

ADVANCED MICRO DEVICES INC
Form PRE 14A
October 22, 2008
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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:

- | | | | |
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| <input checked="" type="checkbox"/> | Preliminary Proxy Statement | <input type="checkbox"/> | Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input type="checkbox"/> | Definitive Proxy Statement | | |
| <input type="checkbox"/> | Definitive Additional Materials | | |
| <input type="checkbox"/> | Soliciting Material Pursuant to §240.14a-12 | | |

ADVANCED MICRO DEVICES, INC.

(Name of Registrant as Specified In Its Certificate)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:
 - (5) Total fee paid:
- .. Fee paid previously with preliminary materials.
- .. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
- (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:

Table of Contents

ADVANCED MICRO DEVICES, INC.
ONE AMD PLACE
P.O. BOX 3453
SUNNYVALE, CALIFORNIA 94088-3453

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

We will hold a Special Meeting of Stockholders of Advanced Micro Devices, Inc. at the Hilton Austin Airport, 9515 Hotel Drive, Austin, Texas on _____, at _____ a.m. local time, for the following purposes:

1. To approve (i) the issuance to an affiliate of Mubadala Development Company PJSC (*Mubadala*), for an aggregate purchase price of approximately \$314 million, 58,000,000 shares of our common stock and warrants to purchase 30,000,000 shares of our common stock pursuant to the Master Transaction Agreement, dated as of October 6, 2008, by and among us, an affiliate of Mubadala, and Advanced Technology Investment Company LLC, which warrants will be exercisable after the earlier of (a) public ground-breaking of Fab 4X in New York and (b) 24 months from the date of issuance and will have a 10-year term, and (ii) the issuance to an affiliate of Mubadala of 30,000,000 shares of our common stock upon exercise of the warrants (as adjusted pursuant to the terms of the warrants);
2. To approve a one-time exchange of outstanding employee stock options to purchase shares of our common stock that have an exercise price greater than the 52-week high trading price of our common stock on the New York Stock Exchange at the commencement of our tender offer to our employees (other than options granted within the 12-month period preceding the commencement date of our tender offer to our employees and other than options held by our independent directors and named executive officers) to (i) provide renewed incentives and motivate eligible employees to achieve future stock price growth, (ii) minimize stockholder dilution that normally results from supplemental option grants and (iii) recapture value from compensation costs that we already are incurring with respect to outstanding options that have little or no retentive or incentive value (replacing such outstanding options should not create additional compensation expense (other than immaterial expenses)); and

3. To transact such other business as may properly come before the Special Meeting or any adjournment or postponement thereof.
The board of directors recommends that you vote FOR the issuance of 58,000,000 shares of our common stock and warrants to purchase 30,000,000 shares of our common stock (as well as the issuance of common stock upon the exercise thereof) and FOR the one-time exchange of outstanding employee stock options.

By Order of the Board of Directors,

HARRY A. WOLIN

Secretary

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, YOUR VOTE IS IMPORTANT AND WE ENCOURAGE YOU TO SUBMIT A PROXY TO VOTE YOUR SHARES PROMPTLY. YOU MAY SUBMIT A PROXY TO VOTE YOUR SHARES VIA A TOLL-FREE TELEPHONE NUMBER OR THE INTERNET BY FOLLOWING THE INSTRUCTIONS CONTAINED ON THE PROXY CARD. YOU MAY ALSO SIGN, DATE AND MAIL THE PROXY CARD IN THE ENVELOPE PROVIDED. INSTRUCTIONS REGARDING METHODS OF SUBMITTING A PROXY ARE CONTAINED ON THE PROXY CARD.

IMPORTANT NOTICE REGARDING INTERNET AVAILABILITY OF PROXY MATERIALS FOR THE SPECIAL MEETING OF STOCKHOLDERS TO BE HELD ON ARE AVAILABLE ELECTRONICALLY AT WWW.PROXYVOTE.COM.

Table of Contents

TABLE OF CONTENTS

<u>QUESTIONS AND ANSWERS</u>	1
<u>PROPOSAL 1 ISSUANCE OF SHARES, WARRANTS AND WARRANT SHARES</u>	6
<u>Purpose of Stockholder Approval of Our Issuance of the Shares, the Warrants and the Warrant Shares to WCH</u>	6
<u>Effects on Our Stockholders of Our Issuance of the Shares, the Warrants and the Warrant Shares to WCH</u>	6
<u>The Parties</u>	7
<u>The Transactions</u>	7
<u>Our Purpose and Reasons for the Transactions</u>	8
<u>Financial Impact on Us of the Master Transaction Agreement, Including Our Issuance of the Shares, the Warrants and the Warrant Shares to WCH</u>	9
<u>Opinion of Our Financial Advisor</u>	10
<u>Opinion of the Financial Advisor of the Transaction Oversight Committee of Our Board of Directors</u>	16
<u>Interests of Certain Persons in the Transactions</u>	22
<u>Registration Rights Agreement</u>	23
<u>Required Vote</u>	23
<u>Recommendation of the Board of Directors</u>	23
<u>THE MASTER TRANSACTION AGREEMENT</u>	24
<u>Cash Contribution</u>	24
<u>Contribution of AMD Assets to The Foundry Company</u>	24
<u>Purchase Price</u>	25
<u>Assumed Liabilities</u>	25
<u>Retained Liabilities</u>	26
<u>Representations and Warranties</u>	26
<u>Covenants</u>	27
<u>No Solicitation by AMD</u>	28
<u>WCH Standstill Respecting AMD</u>	29
<u>WCH Transfer Restrictions on AMD Securities</u>	29
<u>Employees</u>	29
<u>Closing Conditions</u>	29
<u>Indemnification</u>	30
<u>Termination/Break-up Fee</u>	31
<u>THE SHAREHOLDERS AGREEMENT</u>	32
<u>Board of Directors</u>	32
<u>Officers</u>	32
<u>Voting</u>	32
<u>Certain Corporate Actions</u>	33
<u>Transfer Restrictions</u>	34
<u>Right of First Offer/Right of Last Look</u>	34
<u>Tag-Along Rights</u>	35
<u>Drag-Along Rights</u>	35
<u>AMD Change of Control</u>	35
<u>Rights to Purchase New Shares</u>	35
<u>Termination</u>	35
<u>THE FUNDING AGREEMENT</u>	36
<u>Annual Business Plan</u>	36
<u>Cash Reserve</u>	36
<u>Funding</u>	36
<u>Conditions to Funding</u>	37
<u>Annual Business Plan Deadlock Resolution</u>	37
<u>Termination</u>	38
<u>THE WAFER SUPPLY AGREEMENT</u>	39
<u>AMD Purchase Commitments</u>	39
<u>The Foundry Company Capacity Commitment</u>	39
<u>Management</u>	39

Table of Contents

<u>Sort Services</u>	39
<u>Pricing</u>	40
<u>Indemnification</u>	40
<u>Intellectual Property</u>	40
<u>Term; Termination</u>	40
<u>AGREEMENTS RELATED TO INTELLECTUAL PROPERTY</u>	41
<u>Patent Cross License Agreement</u>	41
<u>Non-Patent Intellectual Property and Technology Transfer Agreement</u>	41
<u>DESCRIPTION OF THE FOUNDRY COMPANY CONVERTIBLE SUBORDINATED NOTES</u>	42
<u>Class A Convertible Notes</u>	42
<u>Class B Convertible Notes</u>	43
<u>DESCRIPTION OF THE FOUNDRY COMPANY SHARE CAPITAL</u>	44
<u>Class A Ordinary Shares</u>	44
<u>Class B Ordinary Shares</u>	44
<u>Class A Preferred Shares</u>	44
<u>Class B Preferred Shares</u>	45
<u>DESCRIPTION OF AMD COMMON STOCK</u>	46
<u>DESCRIPTION OF THE WARRANTS</u>	47
<u>PROPOSAL TWO OPTION EXCHANGE</u>	50
<u>STOCK OPTION EXCHANGE PROGRAM</u>	51
<u>Objectives of Program</u>	51
<u>Background</u>	51
<u>Details of the Option Exchange Program</u>	52
<u>Benefits of the Option Exchange Program to Eligible Employees</u>	54
<u>Effect on Stockholders</u>	55
<u>Effect on the 2004 Equity Incentive Plan</u>	55
<u>Required Vote</u>	55
<u>Recommendation of the Board of Directors</u>	55
<u>BOARD OF DIRECTORS</u>	56
<u>DIRECTORS COMPENSATION AND BENEFITS</u>	58
<u>2007 Non-Employee Director Compensation</u>	58
<u>EXECUTIVE OFFICERS</u>	61
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	62
<u>COMPENSATION COMMITTEE REPORT</u>	78
<u>COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION</u>	78
<u>EXECUTIVE COMPENSATION</u>	79
<u>PRINCIPAL STOCKHOLDERS</u>	96
<u>SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS</u>	98
<u>GENERAL AND OTHER MATTERS</u>	100
<u>AVAILABLE INFORMATION</u>	100

ANNEXES:

<u>Annex A Opinion of Merrill Lynch & Co.</u>	
<u>Annex B Opinion of Morgan Stanley & Co. Incorporated</u>	

EXHIBITS:

Exhibit A	Master Transaction Agreement
Exhibit B	Form of Shareholders Agreement
Exhibit C	Form of Funding Agreement
Exhibit D	Form of Wafer Supply Agreement
Exhibit E	Form of Warrant

Table of Contents

ADVANCED MICRO DEVICES, INC.

PROXY STATEMENT

SPECIAL MEETING OF STOCKHOLDERS

QUESTIONS AND ANSWERS

1. Q: WHY AM I RECEIVING THESE MATERIALS?

A: The board of directors of Advanced Micro Devices, Inc. (*AMD*) is providing these proxy materials to you in connection with our Special Meeting to be held on _____ at the Hilton Austin Airport, 9515 Hotel Drive, Austin, Texas (the *Special Meeting*). As a stockholder, you are invited to attend the meeting and are entitled to and requested to vote on the items of business described in this proxy statement.

2. Q: WHO IS SOLICITING MY VOTE?

A: This proxy solicitation is being made by our board of directors. We have retained Georgeson Stockholder Communications, Inc., professional proxy solicitors, to assist us with this proxy solicitation. We will pay the entire cost of this solicitation, including Georgeson's fee, which we expect to be approximately \$12,000.

3. Q: WHEN WAS THIS PROXY STATEMENT MAILED TO STOCKHOLDERS?

A: The proxy statement was first mailed to stockholders on or about _____, 2008.

4. Q: WHAT MAY I VOTE ON?

A: You may vote on:

A proposal to issue (i) for an aggregate purchase price of approximately \$314 million, 58,000,000 shares of our common stock (the *Shares*) and warrants to purchase 30,000,000 shares of our common stock (the *Warrants*) at an exercise price of \$0.01 per share (as adjusted pursuant to the terms of the Warrants), pursuant to a Master Transaction Agreement (the *Master Transaction Agreement*), dated as of October 6, 2008, by and among AMD, West Coast Hitech L.P., a wholly owned subsidiary of Mubadala (*WCH*), and Advanced Technology Investment Company LLC, a company wholly owned by the

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Government of Abu Dhabi (*ATIC*), which Warrants will be exercisable after the earlier of (a) public ground-breaking of Fab 4X in New York and (b) 24 months from the date of issuance and will have a 10-year term and (ii) 30,000,000 shares of our common stock upon the exercise of the Warrants (the *Warrant Shares*) (as adjusted pursuant to the terms of the Warrants);

A proposal for a one-time exchange of outstanding employee stock options to purchase shares of our common stock that have an exercise price greater than the 52-week high trading price of our common stock on the New York Stock Exchange (the *NYSE*) at the commencement of our tender offer to our employees (other than options granted within the 12-month period preceding the commencement date of our tender offer to our employees and other than options held by our independent directors and named executive officers) (the *Option Exchange*); and

Such other business as may properly be brought before the Special Meeting or any adjournment or postponement thereof.

Table of Contents

5. Q: WHAT ARE THE TRANSACTIONS CONTEMPLATED BY THE MASTER TRANSACTION AGREEMENT?

A: Under the Master Transaction Agreement, AMD, Mubadala and ATIC intend to enter two distinct but related concurrent transactions. Mubadala (through its subsidiary WCH) will contribute approximately \$314 million to AMD to acquire the Shares and the Warrants. At the same time, AMD and ATIC will enter into a joint venture to form The Foundry Company, a global, independent semiconductor foundry to be headquartered in the United States. AMD will contribute assets, including its manufacturing facilities, its manufacturing employees, and intellectual property rights to The Foundry Company. The Foundry Company will assume approximately \$1.2 billion in debt from AMD. ATIC will invest \$2.1 billion to purchase its stake in The Foundry Company, of which it will invest \$1.4 billion directly in the new entity and the remainder will be paid to AMD to purchase additional shares in The Foundry Company. ATIC's investment in The Foundry Company will be separate from Mubadala's investment in AMD, and ATIC will not acquire any shares of AMD.

6. Q: WHO WILL OWN THE FOUNDRY COMPANY JOINT VENTURE?

A: When the transactions contemplated by the Master Transaction Agreement (the *Transactions*) close (the *Closing*), AMD and ATIC will each own one half of the voting shares, and each will be entitled to elect four out of eight members of the board of directors of The Foundry Company. At the Closing, The Foundry Company will be owned 44.4% by AMD and 55.6% by ATIC on a fully converted to common basis. ATIC's ownership will increase over time based on the differences in securities held by AMD and ATIC, and depending on whether AMD elects to invest proportionately with ATIC in future capital infusions.

7. Q: WHO ARE MUBADALA AND ATIC?

A: Mubadala is an investment and development company wholly owned by the Government of Abu Dhabi. Mubadala's mandate is to generate sustainable economic benefits for Abu Dhabi through prudent commercially viable and profitable business ventures. Mubadala was established as an Abu Dhabi public joint stock company.

ATIC is a limited liability company established under the laws of Abu Dhabi and wholly owned by the Government of Abu Dhabi. ATIC is focused on making significant investments in the advanced technology sector, both locally and internationally. Its mandate is to generate returns that deliver long-term benefits to the Emirate of Abu Dhabi. We have been informed by ATIC that it is anticipated that, prior to the Closing, ATIC will become an Abu Dhabi public joint stock company.

8. Q: WHY IS AMD ISSUING THE SHARES AND THE WARRANTS TO WCH?

A: The issuance of the Shares and Warrants to WCH is a condition to ATIC's obligations to enter into the joint venture to form The Foundry Company.

9. Q: WHY IS AMD SEEKING STOCKHOLDER APPROVAL FOR THE ISSUANCE OF THE SHARES, WARRANTS AND THE WARRANT SHARES?

A: Our common stock is listed on the NYSE, and we are therefore subject to the rules and regulations of the NYSE. Stockholder approval for the issuance of the Shares, the Warrants and the Warrant Shares is required by the rules of the NYSE and is a condition to closing of the Transactions. See Proposal 1 Issuance of Shares, Warrants and Warrant Shares Purpose of Stockholder Approval of Our Issuance of the Shares, the Warrants and the Warrant Shares to WCH elsewhere in this proxy statement.

10. Q: WHY IS AMD SEEKING STOCKHOLDER APPROVAL FOR THE OPTION EXCHANGE?

A: Under the NYSE rules, stockholder approval is required in order for us to implement the Option Exchange. See Proposal 2 Option Exchange elsewhere in this proxy statement.

Table of Contents

11. Q: HOW DOES THE BOARD RECOMMEND I VOTE ON THE PROPOSALS?

A: The board of directors recommends that you vote:

FOR the issuance of the Shares, Warrants and Warrant Shares to WCH; and

FOR the Option Exchange.

12. Q: WHY DOES THE BOARD RECOMMEND THAT I VOTE FOR THE PROPOSALS?

A: Our board of directors held various discussions and consulted with our management and financial, legal and other advisors and anticipates that the Transactions will benefit AMD and its stockholders. See Proposal 1 Issuance of Shares, Warrants and Warrant Shares Our Purpose and Reasons for the Transactions included elsewhere in this proxy statement. In addition, our board of directors believes that the Option Exchange will provide an opportunity to (i) provide renewed incentives and motivate eligible employees to achieve future stock price growth, (ii) minimize stockholder dilution that normally results from supplemental option grants and (iii) recapture value from compensation costs that we already are incurring with respect to outstanding options that have little or no retentive or incentive value (replacing such outstanding options should not create additional compensation expense (other than immaterial expenses)). As a result of the extreme volatility in our stock price, many of our employee stock options are underwater. By realigning the exercise prices of previously granted stock options with the current value of our common stock, our board of directors believes that the new stock options will become an important tool to help motivate our eligible employees to continue to create stockholder value. See Proposal 2 Option Exchange included elsewhere in this proxy statement.

13. Q: WHO IS ENTITLED TO VOTE?

A: Stockholders as of the close of business on October 27, 2008, the record date for our Special Meeting, are entitled to vote on all items properly presented at the Special Meeting. On the record date, approximately _____ shares of our common stock were outstanding. Every stockholder is entitled to one vote for each share of common stock held as of the record date. A list of these stockholders will be available during ordinary business hours at the principal place of business of AMD, located at One AMD Place, Sunnyvale, California, from the Assistant Corporate Secretary of AMD and at AMD Austin, Lone Star, 7171 Southwest Parkway, Austin, Texas, 78735 from the Corporate Secretary of AMD, in each case at least 10 days before the Special Meeting. The list of stockholders will also be available at the time and place of the Special Meeting.

14. Q: IF I AM A STOCKHOLDER OF RECORD, HOW DO I VOTE?

A: If you are a stockholder of record, you may vote in person at the Special Meeting. We will give you a ballot when you arrive. If you complete and properly sign each proxy card you receive and return it to us in the prepaid envelope, it will be voted by one of the individuals indicated on the card (your proxy) as you direct. If you return your signed proxy card or submit a proxy over the Internet but do not mark the boxes showing how you wish your shares to be voted, your shares will be voted **FOR** the issuance of the Shares, Warrants and Warrant Shares to WCH and **FOR** the Option Exchange, and in the discretion of the proxy holders for any other matter that may come before the Special Meeting.

If you live in the United States or Canada, you may submit your proxy by following the Vote by Telephone instructions on the proxy card. If you have Internet access, you may submit your proxy from any location in the world by following the Vote by Internet instructions on the proxy card.

Table of Contents

15. Q: WHO CAN ATTEND THE SPECIAL MEETING?

A: Only stockholders as of the close of business on October 27, 2008, holders of proxies for those stockholders and other persons invited by us can attend. If your shares are held by your broker in street name, you must bring a letter from your broker to the meeting showing that you were the direct or indirect (beneficial) owner of the shares on October 27, 2008 to attend the Special Meeting.

16. Q: CAN I VOTE AT THE MEETING?

A: Yes. If you held your shares in your own name on the record date, you may vote your shares in person at the Special Meeting. If you wish to vote your shares in person at the Special Meeting and they are held by your broker in street name, you must obtain a proxy from the record holder and bring a letter from the broker to the meeting showing that you were the beneficial owner of the shares on October 27, 2008.

17. Q: CAN I CHANGE MY VOTE AFTER I HAVE SUBMITTED A PROXY?

A: Yes. You may change your vote at any time before the voting concludes at the Special Meeting. You may do so by submitting a proxy on a later date on the Internet or by telephone (only your latest Internet or telephone proxy submitted prior to the meeting will be counted), or by signing and returning a new proxy card with a later date, or by attending the Special Meeting and voting in person. However, your attendance at the Special Meeting will not automatically revoke your proxy unless you vote again at the Special Meeting or specifically request in writing that your prior proxy be revoked.

18. Q: HOW DO I VOTE MY SHARES IF THEY ARE HELD IN STREET NAME?

A: If your shares are held by your broker in street name, you will receive a form from your broker seeking instruction as to how your shares should be voted. We urge you to complete this form and instruct your broker how to vote on your behalf. You can also vote in person at the Special Meeting, but you must obtain a proxy from the record holder and bring a letter from the broker showing that you were the beneficial owner of your shares on October 27, 2008.

19. Q: WHAT IS A QUORUM ?

A: For the purposes of the Special Meeting, a quorum is a majority of the outstanding shares. They may be present at the Special Meeting or represented by proxy. There must be a quorum for the Special Meeting to be held. If you submitted a proxy via the Internet, by telephone or by properly submitting a proxy card, even if you abstain from voting, your shares will be considered part of the quorum.

20. Q: HOW ARE MATTERS PASSED OR DEFEATED?

A: You may vote **FOR**, **AGAINST** or **ABSTAIN** with respect to the proposal to approve the issuance of the Shares, Warrants and Warrant Shares to WCH and the proposal to approve the Option Exchange. Each of the proposal to approve the issuance of the Shares, Warrants and Warrant Shares to WCH and the proposal to approve the Option Exchange requires the affirmative vote of a majority of the votes cast, provided that the total vote cast on the proposal represents over 50% of the outstanding common stock entitled to vote on the proposal. If you **ABSTAIN** from voting on a proposal, your shares will be counted for purposes of

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determining whether a quorum is present, but will not be counted as votes **FOR** or **AGAINST** that proposal. Broker non-votes will be counted for purposes of determining whether a quorum is present, but will not be counted as votes **FOR** or **AGAINST** the proposal. A broker non-vote occurs where the broker has not received instructions from the beneficial owner as to how such beneficial owner's shares are to be voted on a proposal and does not have discretionary authority to vote on the proposal. Under the NYSE rules, brokers do not have discretionary authority to vote on the proposal to approve the issuance of the Shares, Warrants and Warrant Shares to WCH or the proposal to approve the Option Exchange. If you complete the voting

Table of Contents

instructions and submit your proxy, the persons named as proxies will follow your instructions. If you submit a proxy but do not specify your voting instructions, the persons named as proxies will vote your shares **FOR** the adoption of the proposals set forth in this proxy statement and in accordance with the discretion of the persons appointed as proxies on any other matters properly brought before the meeting for a vote.

21. Q: WHO WILL COUNT THE VOTES?

A: Proxies will be tabulated by Broadridge Financial Solutions, Inc., formerly known as ADP-ICS.

22. Q: IS MY VOTE CONFIDENTIAL?

A: Proxy cards, ballots and voting tabulations that identify individual stockholders are mailed or returned directly to Broadridge and handled in a manner that protects your voting privacy. Your vote will not be disclosed except (1) as needed to permit Broadridge to tabulate and certify the vote and (2) as required by law. However, comments written on the proxy card may be forwarded to management. In that case, your identity may not be kept confidential.

23. Q: WILL YOU WEBCAST THE SPECIAL MEETING?

A. Yes. The Special Meeting will be webcast live. You can access it by going to our Investor Relations Web site at: www.amd.com. The webcast will enable you to listen only to the Special Meeting. You will not be able to ask questions. The Special Meeting audio webcast will be available on our Web site for 10 days after the Special Meeting.

Table of Contents

PROPOSAL 1 ISSUANCE OF SHARES, WARRANTS AND WARRANT SHARES

Unless the context otherwise requires, references in this proxy statement to AMD, we, our or us refer to Advanced Micro Devices, Inc. and its consolidated subsidiaries.

We are asking our stockholders to consider and approve the issuance of the Shares and Warrants to WCH pursuant to the Master Transaction Agreement and the issuance of the Warrant Shares upon exercise of the Warrants.

Purpose of Stockholder Approval of Our Issuance of the Shares, the Warrants and the Warrant Shares to WCH

The approval of AMD's stockholders of the issuance of the Shares and the Warrants to WCH pursuant to the Master Transaction Agreement and the Warrant Shares upon the exercise of the Warrants is a condition to the Closing. The Master Transaction Agreement requires AMD to obtain stockholder approval in accordance with the NYSE rules because WCH currently owns approximately 8.1% of our outstanding common stock (based on 608,466,517 shares outstanding as of October 16, 2008) and thus is a substantial security holder as defined in the NYSE rules.

Effects on Our Stockholders of Our Issuance of the Shares, the Warrants and the Warrant Shares to WCH

Pursuant to the Master Transaction Agreement, WCH will purchase (i) 58,000,000 shares of our common stock and (ii) Warrants to purchase 30,000,000 shares of our common stock at an exercise price of \$0.01 per share (as adjusted pursuant to the terms of the Warrants) for an aggregate purchase price of approximately \$314 million. We will issue the Warrant Shares upon exercise by WCH of the Warrants. Upon issuance of the Shares at the Closing, WCH will own approximately 16.1% of the outstanding shares of our common stock, based on 608,466,517 shares outstanding as of October 16, 2008. If WCH exercises the Warrants in full when the Warrants become exercisable, WCH will own approximately 19.3% of our common stock on a fully diluted basis, based on 608,466,517 shares outstanding as of October 16, 2008. Stockholders should consider the following factors which may affect them, as well as the other information contained in this proxy statement, in evaluating the proposal to approve the issuance of the Shares and the Warrants pursuant to the Master Transaction Agreement and the issuance of the Warrant Shares upon exercise of the Warrants.

Possible effect on market price of our common stock. We are unable to predict the potential effects of the Transactions on the trading activity and market price of our common stock. We are also unable to predict the effects on the trading activity and market price of our common stock if the Transactions do not close. Sales by WCH of a substantial number of shares of our common stock in the public market, or the perception that such sales might occur, could cause the price of our common stock to decline. Other than securities law requirements, there are only limited restrictions on WCH's sales of the Shares, Warrants and Warrant Shares. See *The Master Transaction Agreement Transfer Restrictions* included elsewhere in this proxy statement.

WCH will increase its ownership in our common stock and will have a right to designate one person for election to our board of directors. Following the Closing and when the Warrants become exercisable, assuming exercise of the Warrants, WCH will beneficially own approximately 19.3% of our common stock on a fully diluted basis and would be our largest stockholder. As a result of the Transactions, WCH will increase its ability to influence matters submitted to our stockholders for a vote. Pursuant to the Master Transaction Agreement, for so long as WCH and its permitted transferees beneficially own at least 10% of our outstanding common stock, WCH has the right to designate one person for election to our board of directors.

Dilution. The issuance of the Shares and Warrant Shares to WCH will have a dilutive effect on an individual stockholder's percentage voting power. Our issuance of the Shares to WCH will also have a dilutive effect on our future net income per common share. Our issuance of the Warrants to WCH will have a dilutive effect on our

Table of Contents

future net income per common share when the Warrants become exercisable, and after the Warrants are exercised, the Warrant Shares issuable upon exercise of the Warrants will have a dilutive effect on our future net income per common share. In addition, the standstill provisions in the Master Transaction Agreement permit WCH to acquire additional shares of our common stock up to a limit of 22.5% in the aggregate of our voting securities during the five years after the Closing, and this ownership percentage limitation terminates after this five-year period.

The Parties

AMD. We are a global semiconductor company with facilities around the world. Our products consist of (i) x86 microprocessors, for the commercial and consumer markets, embedded microprocessors for commercial, commercial client and consumer markets and chipsets for desktop and notebook personal computers, professional workstations and servers and (ii) graphics, video and multimedia products for desktop and notebook computers, including home media PCs, professional workstations and servers and technology for game consoles.

Mubadala and WCH. WCH is an exempted limited partnership organized under the laws of the Cayman Islands. Mubadala owns all of the partnership interests in WCH. AMD and WCH are parties to a stock purchase agreement dated as of November 15, 2007, pursuant to which AMD issued and sold to WCH 49,000,000 shares of our common stock for an aggregate purchase price of \$622.3 million, less an expense reimbursement of approximately \$14.6 million (the **2007 Investment**). As a result of the 2007 Investment, WCH owns approximately 8.1% of the outstanding shares of our common stock, based on 608,466,517 shares outstanding as of October 16, 2008.

Mubadala is an investment and development company wholly owned by the Government of Abu Dhabi. Mubadala's mandate is to generate sustainable economic benefits for Abu Dhabi through prudent, commercially viable and profitable business ventures. Mubadala was established as an Abu Dhabi public joint stock company.

ATIC. ATIC is a limited liability company established under the laws of the Emirate of Abu Dhabi and wholly owned by the Government of Abu Dhabi. ATIC is focused on making significant investments in the advanced technology sector, both locally and internationally. Its mandate is to generate returns that deliver long-term benefits to the Emirate of Abu Dhabi. We have been informed by ATIC that it is anticipated that, prior to the Closing, ATIC will become an Abu Dhabi public joint stock company.

The Foundry Company. The Foundry Company, an exempted company incorporated under the laws of the Cayman Islands (**The Foundry Company**), will be a U.S.-headquartered, leading-edge semiconductor manufacturing joint venture between ATIC and AMD.

The Transactions

Pursuant to the Master Transaction Agreement, AMD and ATIC will form a manufacturing joint venture, The Foundry Company. AMD will contribute certain assets and liabilities to The Foundry Company in exchange for certain securities of The Foundry Company, ATIC will contribute cash to The Foundry Company and pay cash to AMD in exchange for certain securities of The Foundry Company, and WCH will purchase the Shares and the Warrants from AMD. The Foundry Company will manufacture semiconductor products and will provide certain foundry services to AMD and in the future will offer foundry services to other third-party customers.

The Master Transaction Agreement contemplates that AMD, ATIC and The Foundry Company will enter into a Shareholders' Agreement (the **Shareholders' Agreement**), which sets forth the rights and obligations of AMD and ATIC as shareholders of The Foundry Company. In addition, a Funding Agreement among AMD, ATIC and The Foundry Company (the **Funding Agreement**) will provide for further equity funding of The Foundry Company by ATIC of a minimum of \$3.6 billion and up to \$6.0 billion over the five years after the Closing, and a Wafer Supply Agreement between AMD and The Foundry Company (the **Wafer Supply**

Table of Contents

Agreement) will govern the terms by which AMD will purchase products manufactured by The Foundry Company. The Foundry Company will manufacture semiconductor products using intellectual property transferred by AMD to The Foundry Company, and certain intellectual property licensed to AMD. For more information on these agreements, see The Shareholders Agreement, The Funding Agreement, The Wafer Supply Agreement and Agreements Related to Intellectual Property appearing elsewhere in this proxy statement.

Our Purpose and Reasons for the Transactions

The semiconductor industry is undergoing a profound transformation. Vertically integrated companies are abandoning plans to invest in new capacity and manufacturing technology while announcing plans to outsource a growing percentage of their wafer requirements. Captive volumes can no longer support the cost of building leading-edge capacity and process technology investments.

Our board of directors held various discussions and consulted with our management and financial, legal and other advisors and believes that the Transactions will benefit AMD stockholders in a number of ways:

We will have a stronger balance sheet. On the basis of excluding The Foundry Company financials, our cash balance will increase with over \$1.0 billion of new cash, our aggregate debt will decrease by approximately \$1.2 billion and our net cash position will improve by approximately \$2.1 billion, including the approximately \$314 million of cash provided from the sale of the Shares and Warrants.

We believe we will greatly reduce any future manufacturing capital expenditures as well as process technology costs. ATIC has committed to provide additional equity funding to The Foundry Company of at least \$3.6 billion and up to \$6.0 billion over the five years after the Closing. We will have the right, but not the obligation, to fund the capital requirements of The Foundry Company in an amount pro-rata to our interest in the fully converted shares of The Foundry Company.

We will have a 50% voting interest (and approximately 44.4% fully converted to common interest) in The Foundry Company. The Foundry Company's manufacturing capabilities will allow our management to focus on the research and development of products rather than manufacturing and processing.

As a shareholder of The Foundry Company, we expect to be able to take advantage of the shift by integrated device manufacturers (*IDMs*) to a fabless business model. We believe the number of IDMs foregoing their own manufacturing capabilities will continue to increase, which would result in higher demand for foundry services. The Foundry Company should, and is designed to, be in a position to capitalize on this trend by meeting customers' demand volumes.

