MICRON TECHNOLOGY INC
Form 10-Q
January 07, 2014

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

FORM 10-Q
(Mark One)

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

For the quarterly period ended November 28, 2013

OR

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

For the transition period from to

Commission file number 1-10658

Micron Technology, Inc.
(Exact name of registrant as specified in its charter)

Delaware	75-1618004
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
8000 S. Federal Way, Boise, Idaho	83716-9632
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code	(208) 368-4000

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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

Large Accelerated Filer x	Accelerated Filer o
Non-Accelerated Filer o (Do not check if a smaller reporting company)	Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

The number of outstanding shares of the registrant's common stock as of January 2, 2014, was 1,060,879,576.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MICRON TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions except per share amounts)
(Unaudited)

Quarter ended	November 28, 2013	November 29, 2012
Net sales	$4,042	$1,834
Cost of goods sold	2,761	1,617
Gross margin	1,281	217
Selling, general and administrative	176	119
Research and development	320	224
Restructure and asset impairments	(3)	(21)
Other operating (income) expense, net	237	(8)
Operating income (loss)	551	(97)
Interest income	5	3
Interest expense	(101)	(57)
Other non-operating income (expense), net	(80)	(59)
	375	(210)
Income tax provision	(80)	(13)
Equity in net income (loss) of equity method investees	86	(52)
Net income (loss)	381	(275)
Net income attributable to noncontrolling interests	(23)	—
Net income (loss) attributable to Micron	$358	$(275)
Earnings (loss) per share:		
Basic	$0.34	$(0.27)
Diluted	0.30	(0.27)
Number of shares used in per share calculations:		
Basic	1,046	1,014
Diluted	1,196	1,014

See accompanying notes to consolidated financial statements.

MICRON TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)
(Unaudited)

Quarter ended	November 28, 2013	November 29, 2012
Net income (loss)	$381	$(275)
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	6	7
Gain (loss) on investments, net	1	2
Gain (loss) on derivative instruments, net	(2)	(5)
Pension liability adjustments	—	(1)
Other comprehensive income (loss)	5	3
Total comprehensive income (loss)	386	(272)
Comprehensive (income) loss attributable to noncontrolling interests	(23)	—
Comprehensive income (loss) attributable to Micron	$363	$(272)

See accompanying notes to consolidated financial statements.

MICRON TECHNOLOGY, INC.

CONSOLIDATED BALANCE SHEETS
(in millions except par value amounts)
(Unaudited)

As of	November 28, 2013	August 29, 2013
Assets		
Cash and equivalents	$3,654	$2,880
Short-term investments	216	221
Receivables	2,833	2,329
Inventories	2,459	2,649
Restricted cash	—	556
Other current assets	207	276
Total current assets	9,369	8,911
Long-term marketable investments	538	499
Property, plant and equipment, net	7,733	7,626
Equity method investments	490	396
Intangible assets, net	368	386
Deferred tax assets	802	861
Other noncurrent assets	494	439
Total assets	$19,794	$19,118
Liabilities and equity		
Accounts payable and accrued expenses	$2,630	$2,115
Deferred income	236	243
Equipment purchase contracts	104	182
Current portion of long-term debt	1,543	1,585
Total current liabilities	4,513	4,125
Long-term debt	4,260	4,452
Other noncurrent liabilities	875	535
Total liabilities	9,648	9,112
Commitments and contingencies		
Micron shareholders' equity:		
Common stock, $0.10 par value, 3,000 shares authorized, 1,058 shares issued and outstanding (1,044 as of August 29, 2013)	106	104
Additional capital	8,919	9,187
Retained earnings (accumulated deficit)	126	(212)
Accumulated other comprehensive income	68	63
Total Micron shareholders' equity	9,219	9,142
Noncontrolling interests in subsidiaries	927	864
Total equity	10,146	10,006
Total liabilities and equity	$19,794	$19,118

See accompanying notes to consolidated financial statements.

