received by directors for their service as committee chair or presiding director in fiscal 2008 and the amounts that are expected to be received in fiscal 2009:

	2008	2009
Audit Committee Chair	\$ 15,000	\$ 17,500
Compensation Committee Chair	10,000	10,000
Governance Committee Chair	10,000	10,000
Presiding Director		12,500

Except for the foregoing, directors do not receive any additional or special remuneration for their service on any of the committees established by the Board of Directors.

The Company also reimburses directors for travel and lodging expenses, if any, incurred in connection with attendance at Board of Directors' meetings.

Equity Award. A "targeted value" for annual non-employee director compensation is established each year. Following discussion of relevant data with Mercer, the Board determined that such targeted value for fiscal 2008 should be \$225,000. Based on this amount, the Board approved an award of 20,834 shares of restricted Common Stock to each of the directors, derived by dividing the targeted value of \$225,000 by the Fair Market Value, as defined under the Company's equity plans, of the Company's Common Stock. For purposes of the Company's equity plans, "Fair Market Value" equals the average closing price of the Company's Common Stock on the last trading day prior to the date of grant. The restrictions on the shares awarded for fiscal 2008 lapsed for 50% of such shares on the first anniversary of the date of grant and will lapse for the remaining 50% on the second anniversary of the date of grant (the "Vesting Period"). Notwithstanding the foregoing, the restrictions as to the fiscal 2008 shares will lapse for 100% of such shares in the event a director either reaches the mandatory retirement age of 70 during the Vesting Period or retires from the Board during the Vesting Period having achieved a minimum of three years of service with the Board of Directors prior to the effective date of his or her retirement.

Director Compensation

The following table details the total compensation earned by the Company's non-employee directors in fiscal 2008.

Name	Fees Earned			Total
	or Paid in Cash	Stock Awards(1)	All Other Compensation(2)	
Teruaki Aoki	\$ 58,333	\$ 277,622	\$ 2,000	\$ 337,955
James W. Bagley	50,022	229,048		279,070
Robert L. Bailey	41,667	84,563		126,230
Mercedes Johnson	52,374	335,398		387,772
Lawrence N. Mondry	60,000	317,507		377,507
Robert E. Switz	64,167	277,622		341,789

(1)

On October 8, 2007, each director who was not an employee of the Company was granted 20,834 shares of restricted stock with a grant date fair value of \$225,000 (\$10.80 per share). Amount shown is the expense recognized in the Company's financial statements for fiscal 2008 under Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payments," related to each director's outstanding restricted stock. Assumptions used in determining the fair values of these option awards is set forth in the "Equity Plans" notes to the Company's financial statements included in its annual reports on Form 10-K for fiscal 2008, 2007 and 2006, which are incorporated herein by reference. The expense shown for these stock awards is based solely on the stock price as of the date of grant, disregarding any assumptions as to estimated forfeitures based on continued service. For information on the restrictions associated with these awards, see "Elements of Director Compensation Equity Awards" above. Specific amounts expensed for each director vary as a result of the director's holdings, length of service and age. Any dividends payable with respect to the Company's Common Stock will be payable with respect to all awards of restricted stock. The total number of restricted shares and options held as of August 28, 2008 for each non-employee director was as follows:

Name	Restricted	
	Stock	Options*
Teruaki Aoki	27,126	4,375
James W. Bagley	27,126	72,000
Robert L. Bailey	20,834	
Mercedes Johnson	27,126	17,500
Lawrence N. Mondry	27,126	17,500
Robert E. Switz	27,126	4,375

*

All options are fully vested and exercisable. Prior to fiscal 2006 directors' annual equity awards were comprised exclusively of stock options.

(2)

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

ITEM 2 APPROVAL OF AN AMENDMENT TO THE 2007 EQUITY INCENTIVE PLAN

The 2007 Equity Incentive Plan was adopted by the Board of Directors on October 9, 2007. On September 30, 2008, the Board approved an amendment to the plan to increase the number of shares reserved for issuance thereunder from 30,000,000 to 40,000,000 shares, subject to shareholder approval. As of October 15, 2008, there were approximately 18,200 employees and six non-employee directors eligible to participate in the 2007 Equity Incentive Plan. Officers are not eligible to participate in the 2007 Equity Incentive Plan. On October 27, 2008, the closing price of the Company's Common Stock was \$3.39.

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

Purpose

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

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

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

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

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

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

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

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

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

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

Any other right or interest relating to Stock or cash.

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

Shares Available for Awards

Subject to adjustment as provided in the plan, the aggregate number of shares of Common Stock reserved and available for issuance pursuant to awards granted under the plan is 40,000,000. The maximum number of shares that may be issued to one person upon exercise of incentive stock options granted under the plan is 2,000,000. *Each share issued pursuant to "full value" awards, such as restricted stock, unrestricted stock, restricted stock units, deferred stock units, performance shares, or other stock-based awards payable in stock, reduces the number of shares available for grant by two shares.*

Limitations on Awards

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

Administration

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

In September 2008, the Board of Directors created a director compensation sub-plan of the 2007 Equity Incentive Plan for awards to the Company's non-employee directors. Awards granted to the Company's non-employee directors will be made only in accordance with the parameters of the Company's director compensation plan, or any successor program for the compensation of non-employee directors as in effect from time to time. The Committee may not make discretionary grants under the director compensation plan to non-employee directors.

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

Deductibility under Section 162(m)

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

Performance Goals

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

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

cost of goods sold and gross margin;

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costs and expenses, including research and development and selling, general and administrative expenses;

income (gross, operating, net, etc.);

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

cash flows and share price;

return on investment, capital, equity;

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

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

economic profit or loss;

market share;

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

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

In order to meet the requirements of Section 162(m), the Committee must establish such goals within the first 90 days after the beginning of the period for which such performance goal relates (or such other time as may be required or permitted under applicable tax regulations) and the Committee may not increase any award or, except in the case of death, disability or a change in control of the Company, waive the achievement of any specified goal.

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

Limitations on Transfer; Beneficiaries

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

manner determined by the Committee, designate a beneficiary to exercise the rights of the participant and to receive any distribution with respect to any award upon the participant's death.

Acceleration Upon Certain Events

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

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

Adjustments

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

Termination and Amendment

The 2007 Equity Incentive Plan was approved by the Company's Board of Directors in October 2007 and is being submitted to the Company's shareholders at the 2008 Annual Meeting. The 2007 Equity Incentive Plan has a term of ten years, unless earlier terminated by the Board or the Committee. The Board or the Committee may, at any time and from time to time, terminate or amend the plan, but if an amendment to the plan would materially increase the number of shares of stock issuable under the plan, expand the types of awards provided under the plan, materially expand the class of participants eligible to participate in the plan, materially extend the term of the plan or otherwise constitute a material amendment requiring shareholder approval under applicable listing requirements, laws, policies or regulations, then such amendment will be subject to shareholder approval. No termination or amendment

of the plan may adversely affect any award previously granted under the plan without the written consent of the participant.

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

Prohibition on Repricing

As indicated above under "Termination and Amendment," outstanding stock options and SARs cannot be repriced, directly or indirectly, without the prior consent of the Company's shareholders. The exchange of an "underwater" option (i.e., an option having an exercise price in excess of the current market value of the underlying stock) for another award would be considered an indirect repricing and would, therefore, require the prior consent of the Company's shareholders.

Certain Federal Tax Effects

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

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

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

Stock Appreciation Rights. A participant receiving a sto