Merrill Lynch & Co. (*Merrill Lynch*) has provided an opinion to our board of directors that as of October 6, 2008 and based upon the assumptions made, matters considered and limits of its review, the Consideration to be received by AMD pursuant to the Master Transaction Agreement was fair from a financial point of view to AMD. **Consideration** for purposes of Merrill Lynch's opinion consists of AMD's receipt of Class A Preferred Shares of The Foundry Company and one Class A Ordinary Share of The Foundry Company, cash paid to AMD for the Shares and Warrants, cash paid to AMD from ATIC for Class B Preferred Shares of The Foundry Company, assumption of approximately \$1.2 billion of debt owed to third parties by AMD or a subsidiary of AMD (the **Third-Party Debt**) by The Foundry Company, and extinguishment of Business accounts receivable owed by AMD to the Business by The Foundry Company.

Morgan Stanley & Co. Incorporated (*Morgan Stanley*) has provided an opinion to the Transaction Oversight Committee of our board of directors (the **Transaction Oversight Committee**) that as of October 6, 2008, and based upon and subject to the various considerations set forth in the opinion, the Consideration to be received by AMD in connection with the Transactions was fair from a financial point of view to AMD. For the purposes of Morgan Stanley's opinion **Consideration** was defined as,

Table of Contents

in the aggregate: (i) the equity securities of The Foundry Company received by AMD and the extinguishment of certain intercompany accounts relating to AMD's semiconductor manufacturing business in exchange for the contribution by AMD of certain assets related to its semiconductor manufacturing business, and certain related liabilities including, without limitation, \$1.2 billion in third-party debt, to The Foundry Company; (ii) \$700 million in cash received by AMD from ATIC in exchange for the transfer of an approximately 18.5% interest in The Foundry Company from AMD to ATIC, resulting in AMD owning approximately 44.5% of The Foundry Company on a fully converted basis and a 50% voting interest in The Foundry Company; and (iii) approximately \$314 million received by AMD from WCH in exchange for the Shares and the Warrants (such amount representing the average closing price of AMD common stock for the 30-day period prior to the announcement of the Transactions, multiplied by 58,000,000 shares). The Transaction Oversight Committee was established by our board of directors to independently review and evaluate the Transactions. The Transaction Oversight Committee was comprised of independent (as defined under NYSE rules and regulations) and disinterested directors.

In its review of the proposed transactions, our board of directors also identified and considered a number of potentially negative factors and risks related to the Transactions, including:

the risk that the Transactions might not be completed in a timely manner or at all, and the possible negative effect of public announcement and pendency of the Transactions on our business, results of operations and financial condition;

the risk that the anticipated benefits and synergies of the joint venture might not be fully realized, might not be realized on a timely basis or might not be realized at all;

the effect of public announcement of the Transactions on our stock price, including as a result of dilution in the percentage ownership of our existing stockholders as a result of the Transactions;

the risk that provisions in the Master Transaction Agreement and related agreements may have the effect of discouraging other persons potentially interested in a business combination with us from pursuing that business combination, even if more favorable to our stockholders than the Transactions, including the restrictions on our ability to solicit offers for alternative business transactions and the requirement that we pay a termination fee of \$50 million to WCH upon termination of the Master Transaction Agreement as a result of change of control proposals for us;

the restrictions imposed by the Master Transaction Agreement on the conduct of our business in the period prior to the Closing;

we will no longer have direct control over the manufacture of our wafers now manufactured by The Foundry Company;

the possibility of management and employee disruption associated with the Transactions and transfer of assets to The Foundry Company; and

the right of WCH and ATIC to terminate the Master Transaction Agreement under certain circumstances, including a material adverse effect on us or on the proposed business of The Foundry Company, if the Closing has not occurred by March 7, 2009, or if the Transactions have not been approved by certain regulatory authorities, including the Committee on Foreign Investment in the United States (*CFIUS*).

Financial Impact on Us of the Master Transaction Agreement, Including Our Issuance of the Shares, the Warrants and the Warrant Shares to WCH

The proceeds we receive from our issuance of the Shares and the Warrants to WCH will be recorded on our consolidated balance sheet as stockholders' equity. Our issuance of the Shares to WCH will have a dilutive effect on our future net income per common share. Our issuance of

the Warrants to WCH will have dilutive effect on

Table of Contents

our future net income per common share when the Warrants become exercisable, and after the Warrants are exercised, the Warrant Shares issuable upon exercise of the Warrants will have a dilutive effect on our future net income per common share.

We will consolidate the accounts of The Foundry Company as required by FASB Interpretation No. 46R, *Consolidation of Variable Interest Entities, An Interpretation of ARB No. 51 (FIN 46R)*. Based on the structure of the Transactions, pursuant to the guidance in FIN 46R, The Foundry Company is a variable-interest entity and we are deemed to be the primary beneficiary and are, therefore, required to consolidate the accounts of The Foundry Company. Upon the Closing, the accounts of The Foundry Company will include (i) the assets and liabilities we contributed to The Foundry Company, recorded at their historical costs, in exchange for securities of The Foundry Company and (ii) the cash invested by ATIC directly into The Foundry Company in exchange for securities of The Foundry Company. Upon consolidation, intercompany transactions and profits will be eliminated and ATIC's noncontrolling interest, represented by its equity interests in The Foundry Company, will not be recorded on our consolidated balance sheet as stockholders' equity due to the right that ATIC has to put those securities back to us in the event of a change of control of AMD.

Our net income per common share will consist of our consolidated net income adjusted for (i) the portion of The Foundry Company's earnings or losses attributable to ATIC, based on ATIC's proportional ownership interest in The Foundry Company's Class A Preferred Shares, and (ii) the non-cash cumulative dividend attributable to us, based on our proportional ownership interest in The Foundry Company's Class A Preferred Shares.

Opinion of Our Financial Advisor

AMD retained Merrill Lynch to act as its financial advisor with respect to the establishment of a joint venture, The Foundry Company, with ATIC and WCH under the terms of the Master Transaction Agreement. Pursuant to the Master Transaction Agreement (i) AMD would transfer certain assets to The Foundry Company, and The Foundry Company would assume certain liabilities, including the Third-Party Debt, in each case related to AMD's front-end semiconductor manufacturing or fabrication facilities, properties and assets (excluding assets, facilities and properties related to back-end manufacturing functions such as assembly, test, mark and packaging) (the *Business*), (ii) ATIC would contribute \$1.4 billion in cash to The Foundry Company and pay \$700 million in cash to AMD, (iii) The Foundry Company would issue to AMD Class A Preferred Shares of The Foundry Company representing approximately 44.4% of The Foundry Company's outstanding ordinary shares on a fully converted basis as well as one Class A Ordinary Share and would issue to ATIC Class A and Class B Preferred Shares of The Foundry Company and Class A and Class B Convertible Notes of The Foundry Company, in the principal amount of approximately \$420 million, which when taken together, on an as converted basis, would represent approximately 55.6% of The Foundry Company's outstanding ordinary shares, as well as one Class A Ordinary Share, (iv) AMD would issue to WCH 58,000,000 shares of AMD's common stock and AMD would receive from WCH approximately \$314 million in cash in exchange for such shares, (v) AMD would issue to WCH Warrants to purchase 30,000,000 shares of AMD's common stock with a \$0.01 per share exercise price and 10-year expiration, (vi) AMD would extinguish any and all intercompany liabilities between it and the Business on or prior to Closing, and (vii) AMD, ATIC, WCH and The Foundry Company would enter into a number of related commercial agreements, including, without limitation, the Funding Agreement that commits ATIC under certain conditions to fund the build-out of The Foundry Company's semiconductor manufacturing facilities in New York and Dresden and the Wafer Supply Agreement that governs the pricing, volume and other commitments (including exclusivity commitments by AMD) between AMD and The Foundry Company for the supply of wafers.

In connection with the Transactions, AMD requested that Merrill Lynch evaluate the fairness, from a financial point of view, of the Consideration (as defined below) to be received by AMD pursuant to the Transactions. *Consideration* for purposes of Merrill Lynch's opinion consists of AMD's receipt of Class A Preferred Shares of The Foundry Company and one Class A Ordinary Share, cash paid to AMD for shares of

Table of Contents

AMD Common Stock and the Warrants, cash paid to AMD from ATIC for Class B Preferred Shares of The Foundry Company, assumption of the Third-Party Debt by The Foundry Company, and extinguishment of Business accounts receivable owed by AMD to the Business by The Foundry Company. At the meeting of the AMD board of directors on October 6, 2008, Merrill Lynch rendered its oral opinion to the board of directors, which opinion was subsequently confirmed in writing, that as of October 6, 2008, based upon the assumptions made, matters considered and limits of such review, as set forth in its opinion, the Consideration to be received by AMD pursuant to the Transactions was fair from a financial point of view.

The full text of Merrill Lynch's opinion is attached as *Annex A* and is incorporated into this document by reference in its entirety. The opinion sets forth material information relating to such opinion, including the assumptions made, matters considered and qualifications and limitations on the scope of review undertaken by Merrill Lynch in rendering its opinion. We encourage you to read the entire opinion carefully. The summary of the opinion of Merrill Lynch set forth below is qualified in its entirety by reference to, and should be reviewed together with, the full text of the opinion.

Merrill Lynch's opinion is addressed to the AMD board of directors and addresses only the fairness, as of the date of the opinion, from a financial point of view, of the Consideration to be received by AMD pursuant to the Master Transaction Agreement. The opinion is for the use and benefit of AMD's board of directors, does not address the merits of the underlying decision by AMD to engage in the Master Transaction Agreement and does not constitute a recommendation to any stockholder as to how such stockholder should vote on the transaction or any matter related to the Master Transaction Agreement. In rendering the opinion, Merrill Lynch expressed no view or opinion with respect to the fairness (financial or otherwise) of the commercial agreements contemplated by the Master Transaction Agreement or of the amount or nature or any other aspect of any compensation payable to or to be received by any officers, directors, or employees of any parties to the Master Transaction Agreement, or any class of such persons, relative to the Consideration to be received by AMD pursuant to the Master Transaction Agreement.

In arriving at its opinion, Merrill Lynch, among other things:

reviewed certain publicly available business and financial information relating to AMD and the Business that Merrill Lynch deemed to be relevant;

reviewed certain information, including financial forecasts, relating to the business, earnings, cash flow, assets, liabilities and prospects of AMD, the Business and The Foundry Company furnished to Merrill Lynch by AMD;

conducted discussions with members of senior management and representatives of AMD and the Business concerning the matters described in bullets 1 and 2 above;

reviewed the market prices and valuation multiples for certain publicly traded companies that Merrill Lynch deemed to be relevant to AMD, the Business and The Foundry Company;

reviewed the results of operations of AMD and the Business and the financial forecasts for AMD, the Business and The Foundry Company and compared them with those of certain publicly traded companies that Merrill Lynch deemed to be relevant;

compared the proposed financial terms of the Master Transaction Agreement with the financial terms of certain other transactions that Merrill Lynch deemed to be relevant;

participated in certain discussions and negotiations among representatives of AMD, the Business, The Foundry Company, ATIC and WCH and their financial and legal advisors;

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reviewed a draft dated October 6, 2008 of the Master Transaction Agreement as well as drafts of all Ancillary Agreements (as such term is defined in the Master Transaction Agreement); and

reviewed such other financial studies and analyses and took into account such other matters as Merrill Lynch deemed necessary, including Merrill Lynch's assessment of general economic, market and monetary conditions.

Table of Contents

In preparing its opinion, Merrill Lynch assumed and relied on the accuracy and completeness of all information supplied or otherwise made available to it, discussed with or reviewed by or for it, or publicly available, and Merrill Lynch did not assume any responsibility for independently verifying such information or undertaking an independent evaluation or appraisal of any of the assets or liabilities of AMD or The Foundry Company, nor was Merrill Lynch furnished with any such evaluation or appraisal. Merrill Lynch did not evaluate the solvency or fair value of AMD or The Foundry Company under any state or federal laws relating to bankruptcy, insolvency or similar matters. In addition, Merrill Lynch did not assume any obligation to conduct any physical inspection of the properties or facilities of AMD or The Foundry Company. With respect to the financial forecast information furnished to or discussed with Merrill Lynch by AMD, Merrill Lynch assumed that such information was reasonably prepared and reflected the best currently available estimates and judgment of AMD's management as to the expected future financial performance of AMD, the Business and The Foundry Company, as the case may be. Merrill Lynch also assumed that the final form of the Master Transaction Agreement and Ancillary Agreements would be substantially similar to the last draft Merrill Lynch reviewed.

Merrill Lynch's opinion was necessarily based upon market, economic and other conditions as they existed and could be evaluated on the date of the opinion, and upon the information made available to Merrill Lynch as of the date of the opinion.

Merrill Lynch's Financial Analyses

At the meeting of AMD's board of directors held on October 6, 2008, Merrill Lynch presented certain financial analyses accompanied by delivery of its written materials in connection with the delivery of its oral opinion at that meeting and its subsequent written opinion. The following is a summary of the material financial analyses performed by Merrill Lynch in arriving at its opinion.

Comparable Public Trading Multiples Analysis

Merrill Lynch compared selected financial and trading data for four publicly traded semiconductor foundry companies that Merrill Lynch deemed to be relevant to its analysis of the Business and The Foundry Company. These companies were:

Chartered Semiconductor Manufacturing Ltd.

United Microelectronics Corporation

Semiconductor Manufacturing Incorporated

Taiwan Semiconductor Manufacturing Corporation, Ltd.

For each of the companies identified above, Merrill Lynch calculated various valuation multiples, including:

The ratio of enterprise value to the estimated revenue, for calendar year 2009;

The ratio of enterprise value to the estimated earnings before interest, taxes, depreciation and amortization (*EBITDA*), for calendar year 2009;

The ratio of enterprise value to the book value of assets; and

The ratio of market value to the book value of equity.

Table of Contents

Based upon its analysis of the full ranges of multiples calculated for the companies identified above and its consideration of various factors and judgments about current market conditions and the characteristics of such companies (including qualitative factors and judgments involving non-mathematical considerations), Merrill Lynch determined relevant ranges of multiples for such companies (which relevant ranges were narrower than the full ranges of such multiples). The relevant ranges of such multiples, as determined by Merrill Lynch, are set forth in the table below.

For purposes of its analysis, Merrill Lynch calculated the enterprise value as the market capitalization plus total debt, minority interests and preferred stock, less cash and cash equivalents. To calculate these trading multiples, Merrill Lynch used revenue and EBITDA projections reported by independent research analyst reports and First Call estimates and closing trading prices of equity securities of each identified company on October 3, 2008. First Call is an online aggregator of independent research analyst estimates managed by Thomson Financial. For book value of asset and book value of equity, Merrill Lynch used the latest public filings for each identified company. For the Business, Merrill Lynch used revenue, book value of assets, and book value of equity projections based, separately, on estimates reported by internal management projections.

	Comparable Company Relevant Multiple Range		Implied Enterprise Value of the Business (\$ in billions)		Implied Multiple based on Consideration
Research Estimates:					
CY2009 Enterprise Value / Revenue	0.80x	1.10x	\$1.2	\$1.6	2.46x
CY2009 Enterprise Value / EBITDA	2.0x	3.0x	\$0.2	\$0.3	38.7x
Enterprise Value / Book Value of Assets	0.35x	0.55x	\$1.3	\$2.0	0.99x
Market Value / Book Value of Equity	0.50x	0.75x	\$1.9	\$2.3	1.61x

Merrill Lynch observed that the implied multiples based on the Consideration to be received by AMD pursuant to the Master Transaction Agreement were above the range of the comparable public trading multiples projected for calendar year 2009 based on management's estimated revenue and EBITDA for the Business. In addition, Merrill Lynch observed that the implied multiples based on the Consideration to be received by AMD pursuant to the Master Transaction Agreement were above the range of the comparable trading multiples for book value of assets and book value of equity of the Business. Merrill Lynch also observed that the Consideration to be received by AMD pursuant to the Master Transaction Agreement was above the range of the implied enterprise value of the Business derived from the application of the relevant comparable public trading multiples projected for calendar year 2009 based on management's estimated revenue and EBITDA for the Business. In addition, Merrill Lynch observed that the Consideration to be received by AMD pursuant to the Master Transaction Agreement was above the range of the implied enterprise value of the Business derived from the application of the relevant transaction multiples to estimated book value of equity and book value of assets for the Business based on management estimates.

It should be noted that no company used in the above analysis is identical to the Business or The Foundry Company. In evaluating companies identified by Merrill Lynch as comparable to the Business or The Foundry Company, Merrill Lynch made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of AMD or The Foundry Company, such as the impact of competition on the business of AMD or The Foundry Company and the industry generally, industry growth and the absence of any material change in the financial condition and prospects of AMD or The Foundry Company or the industry or in the financial markets in general. A complete analysis involves complex considerations and judgments concerning differences in financial and operating characteristics of the comparable companies and other factors that could affect the public trading values of such comparable companies.

Table of Contents

Comparable Transaction Analysis

Using publicly available research analyst estimates and other publicly available information, Merrill Lynch examined the following transactions in the semiconductor manufacturing industry which Merrill Lynch deemed to be relevant. The precedent transactions that Merrill Lynch considered to be relevant were:

Acquiror	Target
Tower Semiconductor Ltd.	Jazz Technologies, Inc.
Chartered Semiconductor Manufacturing Ltd.	Hitachi Semiconductor Singapore Fab
Vanguard International Semiconductor Corporation	Winbond Electronics
Acquiror Technology	Jazz Semiconductor
ON Semiconductor Corporation	LSI Gresham Fab
Micron Technology	Toshiba DRAM

For each of the transactions identified above, Merrill Lynch calculated various valuation multiples, including the ratio of market value to the book value of equity for the identified target company based on the period in which the relevant transaction was announced.

Based upon its analysis of the full ranges of multiples calculated for the transactions identified above and its consideration of various factors and judgments about current market conditions and the characteristics of such transactions and the companies involved in such transactions (including qualitative factors and judgments involving non-mathematical considerations), Merrill Lynch determined relevant ranges of multiples for such transactions (which relevant ranges were narrower than the full ranges of such multiples). The relevant range of such multiples, as determined by Merrill Lynch, was 1.00x to 1.10x, as set forth in the table below.

All calculations of multiples paid in the transactions identified above were based on public information available at the time of public announcement of such transactions. Merrill Lynch's analysis did not take into account different market and other conditions during the period in which the selected transactions occurred.

The following table summarizes the derived relevant range of multiples for the transactions identified above and the ranges of enterprise value of the Business, implied by such multiples:

	Multiple Range		Implied Enterprise Value of the Business (\$ in billions)		Implied Multiple based on Consideration
Market Value / Book Value of Equity	1.00x	1.10x	\$2.7	\$2.9	1.61x

Merrill Lynch observed that the implied multiples based on the Consideration received by AMD pursuant to the Master Transaction Agreement were above the range of the comparable transaction multiples for book value of equity. Merrill Lynch also observed that the Consideration to be received by AMD was above the range of the implied enterprise value of the Business derived from the application of the relevant transaction multiples to estimated book value of equity for the Business based on management estimates.

It should be noted that no transaction utilized in the analysis above is identical to the Master Transaction Agreement. A complete analysis involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies involved in these transactions and other factors that could affect the transaction multiples in such transactions to which the Master Transaction Agreement is being compared.

Discounted Cash Flow Analysis

Merrill Lynch performed a discounted cash flow analysis of The Foundry Company for the period January 1, 2009 through December 31, 2020 based on management projections. Merrill Lynch calculated ranges of enterprise value based upon the sum of the discounted net present value of The Foundry Company's eleven

Table of Contents

year stream of projected unlevered free cash flows plus the discounted net present value of the terminal value based on a range of multiples applied to The Foundry Company's projected 2020 EBITDA. In its discounted cash flow analysis, Merrill Lynch performed sensitivities based upon the attainment of varying amounts of third-party customer revenue and applied what it considered to be appropriate discount rates ranging from 20.0% to 30.0% and terminal value multiples of estimated calendar year 2020 EBITDA ranging from 3.0x to 6.0x, both of which ranges were based on attainment of third-party customer revenue.

Using the discount rates and terminal value multiples of estimated calendar year 2020 EBITDA referred to above, Merrill Lynch calculated the following range of discounted cash flow values for The Foundry Company (\$ in billions):

	Low	High
Implied discounted cash flow values for The Foundry Company	\$ (0.2)	\$ 3.0

Merrill Lynch observed that the Consideration to be received by AMD pursuant to the Master Transaction Agreement was above the range of discounted cash flow values based on management's guidance.

General

The summary set forth above does not purport to be a complete description of the analyses performed by Merrill Lynch in arriving at its opinion. The fact that any specific analysis has been referred to in the summary above or in this proxy statement is not meant to indicate that such analysis was given more weight than any other analysis. The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances; therefore, such an opinion is not readily susceptible to partial analysis or summary description. No company, business or transaction used in such analyses as a comparison is identical to the Business, The Foundry Company or the Master Transaction Agreement, nor is an evaluation of such analyses entirely mathematical. In arriving at its opinion, Merrill Lynch did not attribute any particular weight to any analysis or factor considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, Merrill Lynch believes that its analyses must be considered as a whole and that selecting portions of its analyses and of the factors considered by it, without considering all factors and analyses, would, in the view of Merrill Lynch, create an incomplete and misleading view of the analyses underlying Merrill Lynch's opinion.

Some of the summaries of financial analyses above include information presented in tabular format. In order to fully understand Merrill Lynch's analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the analyses. Considering the data described above without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Merrill Lynch's analyses.

The analyses performed by Merrill Lynch include analyses based upon forecasts of future results, which results may be significantly more or less favorable than those upon which Merrill Lynch's analyses were based. Because the analyses are inherently subject to uncertainty, being based upon numerous factors and events, including, without limitation, factors relating to general economic and competitive conditions beyond the control of the parties or their respective advisors, neither Merrill Lynch nor any other person assumes responsibility if future results or actual values are materially different from those contemplated above.

AMD retained Merrill Lynch based upon Merrill Lynch's experience and expertise. Merrill Lynch is an internationally recognized investment banking firm with substantial experience in transactions similar to the proposed transactions. Merrill Lynch, as part of its investment banking business, is continually engaged in the valuation of businesses and securities in connection with business combinations and acquisitions and for other purposes.

Table of Contents

Under the terms of the engagement letter between Merrill Lynch and AMD, Merrill Lynch agreed to provide financial advisory services to AMD, including an opinion as to the fairness from a financial point of view of the Consideration to be received pursuant to the Master Transaction Agreement, and AMD agreed to pay Merrill Lynch a customary fee, a significant portion of which is contingent upon consummation of the Master Transaction Agreement. In addition, AMD has agreed to indemnify Merrill Lynch and its affiliates (and their respective directors, officers, agents, employees and controlling persons) against certain liabilities and expenses, including certain liabilities under the federal securities laws, related to or arising out of Merrill Lynch's engagement.

Merrill Lynch and its affiliates have, in the past, provided financial advisory and financing services to AMD and/or its affiliates and may continue to do so in the future and have received, and may receive, fees for the rendering of such services. In addition, in the ordinary course of its business, Merrill Lynch or its affiliates may actively trade AMD shares and its other securities for its own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities.

Opinion of the Financial Advisor of the Transaction Oversight Committee of Our Board of Directors

The Transaction Oversight Committee of AMD retained Morgan Stanley to provide it with financial advisory services and a financial opinion in connection with a possible joint venture related to its semiconductor foundry business. The Transaction Oversight Committee selected Morgan Stanley to act as its financial advisor based on Morgan Stanley's qualifications, expertise and reputation and its familiarity with AMD. At the meeting of the Transaction Oversight Committee on October 6, 2008, Morgan Stanley rendered its oral opinion, subsequently confirmed in writing, that as of October 6, 2008, and based upon and subject to the various considerations set forth in the opinion, the **Consideration** to be received by AMD in connection with the Transactions was fair from a financial point of view to AMD. For the purposes of Morgan Stanley's opinion and for this section of the proxy statement **Consideration** was and is, respectively, defined as, in the aggregate: (i) the equity securities of The Foundry Company received by AMD and the extinguishment of certain intercompany accounts relating to AMD's semiconductor manufacturing business in exchange for the contribution by AMD of certain assets related to its semiconductor manufacturing business, and certain related liabilities including, without limitation, \$1.2 billion in third-party debt, to The Foundry Company; (ii) \$700 million in cash received by AMD from ATIC in exchange for the transfer of an approximately 18.5% interest in The Foundry Company from AMD to ATIC, resulting in AMD owning approximately 44.5% of the Foundry Company on a fully converted basis and a 50% voting interest in The Foundry Company; and (iii) approximately \$314 million received by AMD from WCH in exchange for the Shares and the Warrants (such amount representing the average closing price of AMD common stock for the 30-day period prior to the announcement of the Transactions, multiplied by 58,000,000 shares).

The full text of Morgan Stanley's opinion is attached as *Annex B* and is incorporated into this proxy statement by reference in its entirety. The opinion sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by Morgan Stanley in rendering its opinion. We encourage you to read the entire opinion carefully. Morgan Stanley's opinion is directed to the Transaction Oversight Committee and addresses only the fairness from a financial point of view of the Consideration to be received by AMD pursuant to the Transactions as of the date of the opinion. It does not address any other aspects of the Transactions and does not constitute a recommendation to any holder of AMD common stock as to how to vote at any stockholders' meeting to be held in connection with the Transactions. The summary of the opinion of Morgan Stanley set forth below is qualified in its entirety by reference to, and should be reviewed together with, the full text of the opinion.

In connection with rendering its opinion, Morgan Stanley, among other things:

reviewed certain publicly available financial statements and other business and financial information of AMD;

reviewed certain internal financial statements and other financial and operating data concerning AMD;

Table of Contents

reviewed certain financial projections of AMD and The Foundry Company prepared by the management of AMD;

reviewed certain financial projections of The Foundry Company jointly prepared by the managements of AMD and WCH, respectively;

discussed the past and current operations and financial condition and the prospects of AMD and The Foundry Company, including information relating to certain strategic, financial and operational benefits anticipated from the Transactions, with senior executives of AMD and WCH, respectively;

reviewed the pro forma impact of the Transactions on AMD's earnings per share, cash flow, consolidated capitalization and financial ratios;

compared the operations and financial forecasts for The Foundry Company with that of certain publicly-traded companies comparable with The Foundry Company;

reviewed the financial terms, to the extent publicly available, of certain transactions comparable to the Transactions;

compared the financial performance of AMD and the prices and trading activity of the AMD Common Stock with that of certain other publicly-traded companies comparable with AMD, and their securities;

participated in certain discussions and negotiations among representatives of AMD and WCH and their financial and legal advisors;

reviewed the Master Transaction Agreement and certain related documents; and

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

In arriving at its opinion, Morgan Stanley assumed and relied upon, without independent verification, the accuracy and completeness of the information that was publicly available or supplied or otherwise made available to Morgan Stanley by AMD and WCH, and formed a substantial basis for its opinion. With respect to the financial projections, including information relating to certain strategic, financial and operational benefits anticipated from the Transactions, Morgan Stanley assumed that they had been reasonably prepared on bases reflecting the best currently available estimates and judgments of the respective managements of AMD and WCH of the future financial performance of AMD and The Foundry Company, as applicable. In addition, Morgan Stanley assumed that the Transactions will be consummated in accordance with the terms set forth in the Master Transaction Agreement without any waiver, amendment or delay of any terms or conditions, including, among other things, that ATIC will obtain financing in accordance with the terms set forth in the Master Transaction Agreement and related agreements. Morgan Stanley assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents required for the proposed Transactions, no delays, limitations, conditions or restrictions will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived in the proposed Transactions. Morgan Stanley relied upon, without independent verification, the assessment by AMD of:

the future, potential financial performance of each of AMD and The Foundry Company;

the likely terms and conditions of The Foundry Company's future customer contracts;

the timing of, and risks associated with, the creation of The Foundry Company; and

the validity of, and risks associated with, AMD's and The Foundry Company's existing and future technologies, intellectual property, products, services and business models.

In connection with the analysis of the Consideration, Morgan Stanley took into consideration the provision of certain future financing to The Foundry Company by ATIC and AMD and other factors deemed appropriate. Morgan Stanley is not a legal, tax or regulatory advisor. Morgan Stanley is a financial advisor only and relied upon, without independent verification, the assessment of AMD and WCH and their legal, tax or regulatory advisors with respect to legal, tax or regulatory matters. Morgan Stanley's opinion only addressed the fairness,

Table of Contents

from a financial point of view, of the Consideration to be received by AMD in connection with the Transactions. Morgan Stanley's opinion did not address the fairness of any non-financial aspects of the Transactions. Morgan Stanley expressed no opinion with respect to the fairness of the amount or nature of the compensation to any of AMD's, WCH's or ATIC's officers, directors or employees, or any class of such persons, relative to the Consideration to be received by AMD in the Transactions. Morgan Stanley did not make any independent valuation or appraisal of the assets or liabilities of AMD or The Foundry Company, nor was Morgan Stanley furnished with any such appraisals. Morgan Stanley's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Morgan Stanley as of October 6, 2008. Events occurring after October 6, 2008 may affect this opinion and the assumptions used in preparing it, and Morgan Stanley did not assume any obligation to update, revise or reaffirm its opinion.

The following is a brief summary of the material analyses performed by Morgan Stanley in connection with its oral opinion and the preparation of its written opinion letter dated October 6, 2008. The various analyses summarized below were based on closing market prices as of October 3, 2008, the last full trading day prior to the meeting of the Transaction Oversight Committee to consider and approve the Transactions and each of the transaction documents and recommend, among other things, that the full board of directors of AMD approve the Transactions and the execution and delivery of the transaction documents to which AMD is a party. Some of these summaries of financial analyses include information presented in tabular format. In order to fully understand the financial analyses used by Morgan Stanley, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Rather, the analyses listed in the tables and described below must be considered as a whole; considering any portion of such analyses and of the factors considered, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying Morgan Stanley's fairness opinion.

Comparable Company Analysis

Morgan Stanley performed a comparable company analysis, which attempts to provide a range of implied aggregate values for The Foundry Company by comparing it to similar companies. Morgan Stanley compared certain financial information of The Foundry Company with publicly available I/B/E/S consensus estimates for companies that shared similar business characteristics and/or offer semiconductor foundry services of the nature to be offered by The Foundry Company. These companies included the following:

Taiwan Semiconductor Manufacturing Company Ltd.

Chartered Semiconductor Manufacturing Ltd.

Semiconductor Manufacturing International Corporation

United Microelectronics Corporation

For purposes of this analysis, Morgan Stanley analyzed the following statistics of each of these companies for comparison purposes: (i) the ratio of aggregate value (defined as market capitalization plus total debt less cash and cash equivalents) to estimated revenue for calendar years 2009 and 2010, (ii) the ratio of aggregate value to EBITDA for calendar years 2009 and 2010, (iii) the ratio of price to book value, defined as shareholders' equity, and (iv) the ratio of price to net tangible assets, defined as shareholders' equity less goodwill and less other intangible assets.