MICRON TECHNOLOGY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(Unaudited)

Quarter Ended	November 28, 2013	November 29, 2012
Cash flows from operating activities		
Net income (loss)	$381	$(275)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation expense and amortization of intangible assets	491	457
Amortization of debt discount and other costs	50	28
Noncash loss on restructure of debt	86	—
Stock-based compensation	22	19
(Gains) losses from currency hedges, net	14	51
Equity in net (income) loss of equity method investees	(86)	52
Restructure and asset impairments	(8)	(22)
Change in operating assets and liabilities:		
Receivables	(494)	98
Inventories	190	(26)
Accounts payable and accrued expenses	408	(108)
Customer prepayments	212	(36)
Deferred income taxes, net	59	4
Other	182	(6)
Net cash provided by operating activities	1,507	236
Cash flows from investing activities		
Expenditures for property, plant and equipment	(526)	(434)
Purchases of available-for-sale securities	(196)	(317)
Decrease in restricted cash	556	—
Proceeds from sales and maturities of available-for-sale securities	162	109
Other	25	3
Net cash provided by (used for) investing activities	21	(639)
Cash flows from financing activities		
Repayments of debt	(737)	(52)
Payments on equipment purchase contracts	(143)	(104)
Cash paid to purchase common stock	(42)	(2)
Proceeds from issuance of common stock under equity plans	144	—
Cash received from noncontrolling interests	49	—
Proceeds from equipment sale-leaseback transactions	14	26
Proceeds from issuance of debt	—	173
Cash received for capped call transactions	—	24
Other	(20)	(19)
Net cash provided by (used for) financing activities	(735)	46
Effect on changes in foreign currency exchange rates on cash and cash equivalents	(19)	—
Net increase (decrease) in cash and equivalents	774	(357)

Cash and equivalents at beginning of period	2,880	2,459
Cash and equivalents at end of period	$3,654	$2,102
Noncash investing and financing activities:		
Exchange of convertible notes	756	—
Equipment acquisitions on contracts payable and capital leases	80	59

See accompanying notes to consolidated financial statements.

MICRON TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All tabular amounts in millions except per share amounts)
(Unaudited)

Business and Basis of Presentation

Micron Technology, Inc. and its consolidated subsidiaries (hereinafter referred to collectively as "we," "our," "us" and similar terms unless the context indicates otherwise) is one of the world's leading providers of advanced semiconductor solutions. Through our worldwide operations, we manufacture and market a full range of DRAM, NAND Flash and NOR Flash memory, as well as other innovative memory technologies, packaging solutions and semiconductor systems for use in leading-edge computing, consumer, networking, automotive, industrial, embedded and mobile products. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America consistent in all material respects with those applied in our Annual Report on Form 10-K for the year ended August 29, 2013. In the opinion of our management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly our consolidated financial position and our consolidated results of operations and cash flows. Certain reclassifications have been made to prior period amounts to conform to current period presentation.

Our fiscal year is the 52 or 53-week period ending on the Thursday closest to August 31. Our first quarters of fiscal 2014 and 2013 ended on November 28, 2013 and November 29, 2012, respectively. All period references are to our fiscal periods unless otherwise indicated. These interim financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended August 29, 2013.

Variable Interest Entities

We have interests in entities that are Variable Interest Entities ("VIEs"). If we are the primary beneficiary of a VIE, we are required to consolidate it. To determine if we are the primary beneficiary, we evaluate whether we have the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Our evaluation includes identification of significant activities and an assessment of our ability to direct those activities based on governance provisions and arrangements to provide or receive product and process technology, product supply, operations services, equity funding, financing and other applicable agreements and circumstances. Our assessments of whether we are the primary beneficiary of our VIEs require significant assumptions and judgments.