Table of Contents

Based on the analysis of the relevant metrics for each of the comparable companies, Morgan Stanley selected representative ranges of financial multiples of the comparable companies and applied these ranges of multiples to the relevant The Foundry Company financial statistic. For purposes of estimated calendar years 2009 and 2010 The Foundry Company estimates, Morgan Stanley utilized AMD management projections. Based on The Foundry Company's expected capitalization as a result of the Transactions, Morgan Stanley calculated the estimated implied aggregate value of The Foundry Company as of October 3, 2008 as follows:

Calendar Year End Financial Statistic	Comparable Company Representative Multiple Range		Implied Aggregate Value of The Foundry Company (\$ Billions)	
	Aggregate Value to Estimated 2009 Revenue	0.6x	1.5x	\$
Aggregate Value to Estimated 2010 Revenue	0.5x	1.2x	\$	1.1 \$2.7
Aggregate Value to Estimated 2009 EBITDA	1.4x	3.5x	\$	0.1 \$0.3
Aggregate Value to Estimated 2010 EBITDA	1.5x	3.0x	\$	0.9 \$1.8
Price / Book Value	0.2x	1.0x	\$	1.4 \$2.7
Price / Net Tangible Assets	0.2x	1.0x	\$	1.6 \$3.2

The management of AMD informed Morgan Stanley, and Morgan Stanley noted for purposes of its analysis, that pursuant to the contemplated Transactions, the value of net tangible assets to be contributed by AMD to The Foundry Company was \$2.1 billion. Furthermore, the management of AMD informed Morgan Stanley, and Morgan Stanley noted for purposes of its analysis, that pursuant to the contemplated Transactions: (i) the net value of AMD's initial stake in The Foundry Company (calculated as 63% of the ordinary shares of the company on a fully converted basis), plus (ii) the cash to be received by AMD for the sale of approximately 18.5% of its initial stake in The Foundry Company (calculated on a fully converted basis) to ATIC, plus (iii) \$1.2 billion in third-party debt of AMD transferred to The Foundry Company, plus (iv) the value of certain intercompany accounts which will be retired, minus (v) the value of the warrants granted to WCH, would be \$3.7 billion in the aggregate (the *Foundry Company Consideration*).

No company utilized in the comparable company analysis is identical to The Foundry Company. In evaluating comparable companies, Morgan Stanley made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of The Foundry Company and AMD, such as the impact of competition on the businesses of AMD and The Foundry Company and the industry generally, industry growth and the absence of any adverse material change in the financial condition and prospects of AMD, The Foundry Company or the industry or in the financial markets in general. Mathematical analysis (such as determining the average or median) is not in itself a meaningful method of using peer group data.

Discounted Cash Flow Analysis

As part of its analysis, and in order to estimate a range of aggregate present values for The Foundry Company, Morgan Stanley performed a discounted cash flow analysis. A discounted cash flow analysis is designed to provide insight into the value of a company as a function of its future cash flows and terminal value. Morgan Stanley relied on cash flow projections for calendar years 2009 through 2013 for The Foundry Company provided by the management of AMD. Morgan Stanley estimated a range of terminal values calculated in 2013 based on EBITDA exit multiples of 3.5x to 4.5x applied to 2014 EBITDA. Terminal value refers to the estimate of the value of all future cash flows from an asset at a particular point in time. Morgan Stanley discounted the unlevered free cash flow streams and the estimated range of terminal values to a present value, as of December 31, 2008, based on (i) a discount rate of 14.25% for the portion of The Foundry Company's unlevered free cash flow associated with manufacturing AMD microprocessors, (ii) a discount rate of 22.5% for the unlevered free cash flow associated with The Foundry Company's business focused on third-party semiconductor customers other than AMD, and (iii) a discount rate of 20% for the terminal value. Based on these projections and assumptions, the discounted cash flow analysis of The Foundry Company yielded an implied aggregate valuation range of approximately \$1.6 billion to \$3.2 billion. Morgan Stanley noted that the value of

Table of Contents

net tangible assets contributed by AMD was \$2.1 billion and the value of the Foundry Company Consideration to be received by AMD pursuant to the Master Transaction Agreement was \$3.7 billion.

Analysis of Precedent Transactions

Morgan Stanley performed a precedent transactions analysis, which is designed to imply a range of aggregate values of a company based on publicly available financial terms of selected transactions that share certain characteristics with the planned Transactions, involving companies with some similarities to The Foundry Company. In connection with its analysis, Morgan Stanley compared publicly available statistics for two categories of transactions. The first category consisted of 5 selected semiconductor fabrication plant acquisition transactions occurring between January 1, 2004 and October 3, 2008, in which the target assets were involved in the manufacturing of semiconductor wafers. The following is a list of these transactions:

Selected Semiconductor Fabrication Plant Acquisitions	
Target	Acquiror
Fabrication Facilities of Winbond Electronics Corp.	Vanguard International Semiconductor Corporation
Gresham, Oregon Fabrication Facilities of LSI Logic Corporation	ON Semiconductor Corporation
Hitachi Semiconductor Singapore Pte Ltd	Chartered Semiconductor Manufacturing Ltd.
Jazz Technologies, Inc.	Acquicor Technology Inc.
Jazz Technologies, Inc.	Tower Semiconductor Ltd.

Morgan Stanley also compared publicly available statistics for 7 selected precedent transactions involving asset intensive semiconductor and technology manufacturing transactions between January 1, 2001 and October 3, 2008, for which the transaction values were greater than \$1 billion. The following is a list of these transactions:

Selected Asset Intensive Semiconductor and Technology Manufacturing Transactions	
Target	Acquiror
Agere Systems, Inc.	LSI Logic Corporation
ChipPAC, Inc.	ST Assembly Test Services Ltd.
Freescale Semiconductor, Inc.	Investor Group
International Rectifier Corporation	Vishay Intertechnology, Inc.
SCI Systems, Inc.	Sanmina Corporation
Siliconix, Inc.	Vishay Intertechnology, Inc.
Soletron Corporation	Flextronics International Ltd.

For each transaction listed above, Morgan Stanley noted the following financial statistics where available: (i) the ratio of aggregate value of the transaction to next twelve months estimated revenue; (ii) the ratio of aggregate value of the transaction to next twelve months estimated EBITDA; (iii) the ratio of aggregate value to total assets; and (iv) the ratio of price to book value.

Table of Contents

Based on the analysis of the relevant metrics for each transaction listed above, Morgan Stanley selected representative ranges of implied financial multiples of the transactions and applied these ranges of financial multiples to the relevant financial statistic for The Foundry Company. For purposes of estimated next twelve month The Foundry Company estimates, Morgan Stanley utilized calendar year 2009 projections provided by AMD management. The following table summarizes Morgan Stanley's analysis:

Precedent Transactions Financial Statistic	Representative Range		Implied Aggregate Value of The Foundry Company (\$ Billions)	
Aggregate Value to Estimated Next Twelve Months Revenue	0.9x	1.5x	\$	1.3 \$2.2
Aggregate Value to Estimated Next Twelve Months EBITDA	5.0x	8.0x	\$	0.5 \$0.8
Aggregate Value to Total Assets	0.7x	1.2x	\$	2.6 \$4.4
Price to Book Value	0.9x	1.5x	\$	2.6 \$3.5

Morgan Stanley noted that the value of net tangible assets contributed by AMD was \$2.1 billion and the value of the Foundry Company Consideration to be received by AMD pursuant to the Master Transaction Agreement was \$3.7 billion.

No company or transaction utilized in the precedent transactions analysis is identical to The Foundry Company or the Transactions. In evaluating the precedent transactions, Morgan Stanley made judgments and assumptions with regard to general business, market and financial conditions and other matters, which are beyond the control of AMD and The Foundry Company, such as the impact of competition on the business of AMD, The Foundry Company or the industry generally, industry growth and the absence of any adverse material change in the financial condition of AMD, The Foundry Company or the industry or in the financial markets in general, which could affect the public trading value of the companies and the aggregate value of the transactions to which they are being compared.

Miscellaneous

In connection with the review of the Transactions by AMD's Transaction Oversight Committee, Morgan Stanley performed a variety of financial and comparative analyses for purposes of rendering its opinion. The preparation of a financial opinion is a complex process and is not necessarily susceptible to a partial analysis or summary description. In arriving at its opinion, Morgan Stanley considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor it considered. Morgan Stanley believes that selecting any portion of its analyses, without considering all analyses as a whole, would create an incomplete view of the process underlying its analyses and opinion. In addition, Morgan Stanley may have given various analyses and factors more or less weight than other analyses and factors, and may have deemed various assumptions more or less probable than other assumptions. As a result, the ranges of valuations resulting from any particular analysis described above should not be taken to be Morgan Stanley's view of the actual value of The Foundry Company. In performing its analyses, Morgan Stanley made numerous assumptions with respect to industry performance, general business and economic conditions and other matters. Many of these assumptions are beyond the control of AMD or The Foundry Company. Any estimates contained in Morgan Stanley's analyses are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by such estimates.

Morgan Stanley conducted the analyses described above solely as part of its analysis of the fairness of the Consideration to be received by AMD pursuant to the Transactions from a financial point of view to AMD and in connection with the delivery of its opinion dated October 6, 2008 to the Transaction Oversight Committee. These analyses do not purport to be appraisals or to reflect the prices at which shares of common stock of AMD might actually trade.

Table of Contents

The Consideration was determined through arm's length negotiations between AMD, WCH and ATIC and was approved by the Transaction Oversight Committee. Morgan Stanley provided advice to the Transaction Oversight Committee during these negotiations. Morgan Stanley did not, however, recommend any specific consideration to AMD or the Transaction Oversight Committee or that any specific consideration constituted the only appropriate consideration for the Transactions.

Morgan Stanley's opinion and its presentation to the Transaction Oversight Committee was one of many factors taken into consideration by the Transaction Oversight Committee in deciding to approve the Transactions and each of the transaction documents and recommend, among other things, that the full board of directors of AMD approve the Transactions and the execution and delivery of the transaction documents to which AMD is a party. Consequently, the analyses as described above should not be viewed as determinative of the opinion of the Transaction Oversight Committee with respect to the Consideration or of whether AMD's board of directors would have been willing to agree to different consideration.

AMD's Transaction Oversight Committee retained Morgan Stanley based upon Morgan Stanley's qualifications, experience and expertise. Morgan Stanley is an internationally recognized investment banking and advisory firm. Morgan Stanley, as part of its investment banking and financial advisory business, is continuously engaged in the valuation of businesses and securities in connection with mergers and acquisitions, joint ventures, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate, estate and other purposes. In the ordinary course of Morgan Stanley's trading, brokerage, investment management and financing activities, Morgan Stanley or its affiliates may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or for the accounts of customers in the debt or equity securities or senior loans of AMD or any other parties, commodities or currencies involved in the Transactions. In the past, Morgan Stanley or its affiliates have provided financial advisory and financing services for AMD and funds affiliated with WCH and ATIC and have received fees in connection with such services. Morgan Stanley may also seek to provide such services to AMD, The Foundry Company, WCH and ATIC in the future and may receive fees for the rendering of these services.

Under the terms of its engagement letter, Morgan Stanley provided the Transaction Oversight Committee advisory services and a financial opinion in connection with the Transactions, and AMD has agreed to pay Morgan Stanley a fee for its services which was contingent upon the earliest to occur of the rendering of this financial opinion, the termination of discussions relating to the Transactions, the termination of the Transactions, the closing of the Transactions, or March 31, 2009. The Transaction Oversight Committee has also agreed to reimburse Morgan Stanley for its expenses, including attorneys' fees, incurred in connection with its services. In addition, AMD has agreed to indemnify Morgan Stanley and any of its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Morgan Stanley or any of its affiliates against certain liabilities and expenses, including certain liabilities under the federal securities laws, relating to or arising out of Morgan Stanley's engagement.

Interests of Certain Persons in the Transactions

Hector de J. Ruiz Foundry Company Employment Agreement. Hector de J. Ruiz is currently Chairman of our board of directors. In connection with the Transactions, on October 6, 2008, AMD signed, on behalf of The Foundry Company, an employment agreement between AMD and Dr. Ruiz (the ***Ruiz Foundry Company Employment Agreement***), pursuant to which Dr. Ruiz will serve as a non-voting, non-director Chairman of the board of directors of The Foundry Company (the ***The Foundry Company Board***), to be effective upon the Closing. The term of the Ruiz Foundry Company Employment Agreement is two years, commencing on the Closing (the ***Ruiz Employment Term***). In the event that the Closing does not occur pursuant to the terms of the Master Transaction Agreement, the Ruiz Foundry Company Employment Agreement will be automatically null and void.

Under the Ruiz Foundry Company Employment Agreement Dr. Ruiz's base salary at The Foundry Company will be \$1,150,000 per year and during the Ruiz Employment Term, Dr. Ruiz will be eligible for a

Table of Contents

target annual bonus opportunity of 200% of his base salary, with a maximum annual bonus opportunity at 400% of his base salary, subject to achievement of applicable performance goals established by The Foundry Company Board in consultation with Dr. Ruiz. In the event that Dr. Ruiz's employment is terminated by The Foundry Company without Cause (as such term is defined in the Ruiz Foundry Company Employment Agreement) or Dr. Ruiz resigns for Good Reason (as such term is defined in the Ruiz Foundry Company Employment Agreement), The Foundry Company will pay to Dr. Ruiz, subject to compliance with a non-competition and non-solicitation provisions and execution of a release of claims, an amount equal to his base salary and the target annual bonuses remaining payable to Dr. Ruiz for the remainder of the Ruiz Employment Term, payable in a lump sum. If Dr. Ruiz's employment is terminated due to disability or death, Dr. Ruiz or his beneficiaries, as applicable, are eligible to receive the same amounts as if Dr. Ruiz had been terminated without Cause; provided that no release of claims is required in the event that Dr. Ruiz's employment is terminated due to death.

The foregoing description of the Ruiz Foundry Company Employment Agreement is qualified in its entirety by reference to the full text of the Ruiz Foundry Company Employment Agreement, which was filed as Exhibit 10.2 to AMD's Form 8-K, filed with the Securities and Exchange Commission (the "SEC") on October 10, 2008 and incorporated by reference herein.

Hector de J. Ruiz Bonus Payment. In connection with the Transactions, our board of directors approved a transaction bonus payable by AMD to Dr. Ruiz in cash equal to \$3,000,000 (subject to applicable withholdings), to be paid on the Closing, subject to (i) Dr. Ruiz's continued employment with AMD through the Closing, (ii) Dr. Ruiz's separation from service with AMD at the Closing and (iii) Dr. Ruiz becoming the non-voting, non-director Chairman of The Foundry Company Board on the Closing.

Douglas Grose Foundry Company Employment Agreement. Douglas Grose is currently our Senior Vice President, Manufacturing & Supply Chain Management, but is not one of our executive officers. In connection with the Transactions, on October 6, 2008, AMD signed, on behalf of The Foundry Company, an employment agreement between AMD and Mr. Grose (the "*Grose Employment Agreement*"), pursuant to which Mr. Grose will serve as the Chief Executive Officer of The Foundry Company, to be effective upon the Closing. The term of the Grose Employment Agreement is for three years, commencing on the Closing (the "*Grose Employment Term*"); provided that on the second anniversary of the Closing and each subsequent anniversary, the Grose Employment Term will be automatically renewed for a one-year period unless Mr. Grose is provided with a 90-day prior written notice of non-renewal. In the event that the Closing does not occur pursuant to the terms of the Master Transaction Agreement, the Grose Employment Agreement will be automatically null and void.

Registration Rights Agreement

Pursuant to the terms of a customary registration rights agreement, we will agree to register the resale of the Shares and the Warrant Shares by WCH and its permitted transferees. See "Description of the Warrants-Registration Rights" included elsewhere in this proxy statement.

Required Vote

If a quorum for the Special Meeting is present, the affirmative vote of a majority of the votes cast by holders of our common stock present in person or represented by proxy at the Special Meeting will be required to approve the issuance of the Shares, the Warrants and the Warrant Shares, provided that the total votes cast on the proposal represent over 50% of the outstanding stock entitled to vote on the proposal.

Recommendation of the Board of Directors

Our board of directors has unanimously approved the issuance of the Shares and Warrants pursuant to the Master Transaction Agreement and the Warrant Shares upon exercise of the Warrants and determined that the Transactions are advisable and in the best interests of the stockholders and recommends that you vote FOR Proposal 1.

Table of Contents**THE MASTER TRANSACTION AGREEMENT**

Pursuant to the Master Transaction Agreement, AMD will contribute to The Foundry Company certain assets necessary for The Foundry Company to conduct its business of manufacturing semiconductor products, in exchange for certain securities of The Foundry Company and the assumption of specified AMD liabilities by The Foundry Company.

Cash Contribution

Upon the Closing, ATIC will contribute approximately \$1.4 billion in cash to The Foundry Company in exchange for securities of The Foundry Company, comprising one Class A Ordinary Share, 336,071 Class A Preferred Shares, 644,284 Class B Preferred Shares, \$83,929,000 aggregate principal amount of Class A Convertible Notes and \$335,716,000 aggregate principal amount of Class B Convertible Notes, and will pay \$700 million in cash to AMD in exchange for the transfer by AMD of 700,000 Class B Preferred Shares to ATIC. See Description of The Foundry Company Share Capital and Description of The Foundry Company Convertible Subordinated Notes appearing elsewhere in this proxy statement. Upon Closing, AMD will contribute The FoundryCo Assets (as defined below) in exchange for securities of The Foundry Company, comprising one Class A Ordinary Share, 1,680,355 Class A Preferred Shares and 700,000 Class B Preferred Shares, and the assumption of certain liabilities by The Foundry Company. In addition, AMD will sell to WCH for approximately \$314 million, 58,000,000 shares of AMD common stock and warrants to purchase 30,000,000 shares of AMD common stock at an exercise price of \$0.01 per share (as adjusted pursuant to the terms of the Warrants).

Contribution of AMD Assets to The Foundry Company

AMD will contribute certain assets to The Foundry Company, including ownership interests of the groups of German subsidiaries owning Fab 30/38 and Fab 36 (the *Dresden Subsidiaries*), ownership interests of certain other subsidiaries (collectively, the *Transferred Foundry Company Subsidiaries*) and partnership interests in certain joint ventures (collectively, the *Transferred Foundry Company JV Entities*). AMD will also contribute the following assets necessary for The Foundry Company to carry on its business (collectively, the *FoundryCo Assets*):

- (1) all assets to be transferred to The Foundry Company that are not owned or controlled by the Transferred The Foundry Company Subsidiaries, as set forth on Exhibit C to the Master Transaction Agreement and all assets owned or controlled by the Transferred Foundry Company Subsidiaries that are not Excluded Assets (as such term is defined in the Master Transaction Agreement);
- (2) the Owned Real Property and all rights of AMD and its subsidiaries with respect to the Leased Real Property (as each such term is defined in the Master Transaction Agreement);
- (3) all furniture, fixtures, equipment, machinery and other tangible personal property used or held for use by AMD and its subsidiaries necessary for The Foundry Company to carry on its business as currently conducted by AMD (other than those to be used in connection with AMD's provision of services under the Transition Services Agreement (as such term is defined in the Master Transaction Agreement)), in each case as described in Exhibit C to the Master Transaction Agreement, and not otherwise included in clause (1) above;
- (4) all vehicles owned by AMD and its subsidiaries at Closing (as such term is defined in the Master Transaction Agreement) and necessary for The Foundry Company to carry on its business as currently conducted by AMD, in each case as described in the Master Transaction Agreement, the Ancillary Agreements (as such term is defined in the Master Transaction Agreement) and The Foundry Company Business Plan (as such term is defined in the Master Transaction Agreement);
- (5) the Transferred Inventories (as such term is defined in the Master Transaction Agreement);

Table of Contents

- (6) copies of all books of account, general, financial, Tax (as such term is defined in the Master Transaction Agreement) and personnel records, invoices, shipping records, supplier lists, correspondence and other documents, records and files and any rights thereto owned, associated with or employed by AMD and its subsidiaries at the Closing and related to the proposed operations of The Foundry Company or necessary for The Foundry Company to carry on its business as currently conducted, in each case as described in the Master Transaction Agreement, the Ancillary Agreements and The Foundry Company Business Plan;
- (7) all of AMD's and its subsidiaries' right, title and interest in, to and under the Transferred IP Agreements (as such term is defined in the Master Transaction Agreement), copies and tangible embodiments thereof in whatever form or medium, and all rights to sue and recover damages for past, present and future infringement, dilution, misappropriation, violation, unlawful imitation or breach thereof;
- (8) the Owned Intellectual Property (as such term is defined in the Master Transaction Agreement);
- (9) all claims, causes of action, choses in action, rights of recovery and rights of setoff of any kind (including rights to insurance proceeds and rights under and pursuant to all warranties, representations and guarantees made by suppliers of products, materials or equipment, or components thereof) pertaining to, arising out of and inuring to the benefit of AMD and its subsidiaries, related to the proposed operations of The Foundry Company, or necessary for The Foundry Company to carry on its business as currently conducted, in each case as described in the Master Transaction Agreement, the Ancillary Agreements and The Foundry Company Business Plan, other than Excluded Assets (as such term is defined in the Master Transaction Agreement);
- (10) all rights of AMD and its subsidiaries under the Material FoundryCo Contracts (as such term is defined in the Master Transaction Agreement) exclusively or primarily related to The Foundry Company's business; and
- (11) all Authorizations (as such term is defined in the Master Transaction Agreement) held or used by AMD or its subsidiaries necessary for The Foundry Company to carry on its business as currently conducted by AMD, in each case as described in the Master Transaction Agreement, the Ancillary Agreements and The Foundry Company Business Plan, to the extent transferable.

Purchase Price

The purchase price paid by ATIC is based upon an assumed value of the assets that AMD is contributing to The Foundry Company equal to the product of (x) 1.13 multiplied by (y) the Initial Valuation Net Tangible Assets (as hereinafter defined). **Initial Valuation Net Tangible Assets** means the combined assets of the Transferred Foundry Company Subsidiaries less the combined liabilities of the Transferred Foundry Company Subsidiaries. ATIC's ownership percentage in The Foundry Company will be adjusted after the Closing to the extent there is a difference between the statement of Initial Valuation Net Tangible Assets delivered in connection with the signing of the Master Transaction Agreement and the statement of Initial Valuation Net Tangible Assets delivered after the Closing and to the extent that such difference exceeds a specified amount. Any adjustment will be effected through the issuance of additional, or cancellation of, The Foundry Company convertible notes.

Assumed Liabilities

The Foundry Company will assume certain liabilities relating to the contributed assets (**Assumed Liabilities**), including the assumption of approximately \$1.2 billion of debt of the Dresden Subsidiaries. Assumed liabilities will also include: (i) any liabilities related to the operation of The Foundry Company post-Closing; (ii) any amounts payable by The Foundry Company and any other liabilities of The Foundry Company that accrue or relate to the period after the Closing under any contract included in the FoundryCo Assets; (iii) any liabilities arising out of or based upon events or circumstances occurring after the Closing in connection with or resulting from the operation of The Foundry Company other than as set forth in the Master Transaction

Table of Contents

Agreement or the Ancillary Agreements; (iv) accrued vacation related to U.S. Transferred Employees (as hereinafter defined) moving over to The Foundry Company; and (v) liabilities of AMD and its subsidiaries that are included in the Closing Statement of Initial Valuation Net Tangible Assets (as such term is defined in the Master Transaction Agreement) and that relate to any amounts payable by The Foundry Company following the Closing for any service by a Transferred Employee with AMD or a subsidiary of AMD through the Closing.

Retained Liabilities

AMD is retaining: (i) any liabilities of AMD or its subsidiaries incurred by AMD or its subsidiaries in connection with the conduct of their business (excluding The Foundry Company operations post-Closing); (ii) any liabilities of AMD or any of the remaining AMD subsidiaries arising out of the operation of their businesses occurring or incurred post-Closing; (iii) any liabilities of AMD or any of the remaining AMD subsidiaries arising under the Master Transaction Agreement or the other transaction documents; (iv) any intercompany payables and any liabilities of AMD or any of the remaining AMD subsidiaries to any of their respective affiliates other than obligations of The Foundry Company and any of the remaining AMD subsidiaries under the Master Transaction Agreement or other transaction documents; (v) any liabilities of AMD or its subsidiaries to the extent related to the assets not being contributed to The Foundry Company; (vi) any liabilities of AMD or its subsidiaries relating to claims pending at Closing, or claims made after Closing that arise out of the conduct or operation of the FoundryCo Assets before Closing; and (vii) any other liabilities otherwise designated as an excluded liability in the Master Transaction Agreement or on any schedule to the Master Transaction Agreement.

Representations and Warranties

AMD makes representations and warranties to ATIC and WCH relating to AMD, including:

organization and good standing;

authorization of agreements;

capitalization;

fair representation of financial statements;

no material adverse change in its business;

no material defaults under any material contract;

absence of legal proceedings and labor disputes;

ownership of intellectual property;

possession of authorizations necessary to conduct its business; and

filing of tax returns and payment of material taxes.

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AMD also makes representations and warranties with respect to the securities to be issued to WCH including the authorization of shares, warrants and shares issuable upon exercise of the warrants by WCH and that such securities will be validly issued, fully paid and non-assessable.

AMD makes representations and warranties to ATIC and The Foundry Company relating to The Foundry Company, including:

organization and good standing and capitalization of the Transferred Foundry Company Subsidiaries and the absence of indebtedness of the Transferred Foundry Company Subsidiaries;

good title to the FoundryCo Assets and upon Closing, The Foundry Company will own the FoundryCo Assets free and clear of any encumbrances;

representations relating to certain financial statements;

Table of Contents

absence of undisclosed liabilities;

good title to inventories that are to be transferred to The Foundry Company;

absence of certain changes with respect to the FoundryCo Assets and the Transferred Foundry Company Subsidiaries from June 28, 2008 to October 6, 2008;

absence of litigation and governmental orders;

compliance with environmental laws and related permits and licenses and absence of environmental liabilities;

enforceability and effectiveness of material contracts relating to the FoundryCo Assets;

the operation of the FoundryCo Assets and the Transferred Foundry Company Subsidiaries will not infringe third-party intellectual property rights;

good title to the real property it is transferring to The Foundry Company;

representations relating to employment plans and labor matters;

absence of tax liens or tax audits with respect to tax matters; and

absence of receivables transferred to The Foundry Company as of Closing.

ATIC and WCH make representations and warranties to AMD relating to ATIC and WCH, including their due organization, authorization of agreements, absence of conflicts, proceedings and further requirements, and as to their investment sophistication and accredited investor status.

Covenants

AMD agrees to comply with affirmative and negative covenants in the Master Transaction Agreement until the Closing. AMD agrees that it and its subsidiaries will conduct its business relating to the operations and ownership of the FoundryCo Assets in its ordinary course in accordance with past practices and that it will not undertake certain actions without ATIC's prior written consent, including to:

adopt or propose any change in its governing documents;

merge or consolidate with, or sell a substantial portion of its capital stock or assets to any third party, subject to the No Solicitation by AMD provisions described on the following page;

declare, make or pay any dividends or other distributions with respect to any of its capital stock;

reclassify or recapitalize any of its capital stock, subject to certain exceptions;

acquire any corporations and the such, incur any indebtedness or enter into any material contracts;

not make any capital expenditures in excess of \$10 million not reflected in The Foundry Company's interim operating budget;

change its accounting policies;

not take certain actions relating to inventories and purchasing/payment policies with respect to the FoundryCo Assets and the Transferred Foundry Company Subsidiaries;

not sell or lease any material assets or property that constitutes FoundryCo Assets;

not issue any equity securities of any Transferred Foundry Company Subsidiary;

not take any action that would constitute a material default under any material contract; and

not make or change any material tax election of The Foundry Company.

Table of Contents

In addition, AMD agrees to, among other things, to:

take all appropriate action to form The Foundry Company;

prepare and deliver audited carve-out financial statements of The Foundry Company to ATIC and WCH;

provide access to information to ATIC and WCH relating to the FoundryCo Assets, the Assumed Liabilities and the Transferred Foundry Company Subsidiaries;

obtain stockholder approval of the issuance of the Shares, the Warrants and the Warrant Shares to WCH pursuant to NYSE rules;

use commercially reasonable efforts to obtain required consents and authorizations under material contracts to consummate the Transactions; and

notify ATIC and WCH of certain events.

AMD agrees to comply with certain post-Closing covenants pursuant to the Master Transaction Agreement, including to:

cause one representative designated by WCH to be appointed and elected to its board of directors, for so long as WCH and its permitted transferees beneficially own, in the aggregate, at least 10% of our outstanding common stock;

retain the books and records of AMD relating to the FoundryCo Assets and the Assumed Liabilities, the Transferred Foundry Company Subsidiaries and the Transferred Foundry Company JV Entities and their operations for a period of 10 years following Closing; and

cause the Shares and the Warrant Shares to be listed on the NYSE.

No Solicitation by AMD

Between signing the Master Transaction Agreement and the earlier of Closing or termination of the Master Transaction Agreement, AMD has agreed that AMD will not solicit any other proposal or enter into any agreement with a third party relating to an alternative transaction or a change of control of AMD. However, our board of directors may (i) participate in discussions, conversations, negotiations or other communications with a third party regarding, and furnish information to, any person that has made, in writing, a bona fide AMD Change of Control Proposal (as defined below) and (ii) enter into an agreement with any third person relating to a change of control of AMD, if our board of directors has: (A) determined, in its good faith judgment that failure to furnish such information or enter into such discussions or such agreement would be inconsistent with its fiduciary obligations to AMD and our stockholders under applicable law; (B) provided written notice to ATIC and WCH of the identity of the person making, and the material terms of any such proposal, and of AMD's intent to furnish information or enter into discussions with such person at least three business days prior to taking any such action; (C) obtained from such person an executed confidentiality agreement on customary terms; and (D) promptly provided to ATIC and WCH any non-public information concerning AMD or any of our subsidiaries provided to any such person which was not previously provided to ATIC and WCH. **AMD Change of Control Proposal** means any proposal or offer made by any third person relating to a transaction between the third person and AMD, our stockholders or any of our subsidiaries with respect to (a) a merger, reorganization, share exchange, consolidation, business combination, recapitalization, dissolution, liquidation or similar transaction involving AMD in which AMD's stockholders immediately prior to such transaction will own less than 50% of the voting securities of the surviving corporation outstanding immediately after such transaction, (b) any purchase of an equity interest (including by means of a tender or exchange offer) representing an amount equal to or greater than a 50% voting or economic interest in AMD,

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or (c) any purchase of assets, securities or ownership interests representing an amount equal to or greater than 50% of the consolidated assets of AMD and our subsidiaries taken as a whole (including stock of our subsidiaries).

Table of Contents

WCH Standstill Respecting AMD

For a period of five years (or sooner, if WCH and its transferees cease to own at least 10% of AMD's voting securities), WCH, ATIC and their transferees and affiliates will not, without AMD's consent, seek to acquire more than 22.5% of the voting securities of AMD, or initiate, or induce or attempt to induce any third person to initiate, any extraordinary corporate transaction involving AMD (including a merger, sale of assets, restructuring or liquidation), or to seek to or participate in any attempt to cause a change of control of the management or board of directors of AMD, or take any other similar actions, including a public announcement of any such plans, or advise, assist or encourage any other persons in connection with any of the foregoing.

ATIC and WCH also agree during such period not to request that AMD waive any of the foregoing provisions, although ATIC or WCH may ask AMD whether AMD would wish to entertain a proposal for the acquisition of AMD, but may not make such a proposal absent AMD's affirmative response to such question. The standstill does not prevent ATIC or WCH from voting any securities at their sole discretion on matters submitted to the stockholders of AMD for a vote, or from voting in favor of, or tendering any AMD securities held by any of them into, any extraordinary transaction involving AMD or a substantial portion of its securities or assets.

WCH Transfer Restrictions on AMD Securities

Until such time WCH and its permitted transferees beneficially own, in the aggregate, less than 10% of the outstanding shares of our common stock, WCH and such permitted transferees may only resell shares of our common stock (i) in connection with a bona fide pledge or transfer in connection with a financing transaction secured by a pledge of WCH's AMD common stock, (ii) by means of an underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended (the *Securities Act*), or (iii) pursuant to Rule 144 promulgated under the Securities Act. Notwithstanding the foregoing, WCH or its permitted transferees may sell or transfer AMD common stock to any other permitted transferee.

Employees

The Foundry Company will extend, or will cause its applicable subsidiaries to extend, offers of employment to certain AMD employees (the *Transferred Employees*) at least 30 days prior to Closing and will hire, or cause its applicable subsidiaries to hire, such Transferred Employees effective as of Closing. The Foundry Company will be responsible for all liabilities, salaries, benefits and similar employer obligations that arise after Closing under The Foundry Company's compensation and benefit plans and policies for all Transferred Employees.

Closing Conditions

The Closing is contingent upon the satisfaction by AMD of, or the waiver by ATIC and WCH of, among other things:

the absence of a breach of representations, warranties or covenants that would result in a material adverse effect on AMD or The Foundry Company;

receipt of material consents;

receipt of certain government approvals, including Hart Scott Rodino antitrust approval from the United States and merger control clearances from certain foreign regulatory authorities;

the absence of proceedings or litigation that would result in a material adverse effect on AMD or The Foundry Company;

that the economic incentives and subsidies currently made available to AMD and its subsidiaries by governmental authorities in the European Union, the Federal Republic of Germany or the State of Saxony and the State of New York remain available to The Foundry Company and its subsidiaries

Table of Contents

without financial penalty or change that would be materially adverse to The Foundry Company and its subsidiaries and no governmental authority has notified any party that such governmental authority intends to seek to terminate the availability of such economic incentives and subsidies, and that, with respect to The Foundry Company's proposed facility in Saratoga County, New York, the economic development agreement between the State of New York and AMD will have been assigned to The Foundry Company, and The Foundry Company will have qualified for the same ongoing New York State tax benefits that have been previously approved for AMD;

receipt of notice from CFIUS to the effect that a review or investigation of the Transactions has been concluded and that a determination has been made that there are no unresolved U.S. national security concerns, or the lack of action by the President of the United States to block or prevent the consummation of the Transactions under Exon-Florio, with the applicable time period for the President to take such action having expired;

the receipt by ATIC of certain legal opinions by counsel to AMD;

the continuing effectiveness of AMD's Participation Agreement with IBM;

the absence of an agreement or ongoing discussions with a third party regarding a change of control of AMD;

the absence of a material adverse effect on AMD or The Foundry Company;

the requisite AMD stockholder approval of the issuance of the Shares, the Warrants and the Warrant Shares under NYSE rules and regulations; and

the valid appointment or election of the representative designated by WCH to AMD's board of directors, effective as of Closing.

Indemnification

The representations and warranties of AMD generally survive until the two-year anniversary of the Closing. AMD agrees to indemnify ATIC and The Foundry Company for, among other things, (i) any breach of a representation, warranty or covenant, (ii) any third-party claim arising out of any AMD action, condition or obligation occurring or existing prior to Closing, (iii) claims arising out of AMD's Patent Cross-License Agreement with Intel Corporation, dated as of May 4, 2001 (as may be amended, the *Intel Patent Cross License Agreement*), and the Agreement between Intel Corporation and AMD dated October 1, 1976, as amended or supplemented to date, (iv) environmental claims relating to hazardous materials on the real property located in the towns of Malta and Stillwater, New York (commonly known as the Luther Forest Technology Campus) that is subject to an option agreement dated October 12, 2007 between AMD and the Luther Forest Technology Campus Economic Development Corporation, (v) environmental claims relating to hazardous materials on the Malta Rocket Fuel Area, a portion of the Luther Forest Technology Campus designated by the United States Environmental Protection Agency as a Superfund site, (vi) any amounts payable by The Foundry Company under guarantees related to indebtedness of certain transferred joint venture entities, (vii) any amounts payable by The Foundry Company or any of its subsidiaries following the Closing for the repayment of investment grants and subsidies received by AMD or any of its subsidiaries prior to the Closing if such repayment obligations relate to (A) a failure by AMD or any of its subsidiaries to make, prior to the Closing, capital expenditures required by such investment grants or subsidies or (B) a failure by AMD or any of its subsidiaries to maintain required fixed asset levels at or prior to the Closing and (viii) any retained liabilities. AMD's liability for breaches of representations and warranties is capped at \$700 million and AMD will have no such liability in the event that the aggregate amount of indemnifiable ATIC/The Foundry Company losses is less than \$21 million. The Foundry Company agrees to indemnify AMD and ATIC for any breach of a covenant or agreement by The Foundry Company, for any assumed liabilities and for the operation of The Foundry Company and its assets following Closing.

Table of Contents

Termination/Break-up Fee

The Master Transaction Agreement may be terminated at any time prior to Closing:

by either ATIC or WCH in the event that a material adverse effect on AMD or The Foundry Company occurs, AMD has breached a representation or warranty of AMD in a manner that is likely to cause a material adverse effect on AMD or The Foundry Company, AMD has not complied with the covenants contained in the Master Transaction Agreement in such a way that it results in a material adverse effect on AMD or The Foundry Company or AMD is involved in a liquidation, bankruptcy or insolvency proceeding;

by any of AMD, ATIC or WCH if Closing has not occurred by March 7, 2009;

by any of AMD, ATIC or WCH in the event that any governmental authority has issued a final and nonappealable order to restrain, enjoin or render illegal the Transactions;

by ATIC or WCH upon a change of control of AMD;

by ATIC or WCH if representatives of the U.S. Department of the Treasury and/or any other lead agency designated by CFIUS for the Transactions (at least one of whom serves at the rank of Deputy Assistant Secretary or higher), acting on behalf of CFIUS, inform the parties either that CFIUS will refer the transaction to the President of the United States for decision, or that the CFIUS clearance would be conditioned upon certain mitigation agreements with CFIUS containing terms that are inconsistent with the provisions of the Master Transaction Agreement; or

by the mutual written consent of AMD, ATIC and WCH.

If the Master Transaction Agreement is terminated by reason of a change of control event of AMD or if a change of control of AMD occurs within 12 months of termination for other specified reasons, AMD will pay to WCH a fee of \$50 million. If the Master Transaction Agreement is terminated because of a material breach by AMD of its non-solicitation covenant, then AMD will pay WCH \$50 million plus WCH's and ATIC's respective expenses.

The foregoing description of the Master Transaction Agreement is qualified in its entirety by reference to the full text of the Master Transaction Agreement, attached hereto as *Exhibit A*.

Table of Contents

THE SHAREHOLDERS AGREEMENT

The rights and obligations of AMD and ATIC, as shareholders of The Foundry Company (each, a *Foundry Company Shareholder*), are set forth in the Shareholders Agreement.

Board of Directors

The Foundry Company board of directors (the *The Foundry Company Board*) will consist of eight directors, and, because AMD and ATIC each own 50% of the shares entitled to vote in the election of directors and pursuant to the Shareholders Agreement, AMD and ATIC will each be entitled to designate for nomination four directors. The 50/50 ownership of the voting shares and rights of each of AMD and ATIC to designate four directors will not change until the occurrence of the Reconciliation Event.

Reconciliation Event means the earlier of (i) such time when AMD has secured for The Foundry Company the right to make unlimited volumes of products, including microprocessors, for AMD and its subsidiaries, regardless of whether The Foundry Company is a Subsidiary or Affiliate of AMD for purposes of the Intel Patent Cross License Agreement, or (ii) such time when The Foundry Company Board determines that The Foundry Company no longer needs to be a Subsidiary of AMD as defined in Section 1.22 of the Intel Patent Cross License Agreement. For the avoidance of doubt, notwithstanding any provision of the Shareholders Agreement or any other document related to the Transactions, prior to the Reconciliation Event, The Foundry Company will in no event be under any obligation (contractually or otherwise) to directly or indirectly distribute more than 70% of its profits to any person or entity.

Only after a Reconciliation Event, the number of directors a Foundry Company Shareholder may designate will be adjusted as follows: (i) a Foundry Company Shareholder holding 30% or more but less than 40% of the fully diluted shares will be entitled to designate three directors; (ii) a Foundry Company Shareholder holding 20% or more but less than 30% of the fully diluted shares will be entitled to designate two directors; (iii) a Foundry Company Shareholder holding 10% or more but less than 20% of the fully diluted shares will be entitled to designate one director; and (iv) a Foundry Company Shareholder holding less than 10% of the fully diluted shares will have no right to designate any directors. To the extent the number of directors a Foundry Company Shareholder is entitled to nominate is reduced as a result of a decrease in such Foundry Company Shareholder's ownership of The Foundry Company, then, so long as the other Foundry Company Shareholder owns at least a majority of the fully diluted shares of The Foundry Company, such other Foundry Company Shareholder will be entitled to designate all of the remaining directors.

Officers

The initial Chief Executive Officer of The Foundry Company will be Douglas Grose, and ATIC will designate the initial Chief Financial Officer. The other officers of The Foundry Company will be appointed by a committee of The Foundry Company Board. Hector de J. Ruiz will be Chairman of The Foundry Company Board, which is a non-director and non-voting position.

Voting

The share capital of The Foundry Company at the Closing will consist of (i) Class A Ordinary Shares (the *Class A Ordinary Shares*), of which two shares will be outstanding (one issued to each of AMD and ATIC); (ii) Class B Ordinary Shares (the *Class B Ordinary Shares*); (iii) Class A Preferred Shares (the *Class A Preferred Shares*) and (iv) Class B Preferred Shares (the *Class B Preferred Shares*). Prior to the Reconciliation Event, the Class A Preferred Shares, the Class B Preferred Shares and the Class B Ordinary Shares will be non-voting and only the Class A Ordinary Shares will have voting rights of one vote per Class A Ordinary Share. Following the Reconciliation Event, the Class A Ordinary Shares will be automatically redeemed and the voting rights of the Class A Preferred Shares, the Class B Preferred Shares and the Class B Ordinary Shares will be given effect.

Table of Contents

Certain Corporate Actions

The Foundry Company will not take certain actions unless all of the members of The Foundry Company Board approve such actions, which include, but are not limited to:

implementing material changes in the purpose or scope of The Foundry Company's activities or engaging in any material activity unrelated to The Foundry Company's business that materially adversely affects The Foundry Company's ability to perform its obligations to AMD under the Wafer Supply Agreement;

changing the number of directors on The Foundry Company Board;

amending The Foundry Company's charter or bylaws;

entering into certain change of control transactions or any sale of all or substantially all of the assets of The Foundry Company and its subsidiaries, other than to The Foundry Company or any of its subsidiaries or, following termination of the earliest of (i) the date that is 10 years after Closing, (ii) such time as the Abu Dhabi cluster is meeting certain wafer production volume requirements or (iii) the termination of the Transition Period (as such term is defined in the Funding Agreement) under the Funding Agreement (the ***Restricted Period***), to a permitted transferee; *provided, however*, that any such transaction with a permitted transferee is on terms that are fair from a financial point of view to all Foundry Company Shareholders;

entering into certain acquisitions, joint ventures, transfers, sales or disposals of any assets with a value in excess of \$25 million singly or \$50 million in the aggregate, other than with The Foundry Company or any of its subsidiaries or, following termination of the Restricted Period, with a permitted transferee; *provided, however*, that any such transaction with a permitted transferee is on terms that are fair from a financial point of view to all Foundry Company Shareholders;

approving any material amendment, modification or revision to The Foundry Company's initial five-year capital plan;

approving any annual business plan or any material amendment, modification or revision of any annual business plan;

issuing, repurchasing or redeeming any of The Foundry Company shares or other equity interest not reflected in the annual business plan, its Articles of Association or any incentive plan;

declaring dividends or other distributions to Foundry Company Shareholders;

entering into or amending the documents related to the Transactions, any incentive plan or any other Foundry Company contract worth more than \$15 million;

selling, licensing, assigning, transferring or engaging in certain other activities with respect to The Foundry Company's intellectual property;

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prosecuting, commencing or settling litigation in excess of \$10 million;

making any loan, investment or expenditure (or series of related expenditures) not reflected in the annual business plan involving more than \$5 million singly or \$10 million in the aggregate;

incurring certain indebtedness or subjecting any of The Foundry Company's properties or assets to certain liens, claims or encumbrances which would result in an increase of 5% or more of the total indebtedness contemplated in the annual business plan;

consummating any public offering of securities;

appointing or terminating The Foundry Company's Chief Executive Officer or Chief Financial Officer;

determining when the Reconciliation Event has occurred; and

entering into any related party transactions involving more than \$25 million.

Table of Contents

In addition, the Shareholders Agreement provides that if any Foundry Company Shareholder (and its permitted transferees) owns at least 75% of the fully diluted shares of The Foundry Company, then such Foundry Company Shareholder will be entitled to resolve any deadlock of The Foundry Company Board with respect to certain actions, and if any Foundry Company Shareholder (and its permitted transferees) owns at least 90% of the fully diluted shares of The Foundry Company, then such Foundry Company Shareholder will be entitled to resolve any deadlock with respect to certain additional actions. Notwithstanding the foregoing, a Foundry Company Shareholder will never be entitled to break a Foundry Company Board deadlock with respect to:

changing the number of directors on The Foundry Company Board; or

determining when the Reconciliation Event has occurred.

In addition, prior to the Reconciliation Event, a Foundry Company Shareholder will also not be entitled to break a Foundry Company Board deadlock with respect to:

amending The Foundry Company's charter or bylaws;

issuing, repurchasing or redeeming any of The Foundry Company shares or other equity interest not reflected in the annual business plan, its Articles of Association or any incentive plan; or

declaring dividends or other distributions to Foundry Company Shareholders, if, in each such case, such action would cause The Foundry Company to fail to constitute a Subsidiary of AMD under the Intel Patent Cross License Agreement.

Transfer Restrictions

Class A Ordinary Shares. Each of AMD and ATIC will own one Class A Ordinary Share. Class A Ordinary Shares are the only voting securities of The Foundry Company prior to the Reconciliation Event. The Foundry Company Class A Ordinary Shares are non-transferable.

Other Foundry Company Securities. With respect to the other securities of The Foundry Company (Class A Preferred Shares, Class B Preferred Shares, the Class B Ordinary Shares and the Convertible Notes), no Foundry Company Shareholder may sell any of such Foundry Company securities, without the consent of the other Foundry Company Shareholder, if (i) prior to the Reconciliation Event, the sale of such securities would cause The Foundry Company to fail to constitute a Subsidiary of AMD under the Intel Patent Cross License Agreement, (ii) such sale is made to Intel or any of its affiliates or (iii) such sale is made to a competitor of The Foundry Company.

In addition, each Foundry Company Shareholder agrees not to sell, transfer or encumber any such Foundry Company securities prior to the Restricted Period.

The following transfers of such securities of The Foundry Company are exempt from the above transfer restrictions: (a) transfers with the prior written consent of the other Foundry Company Shareholder; (b) a transfer to a permitted transferee or to the other Foundry Company Shareholder; (c) the sale of up to 25% of a Foundry Company Shareholder's fully diluted shares in an initial public offering of The Foundry Company (*IPO*); and (d) in each year following the IPO, the sale of up to 25% of a Foundry Company Shareholder's fully diluted shares through a public offering or Rule 144 under the Securities Act. However, AMD's rights to sell such securities of The Foundry Company as set forth in (c) and (d) above will be suspended until the Reconciliation Event has occurred.

Right of First Offer/Right of Last Look

Following the end of the Restricted Period, a Foundry Company Shareholder who wishes to sell securities of The Foundry Company to a third party must notify The Foundry Company and the other Foundry Company

Table of Contents

Shareholder of the offer, and the non-selling Foundry Company Shareholder will have 30 days to purchase the offered securities. In addition, a Foundry Company Shareholder cannot consummate a sale of securities of The Foundry Company to a third party without offering such securities for sale to the other Foundry Company Shareholder at least 10 business days prior to the contemplated consummation of the sale of such securities to the third party.

Tag-Along Rights

Following the end of the Restricted Period, no Foundry Company Shareholder may sell more than 10% of its fully diluted securities of The Foundry Company unless the other Foundry Company Shareholder is offered the right and option to sell the same percentage of securities held by it. This right terminates upon an IPO.

Drag-Along Rights

Following the end of the Restricted Period, if a Foundry Company Shareholder holding at least 75% of the fully diluted shares of The Foundry Company proposes to sell all of its securities of The Foundry Company to a third party, such Foundry Company Shareholder will have the right to require the other Foundry Company Shareholder to sell all of its securities of The Foundry Company to the third party for the same consideration and on the same terms. This right terminates upon an IPO.

AMD Change of Control

In the event of a change of control of AMD without ATIC's prior written consent: (i) all transfer restrictions with respect to securities of The Foundry Company held by ATIC and its permitted transferees will terminate; (ii) if such change of control occurs prior to the IPO, ATIC will have the right to require The Foundry Company to consummate the IPO and to register ATIC's securities of The Foundry Company in connection with such IPO; (iii) (A) ATIC will have a put right to sell all of its securities of The Foundry Company to AMD if the change of control occurs within 24 months of the Closing or (B) if the change of control occurs after the Reconciliation Event, ATIC will have the option to purchase all of the securities of The Foundry Company held by AMD and its permitted transferees, in each case at fair market value; (iv) until the end of 2013, as long as ATIC owns any securities of The Foundry Company, ATIC has the right to require AMD or any counterparty to an AMD change of control transaction to assume a portion of ATIC's funding commitment under the Funding Agreement based on the percentage of fully diluted shares held by AMD on each Funding Date (as such term is defined in the Funding Agreement); and (v) as long as ATIC owns any securities of The Foundry Company, ATIC has the right to require any counterparty to an AMD change of control transaction to guarantee all of AMD's obligations under the documents related to the Transactions.

Rights to Purchase New Shares

The Foundry Company must offer each Foundry Company Shareholder the right to purchase its pro rata share of any securities of The Foundry Company in the event The Foundry Company proposes to issue new shares to a third party. This right terminates upon an IPO.

Termination

The Shareholders' Agreement may be terminated (i) upon dissolution of The Foundry Company, (ii) by the written agreement of all parties to the Shareholders' Agreement, (iii) at the election of a Foundry Company Shareholder upon certain events of bankruptcy of the other Foundry Company Shareholder or (iv) with respect to any Foundry Company Shareholder, at such time a Foundry Company Shareholder ceases to own any securities of The Foundry Company.

The foregoing description of the Shareholders' Agreement is qualified in its entirety by reference to the full text of the Shareholders' Agreement, attached hereto as *Exhibit B*.

Table of Contents

THE FUNDING AGREEMENT

The Funding Agreement provides for the further funding of The Foundry Company. Pursuant to the Funding Agreement, ATIC has committed to additional equity funding of a minimum of \$3.6 billion and up to \$6.0 billion over the five years after the Closing.

Annual Business Plan

The Foundry Company management team must present its annual business plan (the *Annual Business Plan*) to The Foundry Company Board for approval on or prior to mid-November of each fiscal year, which date will be prior to the end of the seventh fiscal week of the fourth fiscal quarter of The Foundry Company. The Annual Business Plan must include estimates of the sources and uses of funds necessary to conduct The Foundry Company's business by fiscal quarter as well as estimated third-party debt financing. In the event The Foundry Company Board does not approve the Annual Business Plan within a certain time frame, the Funding Agreement sets forth procedures by which a resolution to any deadlock may be obtained, and the conditions under which ATIC may continue its funding commitments despite the deadlock.

Cash Reserve

The Foundry Company must maintain a cash reserve amount equal to at least \$1 billion at all times during the term of the Funding Agreement, provided, however, that this requirement shall no longer apply upon the earlier of (i) The Foundry Company entering into a Transition Period (as defined below) or (ii) the end of Phase II (as defined below).

Funding

At each equity funding, the equity securities to be issued by The Foundry Company will consist of 20% of Class A Preferred Shares and 80% of Class B Preferred Shares. See *Description of The Foundry Company Share Capital* elsewhere in this proxy statement. Under certain circumstances, The Foundry Company will issue convertible notes to ATIC in lieu of Class A and Class B Preferred Shares. See *Description of Foundry Company Convertible Subordinated Notes* elsewhere in this proxy statement. The aggregate amount of equity funding to be provided by the Foundry Company Shareholders in any fiscal year depends on the time period of such funding (Phase I, II or III) and the amounts set forth in the five-year capital plan of The Foundry Company. The Phases are defined as follows:

Phase I: the period commencing on the date of the Funding Agreement and ending on the last day of the fiscal year ending in 2010.

Phase II: the period commencing the first day of the fiscal year ending in 2011 and ending the last day of the fiscal year ending in 2013.

Phase III: the period commencing the first day of the fiscal year ending in 2014 and ending on the date the Funding Agreement is terminated pursuant to the terms thereof.

The Foundry Company is required to obtain specified third-party debt in any given fiscal year, as set forth in the five-year capital plan. To the extent that The Foundry Company obtains more than the specified amount of third-party debt, ATIC may reduce its funding commitment accordingly. To the extent that The Foundry Company is not able to obtain the full amount of third-party debt, ATIC is not obligated to make up the difference.

AMD will have the right, but not the obligation, to provide additional capital funding to The Foundry Company in response to future capital calls on a pro rata basis with ATIC. To the extent that AMD chooses not to participate in an equity funding, subject to the satisfaction of certain conditions to funding, ATIC is obligated to purchase all of the securities of The Foundry Company in such equity funding that AMD was entitled to purchase.

Table of Contents

Conditions to Funding

ATIC's obligation to provide funding is subject to certain conditions, including, among other things, the accuracy, in all material respects, of The Foundry Company's representations and warranties in the Funding Agreement, the absence of a material adverse effect of The Foundry Company, the absence of a material adverse effect on AMD that could reasonably be expected to materially and adversely affect AMD's performance of its obligations under the Wafer Supply Agreement, and the absence of a material breach or default by The Foundry Company or AMD under the provisions of any document related to the Transactions (the ***General Funding Conditions***).

With respect to Phase I, ATIC's obligation to provide funding is subject to certain additional conditions, including, among other things: (i) the continuing effectiveness of AMD's IBM Participation Agreement; (ii) the availability of New York and Dresden subsidies in amounts not materially different than contemplated in the five-year capital plan; and (iii) if the Reconciliation Event has not occurred, AMD's continuing compliance with its covenants under the Shareholders' Agreement with respect to the Intel Patent Cross License Agreement (the ***Phase I Funding Conditions***).

With respect to Phase II, in addition to the conditions for Phase I, ATIC's obligation to provide funding is subject to certain additional conditions, including, among other things: (i) AMD will have secured for The Foundry Company AMD-specific Have Made rights (defined as the right of AMD to have unlimited volumes of products, including microprocessors, made for AMD and its subsidiaries by The Foundry Company); (ii) The Foundry Company will have achieved targets for cumulative revenue and cumulative gross margin; and (iii) The Foundry Company will have achieved certain strategic milestones relating to the groundbreaking and build out of the Abu Dhabi fab and to AMD technology and the timing of the receipt by The Foundry Company of third party customer interest and revenue (the ***Phase II Funding Conditions***).

With respect to Phase III, in addition to the conditions for Phase I, ATIC's obligation to provide funding is subject to the approval of the Annual Business Plan for the applicable fiscal year.

Annual Business Plan Deadlock Resolution

In the event the Foundry Company Shareholders have not approved the proposed Annual Business Plan on or prior to December 23rd of the fiscal year in which the proposed Annual Business Plan was submitted to The Foundry Company Board (a ***Business Plan Deadlock***), the following resolution procedures will apply:

Phase I Business Plan Deadlock. In the event of a Business Plan Deadlock as a result of not being able to approve the Annual Business Plan for the fiscal year ending in 2010, ATIC will be obligated to, and AMD may if it elects to, continue to fund at the original funding level set forth in the five-year capital plan (the ***Original Funding Level***), through the end of Phase I, subject to the satisfaction or waiver of the General Funding Conditions and the Phase I Funding Conditions. If at the end of such fiscal year, the Annual Business Plan for the fiscal year ending in 2011 is approved in accordance with the Funding Agreement and the Shareholders' Agreement, then funding will be at the Original Funding Level, subject to the satisfaction or waiver of the General Funding Conditions and the Phase I Funding Conditions. If at the end of such fiscal year, the Annual Business Plan for the Fiscal Year ending in 2011 is not so approved, then the provisions for Phase II Business Plan Deadlock will apply.

Phase II Business Plan Deadlock. In the event of a Business Plan Deadlock with respect to any fiscal year of Phase II, ATIC will continue to provide funding in an amount at least equal to an amount which is intended to be sufficient to both (i) continue to meet AMD's volume requirements as set forth in the Wafer Supply Agreement and (ii) continue to build out both Fab 38 in Dresden and Fab 4x in New York to the capacities required to ensure continued availability of 100% of the Dresden and New York subsidies (such amount not to exceed \$3.582 billion) (the ***Minimum Funding Level***) and up to the Original Funding Level, subject to satisfaction or waiver of the General Funding Conditions and the Phase II Funding Conditions, until either

Table of Contents

(A) approval of the Annual Business Plan, in which case ATIC's funding commitment will revert to the Original Funding Level, subject to satisfaction or waiver of General Funding Conditions and the Phase II Funding Conditions, or (B) ATIC notifies The Foundry Company that it has elected to have The Foundry Company enter into the transition period, which is the period beginning on the date of ATIC's election to have The Foundry Company enter into the transition period and ending on the later of (x) 12 months after such date and (y) the last day of fiscal year ending in 2013 (the ***Transition Period***), in which case the Transition Period Business Plan Deadlock provisions (as set forth below) will become effective immediately upon such notice. In the event ATIC does not elect to have The Foundry Company enter into the Transition Period, ATIC will provide The Foundry Company with notice of the amount of funding ATIC is committing to fund for the following fiscal quarter, The Foundry Company will include such amount in any funding notice delivered with respect to such following fiscal quarter, and the general funding procedures set forth in the Funding Agreement will otherwise continue to apply.

Phase III Business Plan Deadlock. In the event of a Business Plan Deadlock with respect to any fiscal year of Phase III, ATIC will continue to provide funding in an amount at least equal to an amount sufficient to meet AMD's MPU volume requirements for such period (the ***Transition Funding Level***) and up to an amount equal to an amount sufficient to meet AMD's MPU volume requirements for such fiscal year as set forth in the Wafer Supply Agreement, including additional funding up to, at ATIC's election (i) the level of funding as set forth in the most recently approved Annual Business Plan or (ii) the level of funding sufficient to continue to build out the next fabs after Fab 4x, subject to satisfaction or waiver of the General Funding Conditions and the Phase III Funding Conditions (other than the approval of the Annual Business Plan), until either (A) approval of the Annual Business Plan, in which case ATIC's funding commitment will revert to the level set forth in such approved Annual Business Plan, subject to satisfaction or waiver of the General Funding Conditions and the Phase III Funding Conditions, or (B) ATIC notifies The Foundry Company that it has elected to have The Foundry Company enter into the Transition Period, in which case the Transition Period Business Plan Deadlock provisions (as set forth below) will become effective immediately upon such notice.

Transition Period Business Plan Deadlock. If ATIC elects to have The Foundry Company enter into the Transition Period: (i) prior to any request for equity funding from the Foundry Company Shareholders, The Foundry Company's management must first comply with the provisions relating to third-party debt financing set forth in the Funding Agreement; (ii) general funding procedures set forth in the Funding Agreement continue to apply; (iii) ATIC will only be obligated to provide funding through the Transition Period at the Minimum Funding Level in the case of a Transition Period during Phase II and at the Transition Funding Level in the case of a Transition Period during Phase III, in each case subject to the satisfaction or waiver of the General Funding Conditions and the Phase I Funding Conditions on or prior to any funding date; (iv) the Foundry Company Shareholders will jointly pursue, in good faith, transition options during the Transition Period, including without limitation, winding-down, selling or liquidating The Foundry Company; and (v) upon termination of the Transition Period, ATIC will have the option to purchase in cash any or all securities of The Foundry Company held by AMD and its permitted transferees at a price equal to their fair market value.

Termination

The Funding Agreement will terminate upon the earlier of (i) a written agreement by the parties and (ii) the termination of the Transition Period.

The foregoing description of the Funding Agreement is qualified in its entirety by reference to the full text of the Funding Agreement, attached hereto as ***Exhibit C***.

Table of Contents

THE WAFER SUPPLY AGREEMENT

AMD will purchase products manufactured by The Foundry Company pursuant to the terms of the Wafer Supply Agreement.

AMD Purchase Commitments

MPU Products. AMD will purchase all of its and its subsidiaries' microprocessor unit (*MPU*) products from The Foundry Company sales subsidiaries, subject to limited exceptions. Notwithstanding the foregoing, if AMD acquires a third-party business that manufactures MPU products, AMD will have up to two years to transition the manufacture of such MPU products to The Foundry Company. Additionally, AMD and its subsidiaries may use another foundry company as a second source for certain of its quarterly MPU product wafer requirements, and may source additional amounts from such foundry company to the extent The Foundry Company is unable to deliver products to AMD sufficient to meet AMD's material customer commitments. AMD's ability to source MPU requirements with such foundry company terminates: (i) upon the occurrence of a specified event; or (ii) subject to a wind-down period, if such foundry company undergoes a change of control resulting in another entity controlling a majority of such company's assets or equity interests related to the manufacture of products on behalf of AMD.

GPU Products. Once The Foundry Company establishes a 32 nm qualified process, AMD will purchase from The Foundry Company sales entities, where competitive, specified percentages of its and its subsidiaries' graphics processor unit (*GPU*) requirements, which percentage will increase linearly over a five-year period. AMD agrees not to sell, transfer or dispose of all or substantially all of its or its subsidiaries' assets related to GPU products and related technology to any third party without The Foundry Company's consent, unless the transferee agrees to be bound by the terms of the Wafer Supply Agreement, including its minimum purchase obligations, where competitive, with respect to GPU products.

The Foundry Company Capacity Commitment

After reviewing forecasts provided by AMD, as agreed by the parties, The Foundry Company will allocate such additional capacity sufficient to produce the MPU product volumes set forth in rolling, binding forecasts. The parties will establish capacity requirements in advance for GPU products. The Foundry Company will use commercially reasonable efforts to fill any capacity allocated to but unutilized by AMD with production for third parties so as to offset and reduce AMD's fixed cost reimbursement obligations to The Foundry Company; provided that such efforts will not be required if there exists any unutilized capacity that has not been allocated to AMD.

Management

A partnership committee comprised of an equal number of members appointed by each party will manage the relationship. Unresolved disputes will be escalated to executive officers of each party for resolution.

Sort Services

At AMD's request, The Foundry Company will provide sort services to AMD on a product by product basis. Sort equipment for MPU products will be assigned to The Foundry Company on the effective date; in the event any sort equipment is no longer usable to provide sort services to AMD or The Foundry Company's other customers, The Foundry Company will dispose of such equipment and the parties will determine the amount reimbursable to The Foundry Company or AMD. Additional AMD equipment may be consigned, and AMD will bear all the maintenance and operational costs for such equipment.

Table of Contents

Pricing

The price for MPU products is related to a certain percentage of The Foundry Company's MPU-specific total cost of goods sold. The price for GPU products will be determined on a product-by-product basis by the parties. AMD will also be responsible for certain other cost reimbursements to The Foundry Company.

Indemnification

The Foundry Company provides AMD and its affiliates, officers, directors, employees, agents, successors and assigns with an intellectual property infringement indemnity covering The Foundry Company's method of manufacturing the products, except for the methods specifically transferred to The Foundry Company on the effective date. AMD provides The Foundry Company and its affiliates, officers, directors, employees, agents, successors and assigns with an intellectual property infringement indemnity covering The Foundry Company's manufacture of wafers for AMD in compliance with any AMD product designs or specifications, use of AMD's equipment, materials, methods and technologies as used by AMD immediately prior to the effective date, and use of property furnished by AMD in accordance with applicable standards and instructions.

Intellectual Property

AMD grants The Foundry Company and applicable The Foundry Company subsidiaries and any permitted assignees a non-exclusive, non-transferable, royalty-free right and license to: (i) make products and import and sell such products to AMD; and (ii) reproduce any documentation provided by AMD to enable The Foundry Company to manufacture such products for AMD.