Unconsolidated Variable Interest Entities

Inotera: Inotera Memories, Inc. ("Inotera") is a VIE because its equity is not sufficient to permit it to finance its activities without additional support from its shareholders. We have determined that we do not have the power to direct the activities of Inotera that most significantly impact its economic performance, primarily due to (1) limitations on our governance rights that require the consent of other parties for key operating decisions and (2) Inotera's dependence on Nanya for financing and the ability of Inotera to operate in Taiwan. Therefore, we do not consolidate Inotera and we account for our interest under the equity method.

For further information regarding our VIEs that we account for under the equity method, see "Equity Method Investments" note.

EQUVO Entities: EQUVO HK Limited and EQUVA Capital 1 Pte. Ltd. (together, the "EQUVO Entities") are special purpose entities created to facilitate equipment sale-leaseback financing transactions between us and a consortium of financial institutions that funded a series of sale-leaseback transactions ("Financing Entities"). Neither we nor the Financing Entities have an equity interest in the EQUVO Entities. The EQUVO Entities are VIEs because their equity is not sufficient to permit them to finance their activities without additional support from the Financing Entities and because the third-party equity holder lacks characteristics of a controlling financial interest. By design, the arrangements with the EQUVO Entities are merely financing vehicles and we do not bear any significant risks from variable interests with the EQUVO Entities. Therefore, we have determined that we do not have the power to direct the activities of the EQUVO Entities that most significantly impact their economic performance and we do not consolidate the EQUVO Entities.

SC Hiroshima Energy Corporation: SC Hiroshima Energy Corporation ("SCHE") is an entity created to construct and operate a cogeneration, electrical power plant to support our wafer manufacturing facility in Hiroshima, Japan. SCHE is a VIE due to the nature of its tolling agreements with us and our purchase and call options for SCHE's assets. We do not have an equity ownership interest in SCHE. We do not control the operation and maintenance of the plant, which we have determined are the activities of SCHE that most significantly impacts its economic performance. Therefore, we do not consolidate SCHE.

Consolidated Variable Interest Entities

IMFT: IM Flash Technologies, LLC ("IMFT") is a VIE because all of its costs are passed to us and its other member, Intel Corporation ("Intel"), through product purchase agreements and IMFT is dependent upon us or Intel for any additional cash requirements. We determined that we have the power to direct the activities of IMFT that most significantly impact its economic performance. The primary activities of IMFT are driven by the constant introduction of product and process technology. Because we perform a significant majority of the technology development, we have the power to direct its key activities. In addition, IMFT manufactures certain products exclusively for us using our technology. We also determined that we have the obligation to absorb losses and the right to receive benefits from IMFT that could potentially be significant to it. Therefore, we consolidate IMFT.

MP Mask: MP Mask Technology Center, LLC ("MP Mask") is a VIE because substantially all of its costs are passed to us and its other member, Photronics, Inc. ("Photronics"), through product purchase agreements and MP Mask is dependent upon us or Photronics for any additional cash requirements. We determined that we have the power to direct the activities of MP Mask that most significantly impact its economic performance, primarily because (1) of our tie-breaking voting rights over key operating decisions and (2) nearly all key MP Mask activities are driven by our supply needs. We also determined that we have the obligation to absorb losses and the right to receive benefits from MP Mask that could potentially be significant to it. Therefore, we consolidate MP Mask.

For further information regarding our consolidated VIEs, see "Consolidated Variable Interest Entities" note.

Recently Issued Accounting Standards

There have been no recently issued accounting pronouncements that have had or are expected to have a material impact on our financial statements.

Elpida Memory, Inc.

On July 31, 2013, we acquired Elpida Memory, Inc. ("Elpida") and an additional 24% ownership interest in Rexchip Electronics Corporation ("Rexchip"), now known as Micron Memory Taiwan Co., Ltd. ("MMT"). Both Elpida and MMT manufacture semiconductor memory products including mobile DRAM targeted toward mobile phones and tablets. We paid $615 million and $334 million for the acquisition of Elpida and the additional Rexchip shares, respectively. Elpida owns, directly and indirectly through a subsidiary, approximately 65% of MMT's outstanding common stock. Therefore, as a result of the consummation of our acquisition of Elpida and the Rexchip shares, we own approximately 89% ownership interest in MMT.