Term; Termination

The Wafer Supply Agreement will be in effect no longer than 15 years after the Closing. The Wafer Supply Agreement may be terminated at any time upon mutual written consent and may expire earlier upon the occurrence of certain events. The Wafer Supply Agreement may also be terminated if and when a business plan deadlock exists and ATIC elects to enter into a transition period pursuant to the Funding Agreement. The Foundry Company will use commercially reasonable efforts to assist AMD to transition the supply of products to another provider, and continue to fulfill purchase orders for up to two years following the termination or expiration of the Wafer Supply Agreement. During such transition period, pricing for MPU products will remain as set forth in the Wafer Supply Agreement, but AMD's purchase commitments to The Foundry Company will no longer apply.

The foregoing description of the Wafer Supply Agreement is qualified in its entirety by reference to the full text of the Wafer Supply Agreement, attached hereto as *Exhibit D*.

Table of Contents

AGREEMENTS RELATED TO INTELLECTUAL PROPERTY

In connection with the Transactions, AMD and The Foundry Company will also enter into intellectual property related arrangements.

Patent Cross License Agreement

Pursuant to a Patent Cross License Agreement (the *Patent Cross License Agreement*), AMD and The Foundry Company will each grant to the other a non-exclusive license under patents which were filed by a party (or are otherwise acquired by a party) within a certain number of years following the effective date of the Patent Cross License Agreement. AMD and The Foundry Company are also entering into arrangements under which all issued patents and pending patent applications of AMD and its subsidiaries (other than patents and applications owned by ATI Technologies LLC and its wholly owned subsidiaries) will be divided between AMD and The Foundry Company. The Foundry Company will take ownership of its allocation of patents and applications subject to pre-existing rights, licenses or immunities granted to third parties relating to such patents and applications. The patents and patent applications owned by each party after the division will be licensed to the other party pursuant to the Patent Cross License Agreement.

Non-Patent Intellectual Property and Technology Transfer Agreement

Pursuant to a Non-Patent Intellectual Property and Technology Transfer Agreement, AMD will assign to The Foundry Company all of its right, title and interest in technology and non-patent intellectual property rights used exclusively in the manufacture, sorting and/or intermediate (WIP) testing of semiconductor products. Technology and non-patent intellectual property rights used exclusively in the design and/or post-delivery testing of semiconductor products will be retained by AMD. Technology and non-patent intellectual property rights used both in the manufacture, sorting and/or intermediate (WIP) testing of semiconductor products and in the design and/or post-delivery testing of semiconductor products will be jointly owned by AMD and The Foundry Company.

Table of Contents

DESCRIPTION OF THE FOUNDRY COMPANY CONVERTIBLE SUBORDINATED NOTES

At Closing, in consideration for ATIC's cash contribution to The Foundry Company, The Foundry Company will issue convertible subordinated notes convertible into Class A Preferred Shares (the ***Class A Convertible Notes***) and Class B Preferred Shares (the ***Class B Convertible Notes***) to ATIC. In addition, prior to the Reconciliation Event, to the extent that the issuance of any securities to ATIC in connection with an equity funding of The Foundry Company would cause The Foundry Company to fail to constitute a Subsidiary of AMD, as such term is defined in the Intel Patent Cross License Agreement, The Foundry Company will instead issue to ATIC (i) additional Class A Convertible Notes in an aggregate principal amount equal to the aggregate purchase price for the Class A Preferred Shares that would have been issued to ATIC but for such provision, and (ii) additional Class B Convertible Notes in an aggregate principal amount equal to the aggregate purchase price for the Class B Preferred Shares that would have been issued to ATIC but for such provision. The principal terms of the Class A Convertible Notes and the Class B Convertible Notes are set forth below.

Class A Convertible Notes

Interest. The Class A Convertible Notes accrue interest at a rate of 4% per annum, compounded semiannually, and payable semiannually in additional Class A Convertible Notes.

Maturity. The Class A Convertible Notes mature upon the later of (i) 10 years from the date of issuance or (ii) the date of the Reconciliation Event.

Security. The Class A Convertible Notes are the unsecured obligations of The Foundry Company.

Ranking. The Class A Convertible Notes will constitute a subordinated obligation of The Foundry Company and will rank subordinated in right of payment to any current or future senior indebtedness of The Foundry Company.

Redemption. The Class A Convertible Notes are not redeemable by The Foundry Company without the noteholder's consent.

Conversion. The Class A Convertible Notes are convertible, in whole or in part, in multiples of \$1,000, into The Foundry Company Class A Preferred Shares at the option of the holder at any time prior to the close of business on the business day immediately preceding the maturity date, at the Conversion Ratio (as defined below) in effect on the date of conversion, if (i) such conversion would not cause The Foundry Company to fail to constitute a Subsidiary of AMD under the Intel Patent Cross License Agreement or (ii) the Reconciliation Event has occurred.

On or after the Reconciliation Event, the Class A Convertible Notes will automatically convert into Class A Preferred Shares of The Foundry Company upon the earlier of (i) a Foundry Company IPO, (ii) certain change of control transactions of The Foundry Company or (iii) the close of business on the business day immediately preceding the maturity date.

The ***Conversion Ratio*** for each \$1,000 principal amount of Class A Convertible Notes will be a number obtained by dividing (1) \$1,000 by (2) the applicable Class A Convertible Notes Conversion Price (as hereinafter defined) in effect at the time of conversion. The ***Class A Convertible Notes Conversion Price*** will initially be the per share price of the Class A Preferred Shares at the time the Class A Convertible Note was issued, subject to customary anti-dilution adjustments. The Foundry Company will deliver cash in lieu of any fractional shares upon conversion.

Events of Default. The following constitute an event of default under the Class A Convertible Notes:

any default in the payment of principal or interest on the Class A Convertible Notes;

any default in the delivery of Class A Preferred Shares upon the conversion of any Class A Convertible Notes, which default has not been cured within 10 days;

Table of Contents

the liquidation, dissolution or winding up of The Foundry Company; or

certain events of bankruptcy or insolvency.

If an event of default occurs and is continuing, then the outstanding principal amount of the Class A Convertible Notes, together with any accrued and unpaid interest, will become immediately due and payable at the request of the holder.

Class B Convertible Notes

Interest. The Class B Convertible Notes accrue interest at a rate of 11% per annum, compounded semiannually, and payable semiannually in additional Class B Convertible Notes.

Maturity. The Class B Convertible Notes mature upon the later of (i) 10 years from the date of issuance or (ii) the date of the Reconciliation Event.

Security. The Class B Convertible Notes are the unsecured obligations of The Foundry Company.

Ranking. The Class B Convertible Notes will constitute a subordinated obligation of The Foundry Company and will rank subordinated in right of payment to any current or future senior indebtedness of The Foundry Company.

Redemption. The Class B Convertible Notes are not redeemable by The Foundry Company without the noteholder's consent.

Conversion. The Class B Convertible Notes are convertible, in whole or in part, in multiples of \$1,000, into The Foundry Company Class B Preferred Shares at the option of the holder at any time prior to the close of business on the business day immediately preceding the maturity date, at the Conversion Ratio (as defined below) in effect on the date of conversion, if (i) such conversion would not cause The Foundry Company to fail to constitute a Subsidiary of AMD under the Intel Patent Cross License Agreement or (ii) the Reconciliation Event has occurred.

On or after the Reconciliation Event, the Class B Convertible Notes will automatically convert into The Foundry Company Class B Preferred Shares upon the earlier of (i) a Foundry Company IPO, (ii) certain change of control transactions of The Foundry Company or (iii) the close of business on the business day immediately preceding the maturity date.

The **Conversion Ratio** for each \$1,000 principal amount of Class B Convertible Notes will be a number obtained by dividing (1) \$1,000 by (2) the applicable Class B Convertible Notes Conversion Price (as hereinafter defined) in effect at the time of conversion. The **Class B Convertible Notes Conversion Price** will initially be the per share price of the Class B Preferred Shares at the time the Class B Convertible Note was issued, subject to customary anti-dilution adjustments. The Foundry Company will deliver cash in lieu of any fractional shares upon conversion.

Events of Default. The following constitute an event of default under the Class B Convertible Notes:

any default in the payment of principal or interest on the Class B Convertible Notes;

any default in the delivery of Class B Preferred Shares upon the conversion of any Class B Convertible Notes, which default has not been cured within 10 days;

the liquidation, dissolution or winding up of The Foundry Company; or

certain events of bankruptcy or insolvency.

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If an event of default occurs and is continuing, then the outstanding principal amount of the Class B Convertible Notes, together with any accrued and unpaid interest, will become immediately due and payable at the request of the holder.

Table of Contents

DESCRIPTION OF THE FOUNDRY COMPANY SHARE CAPITAL

Class A Ordinary Shares

The Foundry Company will issue two Class A Ordinary Shares, one to each of AMD and ATIC. The Class A Ordinary Shares will carry one vote each and will be the only voting securities of The Foundry Company prior to the Reconciliation Event. Following the Reconciliation Event, the Class A Ordinary Shares will be redeemed by The Foundry Company. The Class A Ordinary Shares are non-transferable.

Class B Ordinary Shares

The Foundry Company will issue Class B Ordinary Shares at the Closing. The Class B Ordinary Shares will be non-voting until the Reconciliation Event. Following the Reconciliation Event, each holder of Class B Ordinary Shares will be entitled to one vote per Class B Ordinary Share.

Class A Preferred Shares

The Class A Preferred Shares to be issued by The Foundry Company in connection with any equity funding under the Funding Agreement will have the following principal terms:

Ranking. The Class A Preferred Shares will rank senior in right of payment to the Ordinary Shares of The Foundry Company and junior in right of payment to the Class B Preferred Shares of The Foundry Company for purposes of dividends, distributions and upon a Liquidation Event (as defined below).

Accretion. The Class A Preferred Shares will not be entitled to any dividend or pre-determined accretion in value.

Liquidation Preference. In the event of the liquidation, dissolution or winding up of The Foundry Company (a **Liquidation Event**), each Class A Preferred Share will be entitled to receive, after the distribution to the holders of the Class B Preferred Shares but prior to any distribution to the holders of Ordinary Shares, out of the remaining assets of The Foundry Company, if any, an amount equal to the initial purchase price per share of the Class A Preferred Shares. Upon completion of the above distributions to the holders of Preferred Shares, all of the remaining assets of The Foundry Company, if any, will be distributed pro rata among the holders of Ordinary Shares.

Conversion. Each Class A Preferred Share will be convertible, at the option of the holder thereof, into Class B Ordinary Shares at the then applicable Class A Conversion Rate (as hereinafter defined) upon a Liquidation Event. Each Class A Preferred Share will automatically convert into Class B Ordinary Shares at the then applicable Class A Conversion Rate upon the earlier of (i) a Foundry Company IPO or (ii) a change of control transaction of The Foundry Company. The **Class A Conversion Rate** will initially be 100 Class B Ordinary Shares for each Class A Preferred Share converted, subject to customary anti-dilution adjustments.

Redemption. The Class A Preferred Shares will not be redeemable by The Foundry Company.

Voting Rights. The Class A Preferred Shares will be non-voting until the Reconciliation Event. Following the Reconciliation Event, each Class A Preferred Share will vote on an as-converted basis with the Ordinary Shares, voting together as a single class, with respect to any question upon which holders of Ordinary Shares have the right to vote.

Table of Contents

Class B Preferred Shares

The Class B Preferred Shares to be issued by The Foundry Company in connection with any equity funding will have the following principal terms:

Ranking. The Class B Preferred Shares will rank senior in right of payment to all other classes or series of equity securities of The Foundry Company for purposes of dividends, distributions and upon a Liquidation Event.

Accretion. Each Class B Preferred Share will be deemed to accrete in value at a rate of 12% per year, compounded semiannually, of the initial purchase price per such share (the sum of the initial purchase price per such share plus the amount of value accreted on such share is hereinafter referred to as the **Accreted Value**). Such Accreted Value will accrue daily from and after the issue date of such share and will be taken into account upon certain distributions to the holders of Class B Preferred Shares.

In the event that the aggregate Accreted Value in respect of all Class B Preferred Shares held by ATIC, when taken together with any Class A Preferred Shares held by ATIC, would cause the aggregate economic interest of ATIC in The Foundry Company to exceed thresholds required for The Foundry Company to remain a Subsidiary of AMD under the Intel Patent Cross License Agreement, such excess amount of the Accreted Value will be converted into Class B Convertible Notes that will only be payable in the event that Accreted Value is actually paid in the form of cash or Ordinary Shares and that any such payment does not cause the economic interest thresholds required for the Foundry Company to remain a Subsidiary of AMD under the Intel Patent Cross License Agreement to be exceeded.

Liquidation Preference. In the event of a Liquidation Event, each Class B Preferred Share will be entitled to receive, prior to any distribution to the holders of any other classes or series of equity securities, an amount equal to the Accreted Value of such share. Upon completion of the above distribution to the holders of Class B Preferred Shares, each Class A Preferred Share will be entitled to receive its liquidation preference amount out of any remaining assets of The Foundry Company. Upon completion of the above distributions to the holders of Preferred Shares, all of the remaining assets of The Foundry Company, if any, will be distributed pro rata among the holders of Ordinary Shares.

Conversion. Each Class B Preferred Share will be convertible, at the option of the holder thereof, into Class B Ordinary Shares at the then applicable Class B Conversion Rate (as hereinafter defined) upon a Liquidation Event. Each Class B Preferred Share will automatically convert into Class B Ordinary Shares at the then applicable Class B Conversion Rate upon the earlier of (i) a Foundry Company IPO or (ii) a change of control transaction of The Foundry Company. The **Class B Conversion Rate** will initially be 100 Class B Ordinary Shares for each Class B Preferred Share converted, subject to customary anti-dilution adjustments. Notwithstanding the foregoing, if the resulting fair market value of the Class B Ordinary Shares to be received upon such conversion would be less than the Accreted Value of such Class B Preferred Share, then the holder of such Class B Preferred Share will receive additional Class B Ordinary Shares upon such conversion in order to cause the fair market value of the total amount of Class B Ordinary Shares to be received upon such conversion to equal the Accreted Value of such Class B Preferred Share.

Redemption. The Class B Preferred Shares will not be redeemable by The Foundry Company.

Voting Rights. The Class B Preferred Shares will be non-voting until the Reconciliation Event. Following the Reconciliation Event, each Class B Preferred Share will vote on an as-converted basis with the Ordinary Shares, voting together as a single class, with respect to any question upon which holders of Ordinary Shares have the right to vote.

Table of Contents

DESCRIPTION OF AMD COMMON STOCK

Pursuant to the Master Transaction Agreement, we will sell and issue, and WCH will purchase for approximately \$314 million, 58,000,000 shares of our common stock and warrants to purchase 30,000,000 shares of our common stock at an exercise price of \$0.01 per share (as adjusted pursuant to the terms of the Warrants).

Our authorized capital stock consists of 1,500,000,000 shares of common stock, par value \$0.01 per share, and 1,000,000 shares of preferred stock, \$0.10 par value per share. As of October 16, 2008, 608,466,517 shares of common stock were issued and outstanding. There are no shares of preferred stock issued and outstanding.

The holders of common stock are entitled to one vote per share on all matters to be voted on by stockholders, including the election of directors. Stockholders are not entitled to cumulative voting rights, and, accordingly, the holders of a majority of the shares voting for the election of directors can elect the entire board if they choose to do so and, in that event, the holders of the remaining shares will not be able to elect any person to the board of directors.

The holders of common stock are entitled to receive such dividends, if any, as may be declared from time to time by the board of directors, in its discretion, from funds legally available therefor and subject to prior dividend rights of holders of any shares of preferred stock which may be outstanding. However, the terms of certain of our borrowing arrangements restrict our ability to declare or pay dividends on our common stock in certain circumstances. Upon liquidation or dissolution of the company subject to prior liquidation rights of the holders of preferred stock, the holders of common stock are entitled to receive on a pro rata basis the remaining assets of the company available for distribution. Holders of common stock have no preemptive or other subscription rights, and there are no conversion rights or redemption or sinking fund provisions with respect to such shares. All outstanding shares of common stock are fully paid and non-assessable.

Table of Contents

DESCRIPTION OF THE WARRANTS

Pursuant to the Master Transaction Agreement, we will sell and issue, and WCH will purchase for approximately \$314 million, 58,000,000 shares of our common stock and warrants to purchase 30,000,000 shares of our common stock at an exercise price of \$0.01 per share (as adjusted pursuant to the terms of the Warrants).

The following is a summary of the material terms and provisions of the Warrants.

Exercise of Warrants. The Warrants will be exercisable in whole or in part at the option of the warrant holder at any time after the earlier of (i) public ground-breaking of the New York wafer fab and (ii) 24 months from the date of their issuance; *provided, however*, that upon an AMD Change of Control Transaction (as hereinafter defined), the Warrants will become immediately exercisable and will automatically be exercised through a cashless exercise. **AMD Change of Control Transaction** means a transaction or a series of transactions with or among any third person, on the one hand, and AMD, its stockholders or any of its subsidiaries, on the other hand, with respect to (A) a consolidation or merger or similar transaction of AMD in which AMD stockholders immediately prior to such transaction own less than 50% of the voting securities of the surviving corporation outstanding immediately after such transaction, (B) any purchase of an equity interest resulting in any third person beneficially owning greater than a 50% voting or economic interest in AMD or (C) any purchase of assets, securities or ownership interests resulting in any third person owning greater than 50% of the consolidated assets of AMD and its subsidiaries taken as a whole.

The warrant holder may exercise the Warrants by delivery to AMD of a written notice of its intent to exercise the Warrants. The warrant holder then will purchase through a cashless exercise, and AMD will issue, such number of Warrant Shares indicated in such notice five business days after the delivery of such notice to AMD. Notwithstanding the foregoing, no notice of exercise will be required in connection with the automatic exercise of the Warrants upon an AMD Change of Control Transaction. In the case of an automatic exercise upon an AMD Change of Control Transaction, the warrant holder will purchase, and AMD will issue, the total number of Warrant Shares purchasable under the Warrants through a cashless exercise.

Exercise Price of the Warrants. The Warrants will be exercisable for common stock at a purchase price of \$0.01 per share of common stock (as adjusted pursuant to the terms of the Warrants).

Adjustments for Stock Splits and Combinations. If we at any time or from time to time after the date on which the Warrants were first issued (or, if any Warrant was issued upon partial exercise of, or in replacement of, another warrant of like tenor, then the date on which such original warrant was first issued) (either such date being referred to as the **Original Issue Date**) effect a subdivision of our outstanding common stock, the number of shares of common stock issuable upon exercise of the Warrants will be proportionately increased. If we at any time or from time to time after the Original Issue Date combine the outstanding shares of our common stock, the number of shares of common stock issuable upon exercise of the Warrants will be proportionately decreased.

Adjustment for Dividends and Distributions in Common Stock. In the event we at any time or from time to time after the Original Issue Date make or issue, or fix a record date for the determination of holders of our common stock entitled to receive, a dividend or other distribution payable in additional shares of our common stock, then and in each such event the number of shares of common stock issuable upon exercise of the Warrants will be adjusted as of the time of such issuance or, in the event such a record date will have been fixed, as of the close of business on such record date, so that, after giving effect to such adjustment, each holder of a Warrant will be entitled to receive an additional number of shares of our common stock upon exercise that such holder would have been entitled to receive had such Warrant been exercised immediately prior to such event.

Notwithstanding the foregoing, if such record date has been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the number of shares of common stock issuable

Table of Contents

upon exercise of the Warrants will be recomputed accordingly as of the close of business on such record date and thereafter the number of shares of common stock issuable upon exercise of the Warrants will be adjusted pursuant to this paragraph as of the time of actual payment of such dividends or distributions.

Adjustment for Other Dividends and Distributions. In the event we at any time or from time to time after the Original Issue Date make or issue, or fix a record date for the determination of holders of our common stock entitled to receive, a dividend or other distribution payable in our securities (other than a distribution of shares of our common stock) or in cash or other property, then and in each such event the number of shares of common stock issuable upon exercise of each Warrant will be increased as of the time of such issuance or, in the event such a record date has been fixed, as of the close of business on such record date, to a number determined by multiplying the number of shares of common stock issuable upon exercise of such Warrant immediately prior to such event by a fraction, the numerator of which will be the Current Market Value (as defined below) per share of common stock on the date of such event, and the denominator of which will be such Current Market Value per share of common stock less the fair market value (as determined in the reasonable good faith discretion of our board of directors) of such securities, cash or other property to be distributed with respect to each share of common stock on the date of such event. **Current Market Value** will mean the average of the daily closing prices on the NYSE of our common stock over the ten consecutive trading day period ending on the business day immediately preceding such event.

Notwithstanding the foregoing, if such record date has been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the number of shares of common stock issuable upon exercise of the Warrants will be recomputed accordingly as of the close of business on such record date and thereafter the number of shares of common stock issuable upon exercise of the Warrants will be adjusted pursuant to this paragraph as of the time of actual payment of such dividends or distributions.

Adjustment for Reclassification, Exchange or Subdivision. If our common stock is changed into the same or a different number of shares of any class or classes of stock, whether by capital reorganization, reclassification, or otherwise (other than a subdivision or combination of shares or stock dividend provided for above), then and in each such event the holder of each Warrant will have the right thereafter to exercise such Warrant into the kind and amount of shares of stock and other securities and property receivable upon such reorganization, reclassification or other change by holders of the number of shares of common stock into which such Warrant might have been exercised immediately prior to such reorganization, reclassification or change, all subject to further adjustment as provided herein.

Adjustment in Exercise Price. Upon each adjustment in the number of shares of common stock issuable upon exercise of a Warrant, the exercise price for such Warrant will be adjusted to the product obtained by multiplying the applicable exercise price immediately prior to such adjustment by a fraction, the numerator of which will be the number of shares of common stock issuable upon exercise of such Warrant immediately prior to such adjustment and the denominator of which will be the number of shares of common stock issuable upon exercise of such Warrant immediately thereafter; *provided, however,* that in no event will the exercise price be less than the par value of the common stock.

Registration Rights. The issuance and sale of the Warrants and Warrant Shares will not be registered under the Securities Act, and these securities will bear a legend specifying that such securities may not be transferred, sold or otherwise disposed of unless a registration statement relating to such securities is in effect under applicable federal and state securities laws or pursuant to an available exemption from registration. At or prior to the Closing, AMD will put up a resale registration statement (the **Shelf Registration Statement**) registering the resale of the Shares and the Warrant Shares by WCH and its permitted transferees, as well as the shares of our common stock acquired by WCH in November 2007, pursuant to a registration rights agreement between AMD and WCH (the **Registration Rights Agreement**). Pursuant to the Registration Rights Agreement, AMD will use its reasonable best efforts to keep the Shelf Registration Statement effective under the Securities Act until all such securities are sold to the public, whether pursuant to the Shelf Registration Statement or pursuant to Rule 144. AMD will bear all fees and expenses incurred in connection with the filing of the Shelf Registration

Table of Contents

Statement and its obligations under the Registration Rights Agreement. In addition, AMD will indemnify WCH, or any person who controls WCH, and each affiliate of WCH, against any losses caused by any untrue statement or alleged untrue statement of a material fact contained in the Shelf Registration Statement caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading.

Notice of Certain Events. If at any time after the Warrants are first issued, AMD (i) enters into an AMD Change of Control Transaction, (ii) authorizes the voluntary dissolution, liquidation or winding up of the affairs of AMD or (iii) declares a dividend on its common stock payable in cash or other property, then, in each case, AMD will provide the warrant holder with at least 30 days prior written notice before the applicable record date or effective date of such transaction, as the case may be, in order to provide the warrant holder the ability to exercise the Warrants and participate in such transaction as a holder of common stock.

Expiration. The Warrants expire upon the 10th anniversary of their issuance.

The foregoing description of the Warrants is qualified in its entirety by reference to the full text of the form of Warrant, attached hereto as *Exhibit E*.

Table of Contents

PROPOSAL TWO OPTION EXCHANGE

We have historically granted stock options as a critical component of our employees' compensation. Stock options were granted to encourage our employees to act as owners, which helps align their interests with those of stockholders. The objectives of our 2004 Equity Incentive Plan, as amended (the *2004 Equity Incentive Plan*) are to motivate and reward personnel whose long-term employment is considered essential to our continued progress and to encourage them to continue their employment by us. Stock options were granted to encourage recipients to act in the stockholders' interests and share in our success.

Our stock price has declined because of both an overall stock market downturn and execution challenges. Unfortunately, adverse economic conditions have had an even larger impact on the technology sector, including markets in which we operate. As a result, approximately 99% of our stock options are underwater.

This means that the vast majority of the historically granted stock options no longer are effective as incentives to motivate and retain employees. Employees perceive that these options have little or no value. In addition, although these stock options are not likely to be exercised as long as our stock price is lower than the applicable exercise price, they will remain on our books with the potential to dilute stockholders' interests for up to the full term of the options, while delivering little or no retentive or incentive value, unless they are surrendered or cancelled.

Our board of directors has determined that it would be in the best interests of AMD and our stockholders to provide for a one-time exchange of employee stock options that have an exercise price greater than the 52-week high trading price of our common stock on the NYSE at the commencement of our tender offer to our employees (other than options granted within the 12-month period preceding the commencement date of our tender offer to our employees) (the *Option Exchange*). Named executive officers and independent members of our board of directors will be excluded from participating in the Option Exchange. If options are exchanged, employees will receive new stock options to purchase fewer shares in accordance with a specified exchange ratio.

The Option Exchange will begin within six months of the date stockholders approve the program. If stockholders approve the Option Exchange and the Compensation Committee decides to commence the Option Exchange, eligible employees will be offered the opportunity to participate in the Option Exchange under a Tender Offer Statement to be filed with the SEC and distributed to all eligible employees. Employees will be given at least twenty (20) business days in which to accept the offer of the new options in exchange for the surrender of their eligible options. The surrendered options will be cancelled on the first business day following this election period. The new options will be granted on the date of cancellation of the old options and such new options will have an exercise price equal to the fair market value of our common stock on the date of the new grant.

The exchange ratios for the Option Exchange (that is, how many current options an employee must surrender in order to receive one new option) were and will be determined using the Binomial option valuation model. We chose to use this model to derive exchange ratios that were intended to be cost neutral to AMD. New option grants calculated according to the exchange ratios will be rounded down to the nearest whole share on a grant-by-grant basis. Options will not be issued for fractional shares. The actual exchange ratio will be determined at the time the tender offer commences.

Table of Contents

STOCK OPTION EXCHANGE PROGRAM

Under the proposed Option Exchange, participating employees would surrender unexercised employee stock options they currently hold with an exercise price greater than the 52-week high trading price of our common stock on the NYSE at the commencement of our tender offer to our employees (other than options granted within the 12-month period preceding the commencement date of our tender offer to our employees). Named executive officers and independent members of our board of directors will be excluded from participating in the Option Exchange. If options are surrendered for exchange, employees will receive new stock options to purchase fewer shares, in accordance with a specified exchange ratio. The new options will be granted on the date of cancellation of the old options and such new options will have an exercise price equal to the fair market value of our common stock on the new option grant date. The ratios of surrendered options to new options will vary depending upon the exercise price of the surrendered options, as further described below. The exchange ratios and the minimum eligible exercise price, if applicable, for the exchange will be re-calculated before any Option Exchange begins using then-current data.

Of the outstanding options held by eligible employees as of October 6, 2008, the maximum number of shares of common stock underlying options which could be surrendered for exchange is 23,793,823 and the maximum number of shares of common stock underlying the new options which would be issued under the proposed Option Exchange, using the exchange ratios below, would be 9,940,367.

Objectives of Program

The Option Exchange will provide renewed incentives and motivate the eligible employees to contribute to achieving future stock price growth. By realigning the exercise prices of previously granted stock options with the current value of our common stock, based on the exchange ratios described below, we believe that the new stock options will become an important tool to help motivate our eligible employees to continue to create stockholder value.

The exchange program will also enable us to recapture value from compensation costs that we already are incurring with respect to outstanding equity awards that currently have very little motivational impact. We believe it is not an efficient use of our resources to recognize compensation expense on awards that do not provide value to our employees. Under applicable accounting rules, we are required to recognize compensation expense related to these awards, even if these awards are never exercised because the majority remain underwater. By replacing options that have little or no retentive or incentive value with a lesser number of new options with an exercise price equal to the fair market value of our common stock on the date of the new grant, we will dramatically increase the retentive and incentive values. In addition, replacing these options will not create additional compensation expense (other than immaterial expenses that might result from fluctuations in our stock price after the exchange ratios have been set but before the exchange actually occurs).

Background

We believe that stock options are a valuable tool to align employees' interests with those of stockholders. We have historically granted stock options to recognize, reward and motivate employees' performance and to encourage them to continue their employment with us.

As of October 6, 2008, there were a total of 49,378,113 shares underlying options outstanding under our 2004 Equity Incentive Plan and 15,602,344 shares available for grant. Of the outstanding options, as of October 6, 2008, options to purchase 23,793,823 shares of common stock would be eligible for exchange under the proposed Option Exchange. If 100% of eligible options were to be exchanged and new grants of options made in accordance with the exchange ratios set out below, the number of shares underlying options outstanding would be reduced by 13,853,456 shares, or approximately 28% of all outstanding options. 4,681 employees will be eligible to participate in the Option Exchange. The fair market value of the common stock underlying the options that would be entitled to be surrendered for exchange was \$4.11 as of October 20, 2008.

Table of Contents

The table below reflects information on the options eligible for the Option Exchange, as of October 6, 2008:

Exercise Price of Eligible	Number of Shares Underlying Options as of October 6, 2008	Weighted Average Exercise Price	Weighted Average Remaining Life of Option
Employee Grants (assuming 52-week high of \$10)			
\$10.01 to \$14.99	8,943,694	13.82	3.29
\$15.00 to \$19.99	9,741,875	17.22	3.31
\$20.00 and above	5,108,254	23.15	3.33
Total Number of Shares Underlying Options Eligible for Exchange	23,793,823		

Details of the Option Exchange Program*Implementing the Stock Option Exchange Program*

Our board of directors authorized the Option Exchange on October 6, 2008, upon the recommendation of the Compensation Committee and subject to stockholder approval. If this proposal is approved, this one-time offer to surrender eligible options in exchange for new options under the Option Exchange may commence at any time after the Special Meeting at the discretion of our Compensation Committee. The program will begin within six months of the date stockholders approve the program.

If stockholders approve the Option Exchange and the Compensation Committee decides to commence the Option Exchange, eligible employees will be offered the opportunity to participate in the Option Exchange under a Tender Offer Statement to be filed with the SEC and distributed to all eligible employees. Employees will be given at least twenty (20) business days in which to accept the offer of the new options in exchange for the surrender of their eligible options. The surrendered options will be cancelled on the first business day following this election period. The new options will be granted on the date of cancellation of the old options. Surrendered options will be returned to the 2004 Equity Incentive Plan, and will be available for grant under the terms of the 2004 Equity Incentive Plan.

Eligibility

If implemented, the Option Exchange program will be open to all employees of AMD and any of its majority-owned subsidiaries who hold options, worldwide, where feasible and practical under local regulations as determined by AMD, except that the Option Exchange will not be available to the independent members of our board of directors or our named executive officers. The program also will not be available to any former employees. An employee who tenders his or her options for exchange must also have been continuously employed with AMD or any of its majority-owned subsidiaries, and be an eligible employee on the date of the new grant in order to receive the new options. If an optionee is no longer an employee with AMD or any of its majority-owned subsidiaries for any reason, including layoff, termination, voluntary resignation, death or disability, on the date that the Option Exchange commences, that optionee cannot participate in the program. If an optionee is no longer an employee with AMD or any of its majority-owned subsidiaries for any reason on the date that the new grants are made, even if he or she had elected to participate and had tendered his or her options for exchange, such employee's tender will automatically be deemed withdrawn and he or she will not participate in the Option Exchange program. Such employee will retain his or her outstanding options in accordance with their current terms and conditions, and he or she may exercise them during a limited period of time following the termination of employment in accordance with their terms to the extent that they are vested. A vote by an employee in favor of this proposal at the Special Meeting does not constitute an election to participate in the Option Exchange.