In connection with the acquisition, we recorded net assets of $2,601 million and noncontrolling interest of $168 million. Because the fair value of the net assets acquired less noncontrolling interests exceeded the purchase price, we recognized a gain on the acquisition of $1,484 million.

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The following unaudited pro forma financial information presents the combined results of operations as if the Elpida acquisition had occurred on September 2, 2011. The pro forma financial information includes the accounting effects of the business combination, including adjustments to the amortization of intangible assets, depreciation of property, plant and equipment, interest expense and elimination of intercompany activities. The unaudited pro forma financial information below is not necessarily indicative of either future results of operations or results that might have been achieved had the Elpida acquisition occurred on September 2, 2011.

Quarter ended	November 29, 2012
Net sales	$2,619
Net income (loss)	(226)
Net income (loss) attributable to Micron	(237)
Earnings (loss) per share:	
Basic	$(0.23)
Diluted	(0.23)

The unaudited pro forma financial information for the first quarter of 2013 includes our results for the quarter ended November 29, 2012 and the results of Elpida, including the adjustments described above, for the quarter ended September 30, 2012.

Investments

As of November 28, 2013 and August 29, 2013, available-for-sale investments, including cash equivalents, were as follows:

As of	November 28, 2013				August 29, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market funds	$1,677	$—	$—	$1,677	$1,188	$—	$—	$1,188
Certificates of deposit	558	—	—	558	349	—	—	349
Corporate bonds	441	1	—	442	414	1	(1)	414
Government securities	133	—	—	133	168	—	—	168
Asset-backed securities	107	—	—	107	97	—	—	97
Commercial paper	63	—	—	63	61	—	—	61
Marketable equity securities	6	—	—	6	6	—	—	6
	$2,985	$1	$—	$2,986	$2,283	$1	$(1)	$2,283

The table below presents the amortized cost and fair value of available-for-sale debt securities, including cash equivalents, as of November 28, 2013 by contractual maturity:

	Amortized Cost	Fair Value
Money market funds not due at a single maturity date	$1,677	$1,677
Due in 1 year or less	771	771
Due in 1 - 2 years	257	258

Due in 2 - 4 years	262	262
Due after 4 years	12	12
	$2,979	$2,980

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Proceeds from the sales of available-for-sale securities for the first quarters of 2014 and 2013 were $113 million and $93 million, respectively. Gross realized gains and losses for the first quarters of 2014 and 2013 were not significant. As of November 28, 2013, no available-for-sale security had been in a loss position for longer than 12 months.

Receivables

As of	November 28, 2013	August 29, 2013
Trade receivables (net of allowance for doubtful accounts of $5 and $5, respectively)	$2,533	$2,069
Income and other taxes	65	74
Other	235	186
	$2,833	$2,329

As of November 28, 2013 and August 29, 2013, other receivables included $68 million and $34 million, respectively, due from Intel for amounts related to NAND Flash and certain emerging memory technologies product design and process development activities under cost-sharing agreements. (See "Consolidated Variable Interest Entities" note.)

Inventories

As of	November 28, 2013	August 29, 2013
Finished goods	$836	$796
Work in process	1,462	1,719
Raw materials and supplies	161	134
	$2,459	$2,649

Property, Plant and Equipment

As of	November 28, 2013	August 29, 2013
Land	$86	$86
Buildings	4,892	4,835
Equipment	15,909	15,600
Construction in progress	195	84
Software	319	315
	21,401	20,920
Accumulated depreciation	(13,668)	(13,294)
	$7,733	$7,626

Depreciation expense was $468 million and $437 million for the first quarters of 2014 and 2013, respectively. Other noncurrent assets included buildings, equipment, and other assets classified as held for sale of $49 million as of November 28, 2013 and $22 million as of August 29, 2013. Other noncurrent assets also included land held for development of $55 million as of November 28, 2013 and $54 million as of August 29, 2013.