Table of Contents*Exchange Ratios*

The exchange ratios set out below for the Option Exchange (that is, how many current options an employee must surrender in order to receive one new option) were and will be determined using the Binomial option pricing model. We chose to use this model to minimize stockholder dilution, avoiding the dilution that occurs when all options are exchanged on a one-for-one basis. New option grants calculated according to the exchange ratios will be rounded down to the nearest whole share on a grant-by-grant basis. Options to purchase fractional shares will not be issued.

The ratios set out below were established based on the AMD stock price at October 6, 2008, and are intended to be cost neutral for AMD. The actual exchange rate will be determined at the time the tender offer commences:

Exchange ratio for Option for Option exchange:

Exercise Price Range (assuming 52-week high of \$10.00)	Exchange Ratio (Cancelled Option to New Option)
\$10.01 to \$14.99	2.0 1
\$15.00 to \$19.99	2.5 1
\$20.00 and above	3.25 1

Election to Participate

Participation in the Option Exchange program will be voluntary. Under the Option Exchange, eligible employees may make a one-time election to surrender stock options that have an exercise price higher than the 52-week high, at the commencement of the tender offer (other than options granted within the 12-month period preceding the commencement date of our tender offer to employees) in exchange for new options in accordance with the exchange ratios set out above.

Exercise Price of New Options

All new options will be granted with an exercise price equal to the fair market value of our common stock on the date of the new grant.

Vesting of New Options

Except in certain countries outside of the United States, such countries to be determined by AMD, the new options will vest beginning one year from the date of the new option grant, dependent upon continued employment with AMD or any of its majority-owned subsidiaries. This means that all new options would be completely unvested at the time of the new grant, regardless of whether the surrendered options were partially or wholly vested. New options replacing surrendered options that were fully vested at the time they were surrendered for cancellation will fully vest on the first year anniversary of the new option grant date (or, replacement grant date). New options replacing surrendered options that were not vested at the time they were surrendered for cancellation will vest as to 50% on the first year anniversary of the replacement grant date and as to the remaining 50% on the second year anniversary of the replacement grant date.

New options will only vest if the optionee remains an employee with AMD or any of its majority-owned subsidiaries and the new options may only be exercised by an employee of AMD or any of its majority-owned subsidiaries. New options that are not vested at termination of employment cannot be exercised and will be forfeited. As described above, the new options will be completely unvested on the date of grant, regardless of whether the surrendered options were partially or completely vested.

Table of Contents

Term of New Options

The term of an option is the length of time during which it may be exercised. Except in certain countries outside of the United States as determined by AMD, under the Option Exchange, each new option will retain the same expiration date as the surrendered options subject to earlier expiration of the option upon termination of the employment of the optionee.

Other Conditions of New Options

The other terms and conditions of the new options will be governed by the 2004 Equity Incentive Plan. New options will be non-qualified stock options under U.S. tax laws. The shares of common stock for which the new options will be exercisable have already been registered with the SEC as part of our stock plan registrations.

U.S. Federal Income Tax Consequences

The exchange of options pursuant to the Option Exchange should be treated as a non-taxable exchange and AMD and participating employees should recognize no income for U.S. federal income tax purposes upon the grant of the new options. All new options granted under the Option Exchange program will be non-qualified stock options for U.S. federal income tax purposes.

Accounting Impact

The intent of the program is that it will not result in AMD incurring any additional compensation expense. Based on this objective, the average fair value of each new stock option award granted to employees in exchange for surrendered stock options, measured as of the date such awards are granted, will be cost neutral (other than immaterial incremental compensation expense that might result from fluctuations in our stock price after the exchange ratios have been set but before the exchange actually occurs). The unamortized compensation expense from the surrendered options and incremental compensation expense, if any, associated with the new stock option awards under the Option Exchange program will be recognized over the service period of the new awards. If any portion of the new stock option awards granted is forfeited prior to the completion of the service condition due to termination of employment, the compensation cost for the forfeited portion of the award will not be recognized.

Potential Modification to Terms to Comply with Governmental Requirements

The terms of the Option Exchange will be described in a Tender Offer Statement that will be filed with the SEC. Although we do not anticipate that the SEC would require us to modify the terms materially, it is possible that we will need to alter the terms of the Option Exchange to comply with potential SEC comments. In addition, it is currently our intention to make the program available to eligible employees of AMD and its majority-owned subsidiaries who are located outside of the United States, where permitted by local law and where we determine it is practical to do so. It is possible that we may need to make modifications to the terms offered to employees in countries outside the United States to comply with local requirements, or for tax or accounting reasons.

Benefits of the Option Exchange Program to Eligible Employees

Because the decision whether to participate in the Option Exchange is completely voluntary, we are not able to predict who will participate, how many options any particular group of employees will elect to exchange, nor the number of replacement options that we may grant. As noted above, however, the independent members of our board of directors and our named executive officers are not eligible to participate in the Option Exchange. The Option Exchange program also will not be available to any former employees of AMD or its majority-owned subsidiaries.

Table of Contents

Effect on Stockholders

The Option Exchange was designed to provide renewed incentives and motivate the eligible employees to continue to create stockholder value and reduce the number of shares currently subject to outstanding options, thereby avoiding the dilution in ownership that normally results from supplemental grants of new stock options. While we cannot predict which or how many employees will elect to participate in the Option Exchange, please see the Background section above for the approximate reduction of the number of shares underlying options outstanding assuming that 100% of eligible options are exchanged and replacement options are made in accordance with the exchange ratios set out above.

Effect on the 2004 Equity Incentive Plan

As of October 6, 2008, 15,602,344 shares of common stock were available for future grant under the 2004 Equity Incentive Plan. Assuming all of the 23,793,823 eligible options are surrendered and cancelled pursuant to the Option Exchange program and 9,940,367 new options are granted in accordance with the applicable exchange ratios, the number of shares available for issuance under the 2004 Equity Incentive Plan would be approximately 29,455,800 shares.

Required Vote

If a quorum for the Special Meeting is present, the affirmative vote of the majority of the votes cast by holders of our common stock present in person or represented by proxy at the Special Meeting will be required to approve the Option Exchange, provided that the total votes cast on the proposal represent over 50% of the outstanding stock entitled to vote on the proposal.

Recommendation of the Board of Directors

Our board of directors has unanimously approved the Option Exchange and recommends that you vote FOR Proposal 2.

Table of Contents

BOARD OF DIRECTORS

The following persons were our directors as of October 22, 2008:

Dr. Hector de J. Ruiz Dr. Ruiz, 62, has been a director since 2000. Dr. Ruiz is currently our Chairman of the Board and Executive Chairman. Dr. Ruiz joined AMD as President and Chief Operating Officer in January 2000, and he was appointed Chairman in April 2004. From April 2002 until July 2008 he served as our Chief Executive Officer. Before joining AMD, Dr. Ruiz served as President of the Motorola, Inc. Semiconductor Products Sector since 1997. From 1991 to 1995, Dr. Ruiz was Senior Vice President and General Manager of Motorola's paging and messaging businesses and in 1996 became Executive Vice President and General Manager of those businesses. Dr. Ruiz joined Motorola in 1977 and, from 1977 to 1991, he held various executive positions in Motorola's Semiconductor Products Sector. Before joining Motorola, Dr. Ruiz worked at Texas Instruments, Inc. from 1972 to 1977.

Dr. W. Michael Barnes Dr. Barnes, 66, has been a director since 2003. Dr. Barnes served as Senior Vice President and Chief Financial Officer of Rockwell International Corporation (Rockwell), a diversified NYSE company, from 1991 until his retirement in 2001. Dr. Barnes joined Collins Radio Company (Collins) in 1968 as a member of the corporate operations research staff. Collins was acquired by Rockwell in 1973, and Dr. Barnes held various management positions at Rockwell until 1991. He was named a distinguished alumnus by the Texas A&M University College of Engineering in 1992, is a member of the Texas A&M University Chancellor's Century Council and is on the university's Engineering Advisory Board. Dr. Barnes is a member of the Board of Directors of MetroPCS Communications, Inc.

John E. Caldwell Mr. Caldwell, 58, has been a director since October 2006. Mr. Caldwell is currently a member of the Board of Directors and Chief Executive Officer of SMTC Corporation, an electronics manufacturing services company, and has held these positions since October 2003. Before joining SMTC, Mr. Caldwell held positions in the Mosaic Group, a marketing services provider, as Chair of the Restructuring Committee of the Board, from October 2002 to September 2003 and in GEAC Computer Corporation Limited, a computer software company, as President and Chief Executive Officer from October 2000 to December 2001. Mr. Caldwell was a director of ATI Technologies Inc. until October 25, 2006, when we acquired ATI. Currently he is a director of Faro Technologies, Inc., a producer of three dimensional manufacturing measurement systems, and IAMGOLD Corporation, a mid-tier gold producer.

Bruce L. Claflin Mr. Claflin, 57, has been a director since 2003. Mr. Claflin was President, Chief Executive Officer, and a member of the Board of Directors of 3Com Corporation (3Com), a provider of voice and data networking products and services, from January 2001 until he retired in 2006. He joined 3Com as President and Chief Operating Officer in August of 1998. Prior to 3Com, Mr. Claflin served as Senior Vice President and General Manager, sales and marketing, for Digital Equipment Corporation (Digital). Mr. Claflin also worked for 22 years at IBM, where he held various sales, marketing and management positions, including general manager of IBM PC Company's worldwide research and development, product and brand management, as well as president of IBM PC Company Americas. Mr. Claflin is a member of the Board of Directors of Ciena Corporation.

Frank M. Clegg Mr. Clegg, 54, has been a director since May 2007. Since February 2005, Mr. Clegg has been a member of the Board of Directors of Indigo Books and Music, a Canadian book retailer. He has been Chairman of Navantis, Inc., a provider of IT software solutions and services since October 2005. From 1991 to 1996 and from 2000 to 2005, Mr. Clegg was the President of Microsoft Canada. From 1996 to 2000, Mr. Clegg was Vice President, Central U.S. and Canada Region, for Microsoft.

H. Paulett Eberhart Ms. Eberhart, 55, has been a director since 2004. Ms. Eberhart is President and Chief Executive Officer of Invensys Process Systems, a provider of products, service and solutions for the automation and optimization of plant operation in the process industries. Before joining Invensys Process Systems in January 2007, Ms. Eberhart was the President Americas of Electronic Data Systems Corporation

Table of Contents

(EDS), an information technology and business process outsourcing company, from 2003 until she retired from EDS in 2004. Ms. Eberhart had been an employee of EDS since 1978. Prior to serving as President Americas, Ms. Eberhart was the Senior Vice President EDS and President Solutions Consulting. From 2001 to 2002, Ms. Eberhart served as the Senior Vice President, Information Solutions, U.S. and from 1999 to 2001 as the Senior Vice President, Information Solutions, Southwest Region. In 1998, she was the Senior Vice President, Finance. She was a member of the Board of Directors of AT Kearney, a subsidiary of EDS. Between 1978 and 1998, Ms. Eberhart served in various management positions in the area of Finance at EDS. Ms. Eberhart served as the chair of the Political Action Committee for EDS and is a member of the Financial Executives Institute and American Institute of Certified Public Accountants. Ms. Eberhart is a member of the Board of Directors of Anadarko Petroleum Corporation.

Derrick R. Meyer Mr. Meyer, 46, has been a director since November 2007. Mr. Meyer is our President and Chief Executive Officer. Mr. Meyer joined AMD in 1995 and was Vice President of Engineering for the Computation Products Group before being promoted to Group Vice President, Computation Products Group in 2001. In April 2002, Mr. Meyer became an executive officer of AMD and was promoted to Senior Vice President of our Computation Products Group. Mr. Meyer became our Executive Vice President of our Computation Products Group in 2004 and was named President and Chief Operating Officer of the Microprocessor Solutions Sector in April 2005. He served as President and Chief Operating Officer from January 2006 until he was promoted to President and Chief Executive Officer in July 2008. Before joining us, Mr. Meyer was employed by Digital beginning in 1986 and by Intel Corporation from 1983 to 1986.

Robert B. Palmer Mr. Palmer, 68, has been a director since 1999. Mr. Palmer was the Chairman and Chief Executive Officer of Digital from 1995 until his retirement in 1998. Mr. Palmer was appointed Chief Executive Officer and President of Digital in October 1992. From 1985 to 1992, Mr. Palmer served in various executive positions at Digital. Before Digital, Mr. Palmer was Executive Vice President of Semiconductor Operations at United Technologies Corporation (UTC), joining UTC in 1980 when it acquired Mostek Corporation, where he was a member of the founding team in 1969. Mr. Palmer is on the Board of Trustees of the Cooper Institute for Aerobic Research, a non-profit preventative medicine research and education organization.

Morton L. Topfer Mr. Topfer, 72, has been a director since February 2005. Mr. Topfer is the Managing Director of Castletop Capital L.P., an investment firm that focuses on private equity and real estate investments. Before forming Castletop Capital in 2002, Mr. Topfer was Vice Chairman of Dell Computer Corporation (Dell), counselor to Dell's Chief Executive Officer and a member of Dell's office of the Chief Executive Officer. Before joining Dell in 1994, Mr. Topfer held various positions with Motorola, Inc., last serving as Corporate Executive Vice President and President of the Land Mobile Products Sector. Before joining Motorola in 1971, Mr. Topfer spent 11 years with RCA Laboratories in various research and development and management positions. Mr. Topfer serves on the Board of Directors of Measurement Specialties, Inc.

Table of Contents**DIRECTORS COMPENSATION AND BENEFITS**

The table below summarizes the compensation paid by us to non-employee directors for serving as directors for the fiscal year ended December 29, 2007.

2007 Non-Employee Director Compensation

	Fees Earned or Paid in Cash⁽¹⁾	Stock Awards⁽²⁾⁽³⁾	Option Awards⁽²⁾⁽³⁾	All Other Compensation	Total
W. Michael Barnes	\$ 84,200	\$ 171,125 ⁽⁴⁾	\$ 290,395 ⁽⁴⁾	\$ 0	\$ 545,720
John E. Caldwell	\$ 67,000	\$ 45,331 ⁽⁴⁾	\$ 136,441 ⁽⁴⁾	\$ 0	\$ 248,772
Bruce L. Claflin	\$ 83,000	\$ 171,125 ⁽⁴⁾	\$ 290,395 ⁽⁴⁾	\$ 0	\$ 544,520
Frank M. Clegg ⁽⁵⁾	\$ 37,917	\$ 37,092	\$ 0	\$ 0	\$ 75,009
H. Paulett Eberhart	\$ 94,200	\$ 171,125 ⁽⁴⁾	\$ 301,114 ⁽⁴⁾	\$ 0	\$ 566,439
James D. Fleck ⁽⁶⁾	\$ 21,418 ⁽⁶⁾	\$ 45,331 ⁽⁷⁾	\$ 136,441 ⁽⁷⁾	\$ 0	\$ 203,190
Robert B. Palmer	\$ 87,000	\$ 171,125 ⁽⁴⁾	\$ 290,395 ⁽⁴⁾	\$ 0	\$ 548,520
Leonard M. Silverman ⁽⁸⁾	\$ 21,667	\$ 0	\$ 290,395	\$ 11,429 ⁽⁸⁾	\$ 323,491
Morton L. Topfer	\$ 73,000	\$ 135,993 ⁽⁴⁾	\$ 344,933 ⁽⁴⁾	\$ 0	\$ 553,926

- (1) Consists of the annual retainer, additional fees for directors who chair a board committee and attendance fees, where applicable.
- (2) The amounts shown do not reflect compensation actually received by the directors or the actual value that may be recognized by the directors with respect to these awards in the future. The actual value realized from these awards, if any, will only be recognized by our directors upon the earlier of vesting of the award or the occurrence of events described under Acceleration of Vesting, below, and for Dr. Barnes, Messrs. Claflin and Palmer and Ms. Eberhart, also upon retirement. The actual value will fluctuate depending upon the price of AMD's common stock. Instead, the dollar value reflected in the table above is the compensation expense recognized for financial statement reporting purposes for the fiscal year ended December 29, 2007 in accordance with the provisions of Statement of Financial Accounting Standards No. 123R, *Share-based Payments* (**SFAS 123R**), but excluding any estimate of future forfeitures and reflecting the effect of any actual forfeitures. The compensation expense reflects equity awards granted between 2004-2007, and the related expense over each award's service period. No stock option awards were forfeited by any of our non-employee directors in fiscal 2007. See Note 12 of the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 29, 2007 regarding the assumptions underlying the valuation of equity awards.
- (3) The aggregate number of stock awards (which consisted solely of restricted stock units (**RSUs**)) and the aggregate number of option awards outstanding at December 29, 2007 end were as follows:

Name	RSUs Outstanding as of December 29, 2007	Option Awards Outstanding as of December 29, 2007
W. Michael Barnes	12,500	103,710
John E. Caldwell	12,500	50,000
Bruce L. Claflin	12,500	117,500
Frank M. Clegg	12,500	0
H. Paulett Eberhart	12,500	72,224
James D. Fleck	12,500	50,000
Robert B. Palmer	12,500	107,890
Leonard M. Silverman	0	114,167
Morton L. Topfer	12,500	75,000

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- (4) In May 2007, we amended our Outside Directors Equity Compensation Policy to, among other things, provide that all of a non-employee director's equity awards would become fully vested upon retirement if the non-employee director served as a member of the Board for at least three years prior to the date of

Table of Contents

retirement and satisfied our equity ownership guidelines. Because Dr. Barnes, Messrs. Claflin and Palmer and Ms. Eberhart were retirement-eligible as of December 29, 2007, the compensation expense under SFAS 123R set forth above includes the compensation expense associated with the unvested portion of all their equity awards. The original vesting schedule of these awards is through 2010. For Messrs. Caldwell, Clegg and Topfer, the compensation expense under SFAS 123R for their equity awards is recognized over the shorter of either: (i) the period through the first date that they are retirement-eligible, or (ii) the original vesting schedule of the equity award. For Messrs. Caldwell and Topfer, the 2007 SFAS 123R compensation expense reflected above is higher than what it would have been had the compensation expense been recognized over the original vesting schedule.

- (5) Mr. Clegg was appointed to our board of directors effective May 24, 2007.
- (6) Dr. Fleck retired from our board of directors effective May 3, 2007. The fees of \$21,418 represent the amount paid to Dr. Fleck for serving as a director. Since May 3, 2007, Dr. Fleck has been an AMD Board observer. Dr. Fleck retired from this role effective May 8, 2008.
- (7) Amount shown includes compensation expense allocated to Dr. Fleck's services to us after his retirement as a member our board of directors.
- (8) Dr. Silverman retired from our board of directors effective May 3, 2007. In gratitude and recognition of his service on our board of directors since 1994, we provided Dr. Silverman with a retirement gift. The cost of the gift to AMD was \$11,429.

Our directors play a critical role in guiding our strategic direction and overseeing our management. In order to compensate them for their substantial time commitment, we provide a mix of cash and equity-based compensation. In order to align the long-term interests of our directors with those of stockholders, a substantial portion of director compensation is provided in the form of equity. We do not provide pension or retirement plans for non-employee directors. Our employee directors, Hector de J. Ruiz and Derrick R. Meyer, do not receive separate compensation for Board service.

Determining Director Compensation. In 2007, Mercer (US) Inc. (*Mercer*) advised the Compensation Committee on a variety of compensation-related issues, including Board member compensation levels. To assist the Board in its annual review of director compensation, the Compensation Committee engaged Mercer to compile a peer group as benchmarks for determining Board compensation. The director peer group consists of companies within the semiconductor, graphics and technology sectors generally considered comparable to AMD. The director peer group consists of the following companies:

Agilent Technologies, Inc.	Lexmark International, Inc.
Applied Materials, Inc.	Micron Technology, Inc.
Avaya Inc.	Nvidia Corporation
Broadcom Corporation	Qualcomm Incorporated
Corning Incorporated	SanDisk Corporation
EMC Corporation	Seagate Technology LLC
Harris Corporation	Texas Instruments Incorporated

The board of directors reviews the Compensation Committee's recommendations and determines the amount of director compensation.

Cash Retainer and Meeting Fees for Non-Employee Directors. During fiscal year 2007, each of our non-employee directors received an annual retainer of \$65,000 for serving as a director and each of the applicable fees and retainers set forth below for serving as a chair of one of the committees of the board of directors.

Annual Retainers for Committee Chairs:	
Audit Committee	\$ 20,000
Lead Independent Director	\$ 20,000
Compensation Committee	\$ 10,000

Table of Contents

In addition, when the board of directors or a committee has met more than eight times during the year, we pay an attendance fee to our non-employee directors for each additional meeting attended, in the following amounts:

Board meeting attendance	\$ 2,000
Committee meeting attendance	\$ 1,200

Stock Options. Non-employee directors also participate in our 2004 Equity Incentive Plan. Prior to May 3, 2007, under a formula contained in a policy adopted by the Board, we granted initial options to purchase 50,000 shares of common stock to non-employee directors on their first election to the board of directors. These initial options were granted in four installments of 12,500 during the initial year of service, of which 4,166 shares in each installment vested on the first anniversary of the first installment of the grant, with the balance vesting monthly over the next two years. If a director was re-elected to the board of directors, we automatically granted annual supplemental options to purchase 25,000 shares of common stock. These annual options were granted in four installments of 6,250 during the year of re-election, of which 2,083 shares in each installment vested on the first anniversary of the first installment of the grant, with the balance vesting monthly over the next two years.

The exercise price of each option is the fair market value of our common stock on the grant date. The options expire on the earlier of ten years from the grant date or 12 months (for options granted before April 26, 2001) or 24 months (for options granted on or after April 26, 2001) following termination of a director's service on the board of directors.

Restricted Stock Units. Effective May 3, 2007, the date of our 2007 annual meeting of stockholders, our director equity compensation was revised such that non-employee directors' initial annual equity awards are made in the form of RSUs rather than stock options. At each annual meeting of our stockholders, provided that the director has served on the Board for at least six months prior to the annual meeting, the non-employee director is granted RSUs having a value equal to \$225,000 divided by the trailing average closing trading prices of our common stock for the 180-day period preceding and ending with the date of the RSU grant. The number of RSUs is limited so that in no event will each annual grant be for greater than 125% or less than 75% of the prior year's number of granted RSUs. New non-employee directors appointed to the Board other than at an annual meeting of our stockholders become entitled to an initial RSU grant equal to the RSU grant made to each non-employee director at the immediately preceding annual meeting of our stockholders. The non-employee directors' RSUs vest in equal one-third installments over three years from the date of grant. At a director's election, the issuance of the underlying shares subject to the RSUs may be deferred until the termination of his or her directorship.

Acceleration of Vesting. In the event of a change of control of AMD, all of the non-employee directors' equity compensation awards will become fully vested. In the event of the termination of a non-employee director's service to the board of directors as a result of death, disability or retirement, all of the non-employee director's equity compensation awards will become fully vested, provided that the non-employee director served as a member of the board of directors for at least three years prior to the date of termination and the non-employee director satisfied our equity ownership guidelines during his or her service as a Board member.

Other Benefits. We reimburse the directors for their travel and related expenses in connection with attending Board meetings and Board-related activities, such as AMD site visits and sponsored events, as well as for continuing education programs. From time to time, we also invite our directors' spouses to accompany them to our board of directors meetings, and we reimburse travel and incidental expenses related to their attendance.

Stock Ownership Guidelines. Under our stock ownership guidelines in effect during 2007, each non-employee director was required to acquire and hold, within five years of the establishment of the stock ownership guidelines in 2004, or being elected to the board of directors, 50% of the number of shares that constituted their annual grant of stock options following re-election, 12,500 shares. In February 2008, we amended our stock ownership guidelines to increase the stock ownership requirement for non-employee directors to 15,000 shares. The time frame for compliance was extended to five years from the establishment of the new guidelines, which is the first quarter of 2013, or five years from the director's first appointment to the board of directors.

Table of Contents

EXECUTIVE OFFICERS

The following persons were our executive officers as of October 22, 2008:

Hector de J. Ruiz Dr. Ruiz, 62, is our Chairman of the Board of Directors and Executive Chairman. Dr. Ruiz joined AMD as President and Chief Operating Officer in January 2000, and he was appointed Chairman in April 2004. From April 2002 until July 2008 he served as our Chief Executive Officer. Before joining AMD, Dr. Ruiz served as President of the Semiconductor Products Sector of Motorola, Inc. since 1997. From 1991 to 1995, Dr. Ruiz was Senior Vice President and General Manager of Motorola's paging and messaging businesses and in 1996 became Executive Vice President and General Manager of those businesses. Dr. Ruiz joined Motorola in 1977 and from 1977 to 1991, he held various executive positions in Motorola's Semiconductor Products Sector. Before joining Motorola, Dr. Ruiz worked at Texas Instruments, Inc. from 1972 to 1977.

Thomas M. McCoy Mr. McCoy, 58, is our Executive Vice President, Legal Affairs, and Chief Administrative Officer. From 1998 to December 2003, Mr. McCoy served as our Senior Vice President, General Counsel until his appointment as Chief Administrative Officer. Mr. McCoy also served as our Secretary from 1995 until April 2003. Before his appointment as Senior Vice President, Mr. McCoy held the office of Vice President, General Counsel from 1995 to 1998. Before joining us, Mr. McCoy was with the law firm of O Melveny and Myers where he practiced law, first as an associate and then as a partner, from 1977 to 1995.

Derrick R. Meyer Mr. Meyer, 46, is our President and Chief Executive Officer. He is also a member of our Board of Directors since November 2007. Mr. Meyer joined AMD in 1995 and was Vice President of Engineering for the Computation Products Group before being promoted to Group Vice President, Computation Products Group in 2001. In April 2002, Mr. Meyer became an executive officer of AMD and was promoted to Senior Vice President, Computation Products Group. Mr. Meyer became our Executive Vice President, Computation Products Group in 2004 and was named President and Chief Operating Officer of the Microprocessor Solutions Sector in April 2005. He served as our President and Chief Operating Officer from January 2006 until July 2008, when he was promoted to President and Chief Executive Officer. Before joining us, Mr. Meyer was employed by Digital Equipment Corporation beginning in 1986 and by Intel Corporation from 1983 to 1986.

Robert J. Rivet Mr. Rivet, 54, is our Executive Vice President and Chief Financial Officer. Mr. Rivet joined us in September 2000. Before joining us, he had served as Senior Vice President and Director of Finance of the Semiconductor Products Sector of Motorola, Inc. since 1997. Mr. Rivet served in a number of positions in semiconductor operations at Motorola since 1981, after joining AMD in 1976 as a senior financial analyst and senior accountant.

Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Committee

The Compensation Committee regularly reviews the alignment of AMD's compensation programs with the strategy and needs of the business, market trends, changes in competitive practices and linkage with the interests of stockholders. Based on those reviews, the Compensation Committee makes specific decisions as well as recommendations to the board of directors with respect to the compensation of AMD's officers, including base salary, annual incentives, long term incentives, and benefits and perquisites.

The Compensation Committee retained Mercer as its consultant in order to get objective, expert advice. Mercer was selected as the consultant to the Compensation Committee in 2004 after an interview process with several compensation consulting firms. In 2007, the Compensation Committee requested Mercer to advise it on a variety of compensation-related issues, including:

Compensation strategy development;

Officer pay levels;

Board of director pay levels;

Long-Term Incentive Plan (LTIP);

Peer group review and refinement;

Stock ownership guidelines for management and Board members;

The Compensation Discussion and Analysis report; and

The Compensation Committee agenda and annual calendar.

In the course of conducting its activities, Mercer attended five meetings of the Compensation Committee and presented its findings and recommendations for discussion. During the course of the year, Mercer met with management to obtain and validate data, and review materials.

In order to maintain an objective external perspective, Mercer does not earn a material amount of money from services to AMD outside of its support to the Compensation Committee. In addition to input from Mercer, the Compensation Committee also considers external perspectives, feedback from human resources and input from management. Further, in 2007, Mr. Claflin attended an Executive Education Program at Harvard Business School that was dedicated to compensation committee issues.

The Compensation Committee charter includes an overview of the membership, purpose, goals and responsibilities, structure and operations of the Compensation Committee, and is available at www.amd.com or by contacting AMD's Corporate Secretary. Information contained on the AMD website is not incorporated by reference in, or considered to be a part of, this document.

Compensation Program

The commentary below is intended to answer the following questions regarding AMD's compensation programs for the Named Executive Officers set forth in the Summary Compensation Table on page 79 (*Officers*):

What are the objectives of our compensation programs?

What is the compensation program designed to reward?

What is each element of compensation?

Why do we choose to pay each element?

Table of Contents

How do we determine the amount (and where applicable, the formula) for each element?

How do each element and our decisions regarding that element fit into our overall compensation objectives and affect decisions regarding other elements?

Pay Objectives, Philosophy and Design Principles

The Compensation Committee's compensation philosophy is to provide compensation and benefit programs that enable us to attract, retain and motivate high caliber employees, provide significant opportunity to reward superior individual and Company performance and to support career development and succession goals.

To implement this philosophy, the Compensation Committee has established the following principles:

Encourage Officer equity ownership to align Officer interests with the interests of stockholders;

Link rewards to achievement of business objectives;

Provide significant rewards for significant performance and support career development and succession goals;

Be competitive with local market practices while maintaining a global framework;

Reflect a total rewards perspective, balancing fixed and variable pay; and

Provide an appropriate return on investment on the overall program spending.

In designing and implementing the elements of compensation for Officers, the Compensation Committee considers several foundational factors to guide specific compensation decisions.

Factor	Discussion
Competitive compensation is crucial in attracting, retaining and motivating high caliber employees.	The Compensation Committee annually reviews market compensation levels to determine whether the total compensation opportunity for its Officers remains in the targeted pay range and makes adjustments when needed. This assessment includes evaluation of base salary, annual incentives and long-term incentives against a peer group of high-technology companies provided by Mercer, and evaluation of published data on compensation in the high-technology industry as detailed in the Towers Perrin Compensation Databank Executive Compensation survey. Both peer groups are described below. In addition, benefits such as health benefits and the 401(k) retirement program and perquisites are regularly assessed relative to the market. The Compensation Committee also reviews our business performance as compared to our peers to establish performance targets for incentive plans and to assess appropriate payout levels for performance. Because total compensation for Officers is determined based on market compensation levels, differences in compensation among the CEO and other Officers are due to differences of compensation among similarly situated executive officers in the market.

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The basis for selection of companies in the proxy peer groups included such factors as revenue, industry and competitive landscape.

Revenue Peer companies should be similarly sized to AMD for appropriate compensation benchmarking.

Industry Peer companies should be within similar industry sectors.

Competitive Landscape Peer companies should be competing with AMD for executive talent.

Table of Contents

Factor	Discussion
	The proxy peer group included:
	Applied Materials Inc. Lexmark International Inc.
	Agilent Technologies Inc. Micron Technology Inc.
	Avaya Inc. Nvidia Corp.
	Broadcom Corp. Qualcomm Incorporated
	Corning Inc. Sandisk Corp.
	EMC Corp. Seagate Technology
	Harris Corp. Texas Instruments Inc.
	Intel Corp.
	The Towers Perrin Compensation Databank Executive Compensation survey peer group included:
	Agilent Technologies Inc. Lexmark International Inc.
	Apple Inc. Lucent Technologies
	Applied Materials Inc. Microsoft Corporation
	Avaya Inc. National Semiconductor Corporation
	CA, Inc. NCR Corporation
	Ceridian Corporation Pitney Bowes Inc.
	Electronic Data Systems Corporation Qualcomm Incorporated
	EMC Corp.
	Emdeon Business Services Sabre Travel Network
	GTECH Corporation Seagate Technology
	Harris Corp. Sun Microsystems, Inc.
	IKON Office Solutions, Inc. Texas Instruments Inc.
	Intel Corp. Unisys Corporation
	Lenovo Xerox Corporation
	Mercer weighted the proxy peer group data and the Towers Perrin Compensation Databank Executive Compensation survey data peer group equally to derive the individual market data for each Officer.

Specific market positioning and other competitive reference points are discussed under each element of compensation below. References to market refer to the review of the proxy peer group and Towers

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Perrin Compensation Databank Executive Compensation survey peer group, as discussed above.

Pay-for-Performance is fundamental. The Compensation Committee places an emphasis on at-risk pay, which is delivered through our annual cash bonus plan and long-term incentive equity grants. Such performance-based grants vary from year to year based on Company and individual performance.

The annual cash bonus plan links a portion of the Officers' cash compensation to the financial performance of AMD. More details of the plan are described below under *Elements of Compensation Annual Incentive Plan*.

It is our belief that equity compensation, combined with stock ownership guidelines, align the perspectives of Officers with stockholder interests. To that end, the majority of incentive compensation and total compensation in general is delivered in equity. More details of equity compensation are described below under *Elements of Compensation Long-Term Incentive Compensation*.

Table of Contents

Factor	Discussion
Section 162(m) of the Internal Revenue Code (the Code) is a factor.	Section 162(m) of the Code limits the deductibility of non-performance based compensation paid to our CEO and any of our three other most highly compensated executive officers, other than our chief financial officer, to \$1 million. In establishing total compensation for such officers, the Compensation Committee considers the effect of Section 162(m). Corporate objectives may not always be consistent with the requirements for full deductibility. Therefore, deductibility is not be the sole factor used in setting the appropriate levels or modes of basic compensation, and certain compensation paid by AMD in the future may not be fully deductible under Section 162(m).

Elements of Compensation: AMD's executive compensation program is comprised of several components. The combination and allocation of the components and the amount of each component is influenced by the role of the Officer in AMD, including scope of the job and the impact the role has on the organization, market practices, the total value of all the compensation, benefits and perquisites available to the person, past earnings and the employment contracts with our President and CEO and our Executive Chairman. The Compensation Committee reviews and considers each component for each Officer before making compensation decisions. In accordance with the Compensation Committee's compensation philosophy, a majority of the total compensation paid to Officers is comprised of incentive compensation that is at-risk, or performance-based. In supporting this philosophy, there will be little or no payout unless performance goals are achieved or the stock price appreciates. The charts below depict the average pay mix for our Officers for the 2007 fiscal year based on grant value at the time of the Compensation Committee's approval.

Performance vs. Non-Performance Based

Equity vs. Non-Equity Based Compensation Pay Mix

Compensation Pay Mix

Performance based compensation includes the Annual Incentive Plan, Long-Term Incentive Plan equity awards and stock options.

Non-performance based compensation includes base salary, restricted stock units and time-based vesting stock option awards.

Table of Contents

Presented below is summary information about each pay element of compensation:

Pay Element	Key Objective and Role of Pay Element	Basis of Design
Base Salary	Salaries are provided to Officers as compensation for day-to-day responsibilities and services to AMD and to meet the objective of attracting and retaining the talent needed to run the business. Salaries provide a consistent cash flow to employees assuming acceptable levels of performance and ongoing employment.	Base salaries are targeted at the 67th percentile of market levels to attract and retain key talent, given the highly competitive nature of AMD's labor market. The decision to increase Officer salaries is based on an analysis of competitive salary levels within AMD's pay peer groups, overall company budgets, individual performance, experience and potential. The Compensation Committee annually reviews Officer performance and market compensation levels in order to determine an appropriate level of base salary for the year. In addition, the Compensation Committee considers the input of the CEO in determining appropriate base salary increases for non-CEO Officers.

At the time of the annual base salary review in 2007, no Officers received increases due to AMD's business results.

In November 2007, Mr. Meyer received a base salary increase of approximately 22% as a result of the Compensation Committee's evaluation of Mr. Meyer's increased duties and responsibilities in his position as well as internal pay equity and base salaries of similarly situated executives in the market. In July 2008, Mr. Meyer entered into an employment agreement (the *Meyer Employment Agreement*) pursuant to which Mr. Meyer succeeded Dr. Ruiz as AMD's Chief Executive Officer. Mr. Meyer is currently AMD's President and Chief Executive Officer. Mr. Meyer received a base salary increase of approximately 9% as a result of his promotion.

In 2007, car allowances paid to the Officers ceased, and their salaries were increased by the amount of their former car allowance.

Table of Contents

Pay Element	Key Objective and Role of Pay Element	Basis of Design
Annual Incentive Plan (AIP)	<p>The use of this measure is intended to focus participants on generating profitability, both through maximizing revenues and controlling costs.</p> <p>The Annual Incentive Plan (AIP) is a cash-based incentive plan designed to encourage Officers and other participants to focus on short-term (annual) targets. The AIP is intended to provide a balance between fixed pay (e.g., base salary and benefits) and long-term pay (e.g., equity-based plans).</p>	<p>Individual incentive targets are based on the 50th percentile of the market. The annual payout is determined by the achievement of objectives over two six-month performance periods, subject to the application of negative discretion by the Compensation Committee. Officers can earn between 0% and 300% of their target opportunity based on the achievement of progressively more aggressive performance objectives. Pursuant to the Meyer Employment Agreement, Mr. Meyer is eligible for an annual performance bonus in a target amount of 200% of his base salary and a maximum amount of 400% of his base salary, to be payable upon his achievement of certain performance goals and objectives to be determined by the board of directors.</p> <p>In the first six-month performance period of 2007, Officer payouts from the AIP were based on the achievement of pre-determined operating income goals. The threshold operating income level was set at the beginning of the performance period and was \$100 million. Our first half 2007 financial results were below the threshold goal.</p> <p>Management and the Compensation Committee have also determined that Officers were not eligible for a payout for the second half 2007.</p> <p>Due to AMD's financial performance, no AIP payouts were made to Officers for 2007.</p> <p>For fiscal year 2008, the annual payout is determined by the achievement of pre-determined operating income goals over two six-month performance periods. The bonus funding weighted 30% in the first half of fiscal year 2008 and 70% in the second half, when AMD's financial results are expected to support a more significant bonus opportunity.</p> <p>Due to the cancellation of the AMD 2005 Long-Term Incentive Plan, as to existing and future cycles (as discussed further below), the second half of fiscal year 2008 bonus targets were increased such that there is no overall decrease in the variable pay opportunity.</p>

Table of Contents

Long-Term Incentive Compensation: Prior to March 2008, we utilized three types of long-term incentive programs for Officers, each having specific objectives as described below. Each of the three vehicles comprise approximately one-third of the long-term incentive value at time of grant for Officers. The target for Officer long-term incentive grants (in aggregate) is the 67th percentile of the market. In March 2008, the AMD 2005 Long-Term Incentive Plan was cancelled as to existing and future cycles.

Pay Element	Key Objective and Role of Pay Element	Basis of Design
Performance-Based Restricted Stock Units (Performance-Based RSUs)	<p>Prior to March 2008, under the AMD 2005 Long-Term Incentive Plan (LTIP), we granted Performance-Based RSUs to Officers to focus them on long-term, competitive operating results and the creation of stockholder value.</p> <p>In March 2008, the LTIP was cancelled as to existing and future cycles. The Compensation Committee determined that the high volatility of AMD's industry combined with the three-year cycle design of the LTIP resulted in a disconnect between pay and performance. The Compensation Committee determined that the AIP for incentive compensation payments better managed the connection between pay and performance. Due to this, the LTIP's annual target opportunity was transferred into the AIP bonus target (as discussed above). There is no overall increase in variable pay opportunity.</p>	<p>Under the LTIP, the grant size of Performance-Based RSUs is based on consistent historical value of the LTIP at time of grant (value divided by average price over the preceding 180 days). Using the average price over the preceding 180 days provides the best estimate of AMD's stock price at the start of the performance period and limits the exposure to day-to-day stock price volatility. The LTIP consists of overlapping three-year performance periods. A three-year performance period begins each year and ends three years later. Subsequently, a three-year performance period ends at the close of each year.</p> <p>Performance-based RSUs are approved by the Compensation Committee and granted within the first 90 days of the three-year performance period, the intent of which is to ensure compliance with Section 162(m) of the Code regarding performance-based pay. Vesting of the performance-based RSUs is contingent upon achieving specific financial goals for the three-year performance period. Actual vesting of performance-based RSUs can range from 0% to 200% of the target. Goals for the 2005-2007 performance period consisted of three-year compound annual sales growth relative to the LTIP performance peer group (listed below) and three-year average operating income margin. The target sales growth was 4% above the aggregate of the peer companies over the three year period. The target operating income margin goal was 7%, averaged over three years. These goals apply to current cycles and the cycle that ended in 2007 (2005-2007). See <i>LTIP Goals Three-year performance period ending December 29, 2007</i> below for the financial goals associated with the 2005-2007 performance period.</p>

Table of Contents

Pay Element	Key Objective and Role of Pay Element	Basis of Design
		The LTIP performance peer group consists of the S&P 500 Semiconductor Index , which provides an external stockholder view of expected levels of performance in the semiconductor industry. This group includes:
		Cypress Semiconductor Corp.
		Freescale Semiconductor
		Intel Corp.
		LSI Logic Corp.
		National Semiconductor
		ST Microelectronics
		Texas Instruments Inc.

For the 2005-2007 performance period, the difference between our three-year revenue annual compounded growth rate and our peer group's three-year revenue annual compounded growth rate, or the sales growth spread, was 8.1% and our operating income margin was 3.7%. Based on these performance levels and the LTIP goals for the three-year performance period ending December 29, 2007, as shown below, the LTIP generated 1.585x target awards.

LTIP Goals Three-year performance period ending December 29, 2007

Operating Income Margin		Sales Growth Spread			
		< Threshold	Threshold	Target	Maximum
		< 0%	0%	4%	8%
< Threshold	<0%	0.00x	0.00x	0.00x	0.00x
Threshold	3%	0.00x	0.25x	0.75x	1.50x
Target	7%	0.00x	0.33x	1.00x	2.00x
Maximum	11%	0.00x	0.41x	1.25x	2.00x

For the 2005-2007 LTIP performance period, we achieved a compounded annual sales growth of 11.5%, which resulted in an 8.1% sales growth spread when compared with a compounded annual growth rate of 3.4% for our peer group over the same time period. For comparability purposes, throughout the performance period we excluded from the sales growth calculation the revenue of our former Memory Products segment that consisted of the results of operations of our former majority-owned subsidiary, Spansion Inc. Moreover, as a result of the ATI acquisition, we only included the incremental ATI sales activity from 2006 to 2007.

In 2005, 2006, and 2007 our operating income margin was 13.9%, 10.4% and -13.3%, respectively, which resulted in a three-year average for the 2005-2007 LTIP performance period of 3.7%. For comparability purposes throughout the performance period, these operating results exclude the results of our former Memory Products segment, ATI acquisition related charges and stock compensation expense.

The number of performance-based RSUs that represents 1.585x target is as follows:

Dr. Ruiz	116,498
Mr. Meyer	33,285
Mr. Rivet	33,285
Mr. McCoy	22,190

Table of Contents

Because Mr. Rivas was promoted to an executive officer in December 2006, he did not receive an LTIP equity grant for the 2005-2007 cycle. Instead, Mr. Rivas received a cash payment of \$178,875 under the LTIP for this performance cycle. Mr. Rivas resigned from the position of Executive Vice President, Computation Products Group, effective May 9, 2008. Because the closing stock price of our common stock on February 6, 2008, the date of the Compensation Committee meeting to certify the LTIP awards for the 2005-2007 performance period, was \$6.74, while the closing price of our common stock on December 27, 2004, the beginning of the 2005-2007 performance period, was \$21.90, the resulting dollar value of the awards was approximately 49% of the target grant dollar value at the beginning of the LTIP performance period. Given the decline in the price of our common stock since the commencement of the performance period, the 2005-2007 LTIP performance period payout was actually below the target dollar value set at the beginning of the 2005-2007 performance cycle.

As discussed above, in March 2008, the LTIP was cancelled as to existing and future cycles. No further payments or grants will be made under the LTIP for existing and future cycles.

Pay Element	Key Objective and Role of Pay Element	Basis of Design
Stock Options	The objective and role of granting stock options are to create long-term incentive and to align Officer interests with stockholders interests because there is no financial gain to an Officer unless our stock price appreciates.	Stock options are granted at 100% of the fair market value of AMD's common stock on the date of grant. Stock options vest over three years, one-third each year, and expire after seven years. Pursuant to the Meyer Employment Agreement, AMD granted Mr. Meyer a stock option to purchase 280,000 shares of AMD's common stock effective as of August 15, 2008 (the <i>Grant Date</i>). One-third of the shares subject to the stock option shall vest on the first anniversary of the Grant Date, and the remaining shares subject to the stock option shall vest in equal monthly installments so that all shares subject to the stock option shall be vested on the third anniversary of the Grant Date. In addition, pursuant to the Meyer Employment Agreement, AMD granted Mr. Meyer stock options to purchase an aggregate of 316,000 shares of AMD's common stock in four equal installments, with the first installment to be granted on the Grant Date and each remaining installment to be granted on successive quarterly anniversaries of the Grant Date. One-third of the shares subject to such stock option shall vest on the first anniversary of the Grant Date, and one-twelfth of the shares subject to the stock option shall thereafter vest on each quarterly anniversary of the Grant Date.
Restricted Stock Units (RSUs)	The objective and role of RSUs are to recognize the highly cyclical nature of our business, recognize individual performance, encourage employee retention, manage dilution and provide a long-term incentive that is strongly aligned with stockholders interests, while aligning the potential value of the award to the overall AMD market value.	RSUs vest over three years, one-third each year. Pursuant to the Meyer Employment Agreement, AMD granted Mr. Meyer 158,000 RSUs on the Grant Date, which RSUs will vest in three substantially equal annual installments from the Grant Date based on Mr. Meyer's continued service to AMD through each such vesting date.

Table of Contents

Size of Stock Option and Restricted Stock Unit Awards Prior to March 2008, performance-based RSUs are approved and granted in the first 90 days of the performance period. RSUs are approved by the Compensation Committee and granted in May while stock options are approved by the Compensation Committee in May and granted in four separate installments throughout the year with the first installment in May, allowing them to be priced throughout the year. Prior to approving the grants, the Compensation Committee conducts a thorough assessment of competitive market data (proxy peer group data and market survey data), as well as Company and executive performance. The assessment of competitive market data and Company and executive performance results in a targeted long term incentive market position. Prior to March 2008, the size of the stock option and RSU award is derived from the difference between the targeted long term incentive market position and the value of the performance-based RSUs granted earlier in the year. One-half of the difference is awarded in the form of stock options. The value of the stock options is determined using the Black-Scholes valuation methodology. One-half of the difference is awarded in RSUs, using a 2.5 to 1 stock option to RSU value ratio. The stock option to RSU value ratio was based on external competitive practices.

Stock Ownership Guidelines. The purpose of the stock ownership guidelines is to strengthen the alignment of Officer interests with stockholder interests and to increase visibility of Officer stock ownership. Through 2007, each Officer was required to acquire and hold, within five years of the establishment of the stock ownership requirements in 2004, or of becoming an Officer, 50% of the number of shares that constituted their target annual grant of stock options or other equity awards. The ownership guideline could only be satisfied by direct ownership of common shares. We have a stock trading policy that prohibits Officers from short sales and buying or selling puts or calls. Although hedging transactions are not expressly prohibited, any hedging must be accomplished in compliance with the stock trading policy. As of December 29, 2007, Hector de J. Ruiz and Thomas M. McCoy, were in compliance with the ownership guidelines and the other Officers were on target to meet their ownership guideline within the appropriate timeframe. In February 2008, we amended our stock ownership guidelines to include all officers subject to the filing requirements of Section 16(a) of the Securities Exchange Act of 1934 and to increase the stock ownership requirement for these officers by 25%. Specifically, Section 16 officers with the title of Senior Vice President are required to acquire and hold 35,000 shares; Section 16 officers with the title of Executive Vice President are required to acquire and hold 78,125 shares; our President and CEO is required to acquire and hold 312,500 shares. We also extended the timeframe for compliance to five years from the establishment of the new guidelines, which is the first quarter of 2013, or five years from becoming a Section 16 officer.

Total Compensation. In aggregate, the key elements above provide for an emphasis on performance and at-risk pay, with a significant upside based on exceptional Company and individual performance. Based on Company and individual performance, the aggregate target is between the 50th and 75th percentile of the market. Compensation decisions are normally made at the first and second Compensation Committee meetings of the fiscal year. Annual Incentive Plan and Long Term Incentive Plan awards are approved at the Compensation Committee meeting shortly after the commencement of the applicable performance period, the intent of which is to ensure compliance with Section 162(m) of the Code regarding performance-based pay. Stock option, RSU, and base salary decisions are approved at the second Compensation Committee meeting of the fiscal year, following the annual review of individual performance and competitive market data, to ensure consistency with the rest of AMD. The target aggregate value of total compensation at the time of Compensation Committee approval was within the targeted range, as described above.

Table of Contents

Other Benefits. We offer additional benefits designed to be competitive with overall market practices, and to attract and retain the talent needed in AMD. All United States salaried employees, including Officers, are eligible to participate in our U.S. benefit programs, which include a Section 401(k) plan (with Company matching contributions), Employee Stock Purchase Plan, health care coverage, life insurance, disability, paid time-off and paid holidays, which are targeted at the 50th percentile of the market. In addition, Officers are eligible to receive certain other benefits described below.

Pay Element	Key Objective and Role of Pay Element	Basis of Design
Deferred Compensation	The deferred compensation plan is intended to assist Officers in their retirement planning. Additionally, because the plan also provides company restoration contributions, the deferred compensation plan is intended to restore company contributions lost due to IRS limits on the tax-qualified Section 401(k) plan.	In addition to participation in our Section 401(k) plan, Officers are eligible to participate in a nonqualified deferred compensation program, the Deferred Income Account Plan. The plan allows deferral of up to 50% of salary and up to 100% of commissions and bonuses into selected funds. Earnings on deferrals are based on the performance of the funds selected by participants. Officer contributions and year-end account balances for 2007 can be found in the 2007 Nonqualified Deferred Compensation table.

In the event that the Officer participates in our Deferred Income Account Plan, we make a matching contribution equal to the amount that would have been made absent the IRS limit on the covered compensation amount.

Nonqualified Defined Benefit Arrangements	The nonqualified defined benefit arrangements for Dr. Ruiz and Mr. Rivet are intended to replace former employer benefits that were forfeited upon joining AMD.	Pursuant to his employment agreement, Dr. Ruiz will receive:
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(1) the average of the three highest annual base salaries for the last 10 years of the period beginning April 26, 2002 and ending on the date of retirement (for purposes of this formula, however, annual base salary cannot exceed \$1,000,000 annually compounded by 3% from January 1, 2002);

(2) that average is then multiplied by the product of 4% and Dr. Ruiz number of full years of service with AMD (not to exceed 10 years of service).

(3) the resulting product is then reduced by any other defined benefit plan benefits he will receive, but not for social security payments. Currently, we do not maintain any defined benefit retirement plan.

Table of Contents

Pay Element	Key Objective and Role of Pay Element	Basis of Design
		<p>Given these benefits, Dr. Ruiz' projected level of total retirement benefits is competitive with levels among AMD's pay peer group. Details of Dr. Ruiz' benefits and the amounts accrued are found in the 2007 Pension Benefits table.</p> <p>Dr. Ruiz' employment agreement was amended and restated on December 12, 2007, primarily to ensure that certain payments to be made under the employment agreement will be exempt from or comply with the requirements of Section 409A of the Code. As amended and restated, the employment agreement gave Dr. Ruiz the opportunity to elect to have his annual retirement benefit paid in a single lump sum payment, as long as Dr. Ruiz made the election on or before December 31, 2007. Dr. Ruiz elected the single lump sum payment.</p>
		<p>Mr. Rivet will receive a lump sum retirement benefit. The lump sum payment will be determined by discounting to present value on the date of determination a stream of lifetime payments equal to no more than 70% of his base salary then in effect, and then deducting from that present value the value of certain other retirement payments from AMD and his former employer. Mr. Rivet's projected level of total retirement benefits is competitive with levels among peer group companies. Additional details of Mr. Rivet's benefits and the amounts accrued are found in the 2007 Pension Benefits table.</p>
		<p>Pursuant to an individual agreement, Mr. Rivet receives full vesting of his accrued retirement benefit upon the earlier of: (1) age 55; (2) termination of employment following a change in control; (3) termination other than for cause, after age 54; and (4) an event of disability.</p>
		<p>These benefits are intended to serve as a replacement for Dr. Ruiz' and Mr. Rivet's arrangements with their former employer.</p>

Table of Contents

Post-Employment Compensation. Post-employment compensation elements that are not offered to salaried employees in general are summarized below.

Pay Element	Key Objective and Role of Pay Element	Basis of Design
Severance Arrangements	Severance arrangements were entered into by AMD to help assure the retention of the CEO and other Officers experience, skills, knowledge and background for the benefit of AMD. These arrangements also reinforce and encourage continued attention and dedication to duties without the distraction arising from the possibility of a change in control of AMD and provide our business with a smooth transition in the event of a change in control of AMD. In addition, these arrangements provide the Officers with a severance amount to help financially ease their transition from AMD.	Pursuant to Dr. Ruiz employment agreement, which was entered into pursuant to individual negotiations with the Compensation Committee at the time of Dr. Ruiz initial employment with AMD, we have a severance arrangement with Dr. Ruiz. Under the agreement, Dr. Ruiz receives certain severance benefits upon termination unless the termination is for cause or is a voluntary termination without good reason. For a detailed description of Dr. Ruiz severance benefits please see the Executive Compensation - Employment Agreements section below. On July 17, 2008, Dr. Ruiz employment agreement was amended to provide that Dr. Ruiz position with AMD changed from Chief Executive Officer to Executive Chairman of AMD and to provide that Dr. Ruiz may be eligible for retirement or severance benefits, as applicable, in the event he terminates employment with AMD but continues in service with an entity that is less than 80% owned by AMD.

On July 17, 2008, we entered into an employment agreement with Derrick R. Meyer pursuant to which Mr. Meyer succeeded Dr. Ruiz as AMD's Chief Executive Officer. Mr. Meyer is currently our President and Chief Executive Officer. Pursuant to Mr. Meyer's employment agreement, in the event of Mr. Meyer's involuntary termination without cause or constructive termination, Mr. Meyer receives certain severance benefits.

In the event of Mr. Meyer's involuntary termination without cause or constructive termination, AMD will pay Mr. Meyer a single lump sum amount calculated by multiplying the Severance Multiplier (as hereinafter defined) times the sum of Mr. Meyer's base salary and the target amount of his annual bonus. The Severance Multiplier will be (i) three, in the event of said termination of employment on or prior to the fourth anniversary of the effective date of Mr. Meyer's employment agreement, and (ii) two, in the event of said termination of

Table of Contents

Pay Element	Key Objective and Role of Pay Element	Basis of Design
		<p>employment after the fourth anniversary of such effective date. AMD will provide Mr. Meyer health and welfare benefits for a period of 18 months following the date of termination, including, at AMD's election, COBRA premiums for 18 months, and AMD will pay Mr. Meyer an amount calculated to pay income taxes due, if any, as a result of AMD's payment on his behalf for such welfare benefits. In addition, in the event of said termination of employment prior to or more than 24 months after a change of control (as defined in the employment agreement) of AMD, all non-performance vesting awards will accelerate and become fully vested and the exercise period for such equity awards will be extended to the earlier of the fifth anniversary of the date of termination or the expiration of such awards. In the event of said termination of employment within 24 months of a change of control, all equity awards then held by Mr. Meyer will accelerate and become fully vested. The exercise period for all such equity awards will also be extended to the earlier of the fifth anniversary of the date of Mr. Meyer's termination or the expiration of such awards.</p>

Mr. Meyer's employment agreement was entered into pursuant to individual negotiations with the Compensation Committee.

We entered into an offer letter agreement with Mr. Orton that became effective upon the closing of the acquisition of ATI (Effective Date), pursuant to individual negotiations with the Compensation Committee. The offer letter agreement provides for certain severance benefits upon termination without cause or by mutual agreement within two years following the Effective Date. For a detailed description of Mr. Orton's severance benefits please see the Executive Compensation Employment Agreements section below. Mr. Orton resigned from the position of Executive Vice President, Visual and Media Business, effective July 31, 2007.

Table of Contents

Pay Element	Key Objective and Role of Pay Element	Basis of Design
Management Continuity Agreements	<p>We entered into management continuity agreements with each of our Officers, except Dr. Ruiz and Mr. Orton, designed to encourage their continued services in the event of a change in control. In July 2008, AMD entered into an employment agreement with Mr. Meyer. Mr. Meyer's employment agreement supersedes his management continuity agreement.</p> <p>The management continuity agreements were implemented to allow for a smooth transition in the event of a change in control of AMD and to provide the Officers with a severance amount to help financially ease their transition AMD. The management continuity agreements were implemented also to provide incentives to the Officers to execute the wishes of the Board, even in the event that the board of directors takes an action that may result in the elimination of the Officer's position with AMD. We believe this structure strikes a balance between incentives and executive hiring and retention without providing the benefits to Officers who continue to enjoy employment with an acquiring company in the event of a change in control.</p>	<p>Officers will receive certain incremental amounts in the event of termination of employment in connection with a change in control of AMD, as described in the <i>Executive Compensation Change in Control Arrangements</i> section below.</p> <p>Under AMD's 2005 Long-Term Incentive Plan, a pro-rated performance-adjusted payment is paid to Officers upon termination at the discretion of the Compensation Committee.</p> <p>AMD is under no contractual obligations with respect to severance with any of the other Officers other than those described above.</p> <p>For purposes of Dr. Ruiz and Mr. Meyer's employment agreements and the management continuity agreements, a change in control includes any change of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended. A change in control is described in the section entitled <i>Executive Compensation Change in Control Arrangements</i> below.</p> <p>The management continuity agreements provide for termination benefits following a change in control if within two years after the change in control an Officer's employment is terminated or the Officer is constructively discharged. In those circumstances, the Officer would receive:</p> <p>A severance benefit equal to three times the sum of his rate of annual base compensation plus the average of his two highest bonuses in the last five years;</p> <p>Payment of the pro-rated amount of his accrued bonus;</p> <p>Twelve months continuation of other incidental benefits; and</p>

Full and immediate vesting of all unvested stock options, stock appreciation rights and restricted stock units and awards.

Table of Contents

Pay Element

Key Objective and Role of Pay Element

Basis of Design

In addition, for Mr. Rivet, if a change in control occurs, he will receive a lump sum payment of his retirement benefit. Mr. Rivet's individual agreement was determined pursuant to individual negotiations with the Compensation Committee at the time of his initial employment with AMD.

The terms and conditions of the management continuity agreements were reviewed by Mercer in 2006, and Mercer and the Compensation Committee determined that the agreement design, conditions, and payout amounts were appropriate and competitive within the market.

Table of Contents

Notwithstanding anything to the contrary set forth in any of our previous filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate future filings, including this proxy statement, in whole or in part, the following two reports will not be incorporated by reference into any such filings, nor will they be deemed to be soliciting material or deemed filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board of Directors has reviewed and discussed with management the Compensation Discussion and Analysis included in this proxy statement. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in AMD's proxy statement for its Special Meeting.

COMPENSATION COMMITTEE

Bruce L. Claflin, Chair
Robert B. Palmer
Morton L. Topfer
Frank M. Clegg

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

No member of the Compensation Committee has at any time served as an officer or been otherwise employed by us. None of our executive officers currently serves or in the prior three years has served as a member of the board of directors or Compensation Committee of any entity that has one or more executive officers serving on our board of directors or Compensation Committee.

Table of Contents**EXECUTIVE COMPENSATION**

The following table shows compensation information for our Chief Executive Officer, our Chief Financial Officer, and our three other most highly paid executive officers as of the end of our last fiscal year. The table also includes compensation information for our former Executive Vice President, Visual Media Business because he was an executive officer during 2007 and disclosure would have been provided for him if he were serving as an executive officer at the end of fiscal 2007.

2007 SUMMARY COMPENSATION TABLE

Name and Principal Position (a)	Year (b)	Salary (\$) (c)	Stock Awards (\$) ⁽¹⁾ (e)	Option Awards (\$) ⁽¹⁾ (f)	Non-Equity Incentive Plan Compensation (\$) (g)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) ⁽²⁾ (h)	All Other Compensation (\$) ⁽³⁾ (i)	Total (\$) (j)
Hector de J. Ruiz Chairman and Chief Executive Officer	2007	\$ 1,124,000	\$ 4,577,330	\$ 1,328,385	\$ 0	\$ 981,353	\$ 74,922 ⁽⁴⁾	\$ 8,085,990
	2006	\$ 1,046,358	\$ 4,190,677	\$ 1,548,292	\$ 2,598,750	\$ 539,000	\$ 326,608 ⁽⁵⁾	\$ 10,249,685
Robert J. Rivet Executive Vice President and Chief Financial Officer	2007	\$ 599,000	\$ 1,355,253	\$ 443,794	\$ 0	\$ 1,854,758	\$ 21,758	\$ 4,274,563
	2006	\$ 564,252	\$ 1,116,476	\$ 455,451	\$ 503,125	\$ 2,076,921	\$ 80,809	\$ 4,797,034
Derrick R. Meyer President and Chief Operating Officer	2007	\$ 695,000	\$ 2,048,646	\$ 534,824	\$ 0	\$ 0	\$ 21,304 ⁽⁶⁾	\$ 3,299,774
	2006	\$ 631,071	\$ 1,675,488	\$ 472,506	\$ 662,188	\$ 0	\$ 31,775	\$ 3,473,028
Thomas M. McCoy Executive Vice President, Legal Affairs and Chief Administrative Officer	2007	\$ 544,000	\$ 991,887	\$ 363,503	\$ 0	\$ 0	\$ 45,244	\$ 1,944,634
	2006	\$ 541,404	\$ 854,656	\$ 434,465	\$ 455,000	\$ 0	\$ 73,968	\$ 2,359,493
Mario A. Rivas Executive Vice President, Computation Products Group	2007	\$ 500,000	\$ 356,959	\$ 300,903	\$ 178,875	\$ 0	\$ 12,249	\$ 1,348,986
	2006 ⁽⁷⁾	\$	\$	\$	\$	\$	\$	\$
David E. Orton Former Executive Vice President, Visual and Media Business	2007	\$ 603,129	\$ 561,147	\$ 374,714	\$ 0	\$ 0	\$ 11,166	\$ 1,550,156
	2006 ⁽⁸⁾	\$	\$	\$	\$	\$	\$	\$

- (1) Amounts shown do not reflect compensation actually received by the Named Executive Officer or the actual value that may be recognized by the Named Executive Officer with respect to these awards in the future. The actual value realized from these awards, if any, will only be recognized by a Named Executive Officer upon the earlier of vesting of the award or the occurrence of events described under Employment Agreements or Change in Control Arrangements, below. Instead the dollar value of these awards is the compensation cost recognized for financial statement reporting purposes for the fiscal year ended December 29, 2007 in accordance with the provisions of SFAS 123R, but excluding any estimate of future forfeitures and reflecting the effect of any actual forfeitures. These compensation costs reflect equity awards granted in and prior to fiscal year 2007 as applicable, and the related expense over each award's service period. See Note 12 of the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 29, 2007 regarding the assumptions underlying the valuation of equity awards.
- (2) None of the amounts in this column is above-market or preferential earnings on compensation that is deferred on a basis that is not tax-qualified.

Table of Contents

(3) All Other Compensation includes the following amounts:

Name	Year	Car Allowance	Financial Planning (e.g., tax preparation, estate planning)	Travel by Family Member at Company Request	Matching Contributions to 401(k)	Matching Contributions under Deferred Income Account Plan	2007 Tax Gross Ups (for imputed income related to travel)	Life Insurance Premiums	Patent Awards	Security Expenses
Hector de J. Ruiz	2007	\$ 462	\$ 29,035	\$ 489 ⁽⁹⁾	\$ 6,750	\$ 0	\$ 2,303 ⁽⁹⁾	\$ 3,811	\$ 0	\$ 492
	2006	\$ 24,000	\$ 29,283	\$ 16,455	\$ 6,600	\$ 0	\$ 20,067	\$ 3,479	\$ 0	\$ 1,337
Robert J. Rivet	2007	\$ 462	\$ 0	\$ 801	\$ 6,750	\$ 11,220	\$ 482	\$ 1,642	\$ 0	\$ 401
	2006	\$ 24,000	\$ 0	\$ 23,147	\$ 6,600	\$ 10,701	\$ 14,482	\$ 1,451	\$ 0	\$ 428
Derrick R. Meyer	2007	\$ 462	\$ 0	\$ 0	\$ 6,750	\$ 0	\$ 3,978	\$ 2,104	\$ 1,075	\$ 0
	2006	\$ 24,000	\$ 0	\$ 0	\$ 6,600	\$ 0	\$ 0	\$ 487	\$ 688	\$ 0
Mario A. Rivas	2007	\$ 277	\$ 0	\$ 0	\$ 6,750	\$ 0	\$ 0	\$ 2,622	\$ 2,600	\$ 0
	2006	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Thomas M. McCoy	2007	\$ 462	\$ 12,000	\$ 7,014 ⁽¹⁰⁾	\$ 6,750	\$ 9,570	\$ 6,924 ⁽¹⁰⁾	\$ 2,524	\$ 0	\$ 0
	2006	\$ 24,000	\$ 6,000	\$ 14,728	\$ 6,600	\$ 9,224	\$ 11,501	\$ 1,915	\$ 0	\$ 0
David E. Orton	2007	\$ 0	\$ 0	\$ 0	\$ 6,750	\$ 0	\$ 0	\$ 4,416	\$ 0	\$ 0
	2006	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

(4) Includes \$31,430 for premiums paid by us for an individual insurance policy and \$150 related to an event.

(5) Includes \$196,577 for relocation expenses and \$28,811 for premiums paid by us for an individual insurance policy.

(6) Includes \$6,935, which represents the value of a sales achiever's trip attended by Mr. Meyer at AMD's request.

(7) Because Mr. Rivas was not a Named Executive Officer during 2006, we only included compensation information for Mr. Rivas for 2007. Mr. Rivas resigned from the position of Executive Vice President, Computing Solutions Group, effective May 9, 2008.

(8) Because Mr. Orton was not a Named Executive Officer during 2006, we only included compensation information for Mr. Orton for 2007. Mr. Orton resigned from the position of our Executive Vice President, Visual and Media Business, effective July 31, 2007.

(9) During 2007, a family member accompanied Dr. Ruiz on certain business trips. Flights related to these trips were on an airplane leased by Dr. Ruiz and paid for by AMD. There was no incremental cost to AMD for these trips. Therefore, no amounts related to these trips have been included in All Other Compensation for Dr. Ruiz. However, for tax purposes, the imputed income to Dr. Ruiz for the flights by his family members was \$3,829. Dr. Ruiz received a tax gross up for this amount of \$2,303, which is included in All Other Compensation. In addition, the cost of meals, local transportation and services for one of the business trips paid by AMD for the family member was \$489. This amount is included in All Other Compensation for Dr. Ruiz.

(10) During 2007, Mr. McCoy's spouse accompanied him on a business trip where her participation was desired by AMD. This trip consisted of a flight on a commercial airline where the \$7,014 fare was paid by AMD and two flights, at no incremental cost to AMD, on an airplane leased by Dr. Ruiz and paid for by AMD. The cost to AMD of the commercial airline fare of \$7,014 is included in All Other Compensation. The imputed income to Mr. McCoy for the commercial airline fare was \$7,014 and the imputed income to Mr. McCoy for the two flights in the leased airplane was \$1,852. Mr. McCoy received a tax gross up of \$6,924 for the aggregate imputed income amount of \$8,866. The tax gross up payment amount is included in All Other Compensation.

Table of Contents**2007 NONQUALIFIED DEFERRED COMPENSATION**

The following table shows certain information for the Officers under the Deferred Income Account Plan for the 2007 fiscal year.

Name (a)	Executive Contributions in Last FY \$(⁽¹⁾) (b)	Registrant Contributions in Last FY \$(⁽²⁾) (c)	Aggregate Earnings in Last FY \$(⁽³⁾) (d)	Aggregate Withdrawals/ Distributions (\$) (e)	Aggregate Balance at Last FYE \$(⁽⁴⁾) (f)
Hector de J. Ruiz	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Robert J. Rivet	\$ 236,223	\$ 11,220	\$ 92,707	\$ 0	\$ 2,525,754
Derrick R. Meyer	\$ 0	\$ 0	\$ 21,595	\$ 0	\$ 270,036
Thomas M. McCoy	\$ 266,500	\$ 9,570	\$ 42,463	\$ 0	\$ 2,125,559
Mario A. Rivas	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
David E. Orton	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

- (1) Of the amounts shown, \$60,129 for Mr. Rivet and \$39,000 for Mr. McCoy are included in the Salary column of the 2007 Summary Compensation Table; the remaining amounts shown represent non-equity incentive compensation earned in fiscal year 2006 that would have been paid to the Officer during fiscal year 2007 if it had not been deferred under the Deferred Income Account Plan.
- (2) These amounts are included in the 2007 Summary Compensation Table in the All Other Compensation column.
- (3) None of the earnings in this column is included in the 2007 Summary Compensation Table because they were not preferential or above market.
- (4) Of the amounts shown, \$86,504 for Mr. Rivet, and \$39,000 for Mr. McCoy were reported in the Salary column of the 2006 Summary Compensation Table.

We maintain a non-qualified deferred compensation plan, the Deferred Income Account Plan (DIA), formerly named the Executive Investment Account Plan, which allows eligible employees, including Officers, to voluntarily defer receipt of a portion of their salary and annual bonus until the date or dates selected by the participant. Participants may defer up to 50% of annual base salary and/or 100% of commissions and bonuses. Participants make a deferral election prior to the year in which the compensation is earned that may not be terminated or changed during the year for which it was made. We make a contribution to the participant's account if his/her annual base salary before the deferral is greater than the compensation limit for 401(k) plans. The contribution is equal to the lesser of (i) 50% of the deferred compensation credited to the participant's account for the year and (ii) 3% of the participant's salary in excess of the eligible 401(k) compensation limit for the year. Participants are 100% vested in the value of their accounts. Participants may select their desired benchmark investment fund(s) in which their accounts are deemed to be invested and may change their investment elections at any time, with such change effective from the next business day. The amount of investment gain or loss that is credited to the participant's account depends on the participant's investment election. Currently, we are utilizing the investment funds, except the Lifestyle Funds, available under variable life insurance policies insured by John Hancock Life as the benchmark investment funds. For the 2007 fiscal year, the investment return credited to the accounts of Messrs. Rivet, Meyer and McCoy were 2.35%, 8.69% and 4.24%, based on their investment elections for their accounts.

The deferral accounts are distributed following a participant's termination of employment with us unless the participant has elected an in-service withdrawal (scheduled or hardship withdrawal). At the time a participant makes his/her deferral election, he/she may elect a different form of distribution for such year's deferred compensation. The participant may elect a single lump sum distribution or annual installment distributions over three to ten years. The default form of distribution is a single lump sum. A participant may change the form of distribution election, subject to the terms of the DIA.

A participant may elect to withdraw all or part of his/her account while employed by us, subject to the terms of the DIA. The in-service withdrawal date must be at least two years after the plan year in which the election was made. An in-service withdrawal date may be changed, subject to the terms under the DIA. An unscheduled payment may also be made, subject to the terms of the DIA.

Table of Contents**OUTSTANDING EQUITY AWARDS AT 2007 FISCAL YEAR-END**

The following table shows all outstanding equity awards held by the Officers as of December 29, 2007.

Name (a)	Option Awards				Stock Awards			Equity Incentive Plan Awards:
	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Option Exercise Price (\$) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#) (g)	Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽¹⁾ (h)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (i)	Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) ⁽¹⁾ (j)
Hector de J. Ruiz					16,667 ⁽²⁾	\$ 122,002		
					16,666 ⁽³⁾	\$ 121,995		
					12,500 ⁽⁴⁾	\$ 91,500		
					12,500 ⁽⁵⁾	\$ 91,500		
					12,500 ⁽⁵⁾	\$ 91,500		
					12,500 ⁽⁵⁾	\$ 91,500		
					100,000 ⁽⁶⁾	\$ 732,000		
							147,000 ⁽⁷⁾	\$ 1,076,040
							200,000 ⁽⁹⁾	\$ 1,464,000
							210,000 ⁽⁸⁾	\$ 1,537,200
	500,000	0	\$ 17.07	1/24/2010				
	125,000	0	\$ 26.90	4/25/2011				
	125,000	0	\$ 21.08	7/19/2011				
	62,500	0	\$ 14.15	11/26/2011				
	300,000	0	\$ 16.05	1/31/2012				
	200,000	0	\$ 16.05	1/31/2012				
	600,000	0	\$ 16.05	1/31/2012				
	125,000	0	\$ 15.20	10/31/2013				
	75,199	0	\$ 14.64	2/2/2014				
	29,164	0	\$ 14.22	4/30/2011				
	14,582	0	\$ 11.33	7/28/2011				
	19,443	0	\$ 11.33	7/28/2011				
	125,000	0	\$ 15.50	10/25/2011				
	125,000	0	\$ 16.66	2/3/2012				
	111,111	13,889 ⁽¹¹⁾	\$ 14.16	4/28/2012				
	111,111	13,889 ⁽¹¹⁾	\$ 20.10	7/27/2012				
	26,389	23,611 ⁽¹²⁾	\$ 33.95	5/4/2013				
	26,389	23,611 ⁽¹²⁾	\$ 17.81	7/25/2013				
	26,388	23,612 ⁽¹²⁾	\$ 20.32	10/24/2013				
	26,388	23,612 ⁽¹²⁾	\$ 14.83	2/15/2014				
	0	62,500 ⁽¹³⁾	\$ 15.40	5/15/2014				
	0	62,500 ⁽¹³⁾	\$ 11.95	8/15/2014				
	0	62,500 ⁽¹³⁾	\$ 12.70	11/15/2014				
	500,000 ⁽²⁰⁾	0	\$ 17.07	1/24/2010				
	1,000,000 ⁽²⁰⁾	0	\$ 17.07	1/24/2010				
	100,000 ⁽²⁰⁾	0	\$ 16.05	1/31/2012				

Table of Contents

Name (a)	Option Awards				Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of
	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Option Exercise Price (\$) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#) (g)	Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽¹⁾ (h)	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (#) (i)	Unearned Shares, Units or Other Rights That Have Not Vested (\$) ⁽¹⁾ (j)
Robert J. Rivet					4,688 ⁽⁴⁾	\$ 34,316		
					4,688 ⁽⁵⁾	\$ 34,316		
					4,688 ⁽⁵⁾	\$ 34,316		
					4,688 ⁽⁵⁾	\$ 34,316		
					40,000 ⁽⁶⁾	\$ 292,800		
							42,000 ⁽⁷⁾	\$ 307,440
							60,000 ⁽⁸⁾	\$ 439,200
							50,000 ⁽⁹⁾	\$ 366,000
							6,901 ⁽¹⁰⁾	\$ 50,515
	175,000	0	\$ 23.25	10/2/2010				
	25,000	0	\$ 26.90	4/25/2011				
	25,000	0	\$ 21.08	7/19/2011				
	25,000	0	\$ 12.40	11/8/2011				
	25,000	0	\$ 14.15	11/26/2011				
	150,000	0	\$ 10.26	10/25/2011				
	25,000	0	\$ 11.69	4/24/2012				
	25,000	0	\$ 8.46	7/24/2012				
	25,000	0	\$ 5.92	10/24/2012				
	25,000	0	\$ 5.92	10/24/2012				
	31,250	0	\$ 7.36	5/1/2013				
	31,250	0	\$ 7.16	8/1/2013				
	31,250	0	\$ 15.20	10/31/2013				
	31,250	0	\$ 14.64	2/2/2014				
	31,250	0	\$ 14.22	4/30/2011				
	31,250	0	\$ 11.33	7/28/2011				
	31,250	0	\$ 15.50	10/25/2011				
	31,250	0	\$ 16.66	2/3/2012				
	26,666	3,334 ⁽¹¹⁾	\$ 14.16	4/28/2012				
	26,666	3,334 ⁽¹¹⁾	\$ 20.10	7/27/2012				
	9,895	8,855 ⁽¹²⁾	\$ 33.95	5/4/2013				
	9,895	8,855 ⁽¹²⁾	\$ 17.81	7/25/2013				
	9,895	8,855 ⁽¹²⁾	\$ 20.32	10/24/2013				
	9,895	8,855 ⁽¹²⁾	\$ 14.83	2/15/2014				
	0	25,000 ⁽¹³⁾	\$ 15.40	5/15/2014				
	0	25,000 ⁽¹³⁾	\$ 11.95	8/15/2014				
	0	25,000 ⁽¹³⁾	\$ 12.70	11/15/2014				

Table of Contents

Name (a)	Option Awards					Stock Awards		Equity Incentive Plan Awards: Market or Payout Value of
	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Option Exercise Price (\$) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#) (g)	Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽¹⁾ (h)	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (#) (i)	Unearned Shares, Units or Other Rights That Have Not Vested (\$) ⁽¹⁾ (j)
Derrick R. Meyer					5,000 ⁽²⁾	\$ 36,600		
					5,000 ⁽³⁾	\$ 36,600		
					7,813 ⁽⁴⁾	\$ 57,191		
					7,813 ⁽⁵⁾	\$ 57,191		
					7,813 ⁽⁵⁾	\$ 57,191		
					7,813 ⁽⁵⁾	\$ 57,191		
					80,000 ⁽⁶⁾	\$ 585,600		
							42,000 ⁽⁷⁾	\$ 307,440
							100,000 ⁽⁹⁾	\$ 732,000
							80,000 ⁽⁸⁾	\$ 585,600
							7,801 ⁽¹⁰⁾	\$ 57,103
	2,600	0	\$ 11.69	3/26/2008				
	7,500	0	\$ 13.57	12/15/2009				
	50,000	0	\$ 42.25	4/27/2010				
	25,000	0	\$ 32.10	8/16/2010				
	25,000	0	\$ 26.90	4/25/2011				
	25,000	0	\$ 21.08	7/13/2011				
	15,000	0	\$ 12.40	11/8/2011				
	25,000	0	\$ 14.15	11/26/2011				
	9,000	0	\$ 11.69	4/24/2012				
	37,500	0	\$ 15.20	10/31/2013				
	37,500	0	\$ 14.64	2/2/2014				
	37,500	0	\$ 14.22	4/30/2011				
	16,500	0	\$ 11.33	7/28/2011				
	37,500	0	\$ 15.50	10/25/2011				
	37,500	0	\$ 16.66	2/3/2012				
	33,333	4,167 ⁽¹¹⁾	\$ 14.16	4/28/2012				
	33,333	4,167 ⁽¹¹⁾	\$ 20.10	7/27/2012				
	9,895	8,855 ⁽¹²⁾	\$ 33.95	5/4/2013				
	9,895	8,855 ⁽¹²⁾	\$ 17.81	7/25/2013				
	9,895	8,855 ⁽¹²⁾	\$ 20.32	10/24/2013				
	9,895	8,855 ⁽¹²⁾	\$ 14.83	2/15/2014				
	0	50,000 ⁽¹³⁾	\$ 15.40	5/15/2014				
	0	50,000 ⁽¹³⁾	\$ 11.95	8/15/2014				
	0	50,000 ⁽¹³⁾	\$ 12.70	11/15/2014				

Table of Contents

Name (a)	Option Awards				Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of
	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Option Exercise Price (\$) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#) (g)	Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽¹⁾ (h)	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (#) (i)	Unearned Shares, Units or Other Rights That Have Not Vested (\$) ⁽¹⁾ (j)
Thomas M. McCoy					4,000 ⁽²⁾	\$ 29,280		
					4,000 ⁽³⁾	\$ 29,280		
					3,750 ⁽⁴⁾	\$ 27,450		
					3,750 ⁽⁵⁾	\$ 27,450		
					3,750 ⁽⁵⁾	\$ 27,450		
					3,750 ⁽⁵⁾	\$ 27,450		
					24,000 ⁽⁶⁾	\$ 175,680		
							28,000 ⁽⁷⁾	\$ 204,960
							40,000 ⁽⁸⁾	\$ 292,800
							50,000 ⁽⁹⁾	\$ 366,000
	150,000	0	\$ 41.00	4/26/2010				
	75,000	0	\$ 32.10	8/16/2010				
	6,250	0	\$ 26.90	4/25/2011				
	6,250	0	\$ 21.08	7/19/2011				
	6,250	0	\$ 14.15	11/26/2011				
	31,250	0	\$ 15.20	10/31/2013				
	31,250	0	\$ 14.64	2/2/2014				
	31,250	0	\$ 14.22	4/30/2011				
	3,472	0	\$ 11.33	7/28/2011				
	31,250	0	\$ 15.50	10/25/2011				
	31,250	0	\$ 16.66	2/3/2012				
	26,666	3,334 ⁽¹¹⁾	\$ 14.16	4/28/2012				
	26,666	3,334 ⁽¹¹⁾	\$ 20.10	7/27/2012				
	7,916	7,084 ⁽¹²⁾	\$ 33.95	5/4/2013				
	7,916	7,084 ⁽¹²⁾	\$ 17.81	7/25/2013				
	7,915	7,085 ⁽¹²⁾	\$ 20.32	10/24/2013				
	7,915	7,085 ⁽¹²⁾	\$ 14.83	2/15/2014				
	0	15,000 ⁽¹³⁾	\$ 15.40	5/15/2014				
	0	15,000 ⁽¹³⁾	\$ 11.95	8/15/2014				
	0	15,000 ⁽¹³⁾	\$ 12.70	11/15/2014				

Table of Contents

Name (a)	Option Awards					Stock Awards		Equity Incentive Plan Awards: Market or Payout Value of
	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Option Exercise Price (\$) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#) (g)	Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽¹⁾ (h)	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (#) (i)	Unearned Shares, Units or Other Rights That Have Not Vested (\$) ⁽¹⁾ (j)
Mario A. Rivas					625 ⁽⁴⁾	\$ 4,575		
					625 ⁽⁵⁾	\$ 4,575		
					625 ⁽⁵⁾	\$ 4,575		
					15,000 ⁽¹⁶⁾	\$ 109,800		
					625 ⁽⁵⁾	\$ 4,575		
					5,000 ⁽⁶⁾	\$ 36,600		
							50,000 ⁽⁹⁾	\$ 366,000
	24,500	10,500 ⁽¹⁴⁾	\$ 23.11	10/10/2012				
	1,319	1,181 ⁽¹²⁾	\$ 33.95	5/4/2013				
	1,319	1,181 ⁽¹²⁾	\$ 18.06	7/27/2013				
	1,319	1,181 ⁽¹²⁾	\$ 20.83	10/25/2013				
	20,831	41,669 ⁽¹⁵⁾	\$ 21.34	12/5/2013				
	1,319	1,181 ⁽¹²⁾	\$ 14.83	2/15/2014				
	0	3,125 ⁽¹³⁾	\$ 15.40	5/15/2014				
	0	3,125 ⁽¹³⁾	\$ 11.95	8/15/2014				
	0	3,125 ⁽¹³⁾	\$ 12.70	11/15/2014				
David E. Orton							50,000 ⁽⁹⁾	\$ 366,000
					30,000 ⁽¹⁷⁾	\$ 219,600		
	0	18,750 ⁽¹³⁾	\$ 15.40	5/15/2014				
	336,062	0	\$ 7.26	7/9/2009				
	194,918	44,982 ⁽¹⁸⁾	\$ 19.28	7/6/2011				
	95,960	95,960 ⁽¹⁹⁾	\$ 14.63	10/31/2012				

- (1) The dollar value of these awards are calculated by multiplying the number of shares or units by \$7.32 per share, the last reported sales price of our common stock on December 28, 2007, the last trading day of fiscal 2007.
- (2) This award vests 33 1/3% on each anniversary from grant date.
- (3) This award vested 33 1/3% on 8/9/2006 then vests 6.6667% quarterly for the next 10 quarters.
- (4) This award vested 25% on 5/22/2007 then vests 6.25% quarterly for the next 12 quarters.
- (5) This award vested 25% on 5/09/2007 then vests 6.25% quarterly for the next 12 quarters.
- (6) This award vests 33 1/3% on 8/9/2008 then vests 33 1/3% annually for the next two years.
- (7) Vesting, restrictions and expiration as provided for by Long-Term Incentive Plan provisions 2005 2007 cycle.
- (8) Vesting, restrictions and expiration as provided for by Long-Term Incentive Plan provisions 2006 2008 cycle.
- (9) Vesting, restrictions and expiration as provided for by Long-Term Incentive Plan provisions 2007 2009 cycle.
- (10) This award vested 33.3% on 8/15/2007 then vests 33.3% on 8/15/2008, based on performance, and 33.4% on 8/15/2009.
- (11) This award vested 33 1/3% on 4/28/2006 then vests monthly through 4/28/08.
- (12) This award vested 33 1/3% on 5/4/2007 then vests 2.7779% monthly for the next two years.
- (13) This award vests 33 1/3% on 5/15/2008 then vests 8.33% quarterly for the next two years.
- (14) This option vested 40% on 9/26/2006 and 10,500 on 9/26/2007, then vests 7,000 on 9/26/2008 and 3,500 on 9/26/2009.
- (15) This option vested 33 1/3% on 12/5/2007 then vests 8.33% quarterly for the next two years.
- (16) This award vested 40% on 11/09/2007 then vests 5% quarterly for the next twelve quarters.
- (17) This award vests 33 1/2% on 8/9/2008 then 33 1/3% annually for the next two years.
- (18) This option vested 25% on 6/30/2005 then vests quarterly through 6/30/2007, then 25% on 6/30/08.
- (19) This represents a stock-settled stock appreciation right which vested 25% on 10/31/2006 then quarterly through 10/31/2008 then 25% on 10/31/2009.
- (20) These options are held by Ruiz Ventures L.P.

Table of Contents**GRANTS OF PLAN-BASED AWARDS IN 2007**

The following table shows all plan-based awards granted to the Officers in fiscal 2007. The non-equity incentive plan awards identified below are the threshold, target and maximum amounts under the Annual Incentive Plan that could have been earned for 2007. No amounts were actually paid for 2007. For additional information regarding plan-based awards granted to Officers, see the Compensation Discussion and Analysis, above.

Name (a)	Grant Date (b)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards ⁽¹⁾			All Other Stock Awards: Number of Shares of Stock or Units (#) (i)	All Other Option Awards: Number of Securities Underlying Options (#) (j)	Exercise of Base Price of Option Awards (\$/Share) (k)	Grant Date Fair Value of Stock and Option Awards (\$) ⁽²⁾ (l)
		Threshold (\$) (c)	Target (\$) (d)	Maximum (\$) (e)	Threshold (#) (f)	Target (#) (g)	Maximum (#) (h)				
Hector de J. Ruiz		\$ 422,000	\$ 1,686,000	\$ 5,058,000							
	2/15/2007				25,000	100,000	200,000			\$ 0	\$ 2,966,000
	2/15/2007								50,000 ⁽³⁾	\$ 14.83	\$ 297,500
	2/15/2007							20,000 ⁽⁴⁾		\$ 0	\$ 296,600
	5/15/2007								62,500 ⁽⁵⁾	\$ 15.40	\$ 383,125
	5/15/2007							100,000 ⁽⁶⁾		\$ 0	\$ 1,540,000
	8/15/2007								62,500 ⁽⁵⁾	\$ 11.95	\$ 338,125
	11/15/2007								62,500 ⁽⁵⁾	\$ 12.70	\$ 336,250
Robert J. Rivet		\$ 150,000	\$ 599,000	\$ 1,797,000							
	2/15/2007				6,250	25,000	50,000			\$ 0	\$ 741,500
	2/15/2007								18,750 ⁽³⁾	\$ 14.83	\$ 111,563
	2/15/2007							7,500 ⁽⁴⁾		\$ 0	\$ 111,225
	5/15/2007								25,000 ⁽⁵⁾	\$ 15.40	\$ 153,250
	5/15/2007							40,000 ⁽⁶⁾		\$ 0	\$ 616,000
	8/15/2007							10,350 ⁽⁷⁾		\$ 0	\$ 123,683
	8/15/2007								25,000 ⁽⁵⁾	\$ 11.95	\$ 132,250
	11/15/2007								25,000 ⁽⁵⁾	\$ 12.70	\$ 134,500
Derrick R. Meyer		\$ 258,000	\$ 1,030,000	\$ 3,090,000							
	2/15/2007				10,000	40,000	80,000			\$ 0	\$ 1,186,400
	2/15/2007								18,750 ⁽³⁾	\$ 14.83	\$ 111,563
	2/15/2007							12,500 ⁽⁴⁾		\$ 0	\$ 185,375
	5/15/2007								50,000 ⁽⁵⁾	\$ 15.40	\$ 306,500
	5/15/2007							80,000 ⁽⁶⁾		\$ 0	\$ 1,232,000
	8/15/2007							11,700 ⁽⁷⁾		\$ 0	\$ 139,815
	8/15/2007								50,000 ⁽⁵⁾	\$ 11.95	\$ 270,500
	11/15/2007								50,000 ⁽⁵⁾	\$ 12.70	\$ 269,000
Thomas M. McCoy		\$ 136,000	\$ 544,000	\$ 1,632,000							
	2/15/2007				6,250	25,000	50,000			\$ 0	\$ 741,500
	2/15/2007								15,000 ⁽³⁾	\$ 14.83	\$ 89,250
	2/15/2007							6,000 ⁽⁴⁾		\$ 0	\$ 88,980
	5/15/2007								15,000 ⁽⁵⁾	\$ 15.40	\$ 91,950
	5/15/2007							24,000 ⁽⁶⁾		\$ 0	\$ 378,840
	8/15/2007								15,000 ⁽⁵⁾	\$ 11.95	\$ 81,150
	11/15/2007								15,000 ⁽⁵⁾	\$ 12.70	\$ 80,700
Mario A. Rivas		\$ 125,000	\$ 500,000	\$ 1,500,000							
	2/15/2007				6,250	25,000	50,000			\$ 0	\$ 741,500
	2/15/2007								2,500 ⁽³⁾	\$ 14.83	\$ 14,875
	2/15/2007							1,000 ⁽⁴⁾		\$ 0	\$ 14,830
	5/15/2007								3,125 ⁽⁵⁾	\$ 15.40	\$ 19,156
	5/15/2007							5,000 ⁽⁶⁾		\$ 0	\$ 77,000
	8/15/2007								3,125 ⁽⁵⁾	\$ 11.95	\$ 16,906
	11/15/2007								3,125 ⁽⁵⁾	\$ 12.70	\$ 16,813
David E. Orton											

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2/15/2007	6,250	25,000	50,000		\$	0	\$	741,500	
5/15/2007				30,000 ⁽⁶⁾	\$	0	\$	462,000	
5/15/2007					18,750 ⁽⁵⁾	\$	15,140	\$	114,938

(1) Vesting, restrictions and expiration as provided for by Long-Term Incentive Plan provisions 2007-2009 cycle. The amount in the Maximum column was granted.

Table of Contents

- (2) The value of the stock award is based on the fair value per share as of the grant date of the award (determined pursuant to SFAS 123R) multiplied by the number of shares. Where a threshold, target and maximum award is reported, the fair value per share is multiplied by the maximum number of shares that could be earned. See Note 12 of the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 29, 2007. The option exercise price has not been deducted from the amounts in column (l). Regardless of the value on the grant date, the actual value will depend on the market value of our common stock on a date in the future when an award vests or a stock option is exercised.
- (3) This option vested 33 1/3% on 5/4/2007 then vests 2.7779% monthly for the next two years.
- (4) This award vested 25% on 5/9/2007 then vests 6.25% quarterly for the next 12 quarters.
- (5) This option vests 33 1/3% on 5/15/2008 then 8.33% quarterly for the next two years.
- (6) This award vests 33 1/3% on 8/9/2008 then 33 1/3% annually for the next two years.
- (7) This award vested 33.3% on 8/15/2007, then vests 33.3% on 8/15/2008, based on performance and 33.4% on 8/15/2009.

OPTION EXERCISES AND STOCK VESTED IN 2007

The following table shows all stock options exercised and the value realized upon exercise and all stock awards that vested and the value realized upon vesting by the Officers during fiscal 2007.

Name (a)	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#) (b)	Value Realized on Exercise (\$) ⁽¹⁾ (c)	Number of Shares Acquired on Vesting (#) (d)	Value Realized on Vesting (\$) ⁽²⁾ (e)
Hector de J. Ruiz	0	\$ 0	123,001	\$ 1,746,293
Robert J. Rivet	0	\$ 0	39,897	\$ 558,324
Derrick R. Meyer	0	\$ 0	69,647	\$ 981,797
Thomas M. McCoy	868	\$ 7,460	28,200	\$ 396,367
Mario A. Rivas	0	\$ 0	11,500	\$ 143,930
David E. Orton	0	\$ 0	0	0

- (1) Value is the difference between the option exercise price and the market price of the underlying shares at exercise multiplied by the number of shares covered by the exercised option.
- (2) Value is the fair market value of the underlying shares on the date of vesting multiplied by the number of shares.

Retirement Benefit Arrangements

The following table shows the pension benefits for Dr. Ruiz and Mr. Rivet. The material terms of their arrangements are described below. There are no retirement arrangements for the other Officers.

2007 PENSION BENEFITS

Name (a)	Plan Name (b)	Number of Years Credited	Present Value of Accumulated	Payments During Last Fiscal
		Service (#) (c)	Benefit (\$) (d)	Year (\$) (e)
Hector de J. Ruiz	Ruiz Plan	7.9	\$ 3,474,602	\$ 0
Robert J. Rivet	Rivet Plan	7.2	\$ 7,709,452	\$ 0

Replacement Retirement Benefit Arrangement For Dr. Ruiz

The amount of the annual retirement benefit for Dr. Ruiz is calculated as follows: (1) the average of the three highest annual base salaries for the last 10 years of the period beginning April 26, 2002 and ending on the date of retirement (for purposes of this formula, however, annual base salary cannot exceed \$1,000,000 annually

Table of Contents

compounded by 3% from January 1, 2002); (2) that average is then multiplied by the product of 4% and Dr. Ruiz number of full years of service with us (not to exceed 10 years of service); (3) the resulting product is then reduced by any other defined benefit plan benefits he will receive (currently, we do not maintain any defined benefit retirement plan), but not for Social Security payments. Dr. Ruiz has elected to have his annual retirement benefit paid in a single lump sum payment.

Replacement Retirement Benefit Arrangement for Mr. Rivet