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Equity Method Investments

As of	November 28, 2013			August 29, 2013		
	Investment Balance	Ownership Percentage		Investment Balance	Ownership Percentage	
Inotera	$437	35	%	$344	35	%
Tera Probe	42	40	%	40	40	%
Other	11	Various		12	Various	
	$490			$396		

We recognize our share of earnings or losses from these entities under the equity method, generally on a two-month lag. Equity in net income (loss) of equity method investees, net of tax, included the following:

Quarter ended	November 28, 2013	November 29, 2012	
Inotera	$84	$(53	)
Tera Probe	2	—	
Other	—	1	
	$86	$(52	)

As of November 28, 2013, our maximum exposure to loss from our involvement with our equity method investments that were VIEs was $437 million and primarily included our Inotera investment balance. We may also incur losses in connection with our rights and obligations to purchase substantially all of Inotera's wafer production capacity under a supply agreement with Inotera.

Inotera

We have partnered with Nanya in Inotera, a Taiwanese DRAM memory company, since the first quarter of 2009. As of November 28, 2013, we held a 35% ownership interest, Nanya and certain of its affiliates held a 36% ownership interest and the remaining ownership interest in Inotera was publicly held.

As of November 28, 2013 the market value of our equity interest in Inotera was $1.47 billion based on the closing trading price of its shares in an active market. As of November 28, 2013 and August 29, 2013, there were gains of $50 million and $44 million, respectively, in accumulated other comprehensive income (loss) for cumulative translation adjustments from our equity investment in Inotera.

As of September 30, 2013, Inotera's current liabilities exceeded its current assets by $766 million, which exposes Inotera to liquidity risk. As of June 30, 2013, Inotera was not in compliance with certain of its loan covenants, and had not been in compliance for the past several years, which gives the lenders the right under the agreements to require the repayment of such loans. Inotera received a waiver from complying with the June 30, 2013 financial covenants. Inotera's management has implemented plans to improve its liquidity and for the nine-month period ended September 30, 2013, Inotera generated net income of $333 million; however, there can be no assurance that Inotera will be successful in sufficiently improving its liquidity and complying with their loan covenants, which may result in its lenders requiring repayment of such loans during the next year.

In the second quarter of 2013, we entered into agreements with Nanya and Inotera to amend the joint venture relationship involving Inotera. The amendments included a new supply agreement (the "Inotera Supply Agreement") between us and Inotera under which we are obligated to purchase for an initial period through January 2016, substantially all of Inotera's output at a purchase price based on a discount from market prices for our comparable components. The Inotera Supply Agreement contemplates annual negotiations with respect to potential successive one-year extensions and if in any year the parties do not agree to an extension, the agreement will terminate following the end of the then-existing term plus a subsequent three-year wind-down period. Our share of Inotera's capacity would decline over the three year wind-down period. In December 2013, we renewed our supply agreement with Inotera, which extended the initial period through January 2017. Effective through December 31, 2012, we had rights and obligations to purchase 50% of Inotera's wafer production capacity based on a margin-sharing formula among Nanya, Inotera and us. Under these agreements, we purchased $587 million and $201 million of DRAM products in the first quarters of 2014 and 2013, respectively.

Pursuant to a cost-sharing arrangement with Nanya effective through December 31, 2012, our research and development ("R&D") costs were reduced by $15 million in the first quarter of 2013. Nanya ceased participating in the joint development program in the second quarter of 2013.

Tera Probe

In the fourth quarter of 2013, we acquired, as an asset of Elpida, a 40% interest in Tera Probe, Inc. ("Tera Probe"), a Japanese-based company mainly engaged in wafer testing and contract wafer-level package testing services. The net carrying value of our investment was less than our proportionate share of Tera Probe's equity at the time of our investment, and the difference is being amortized as a net credit to earnings through equity in net income (loss) of equity method investees (the "Tera Probe Amortization"). As of November 28, 2013, $34 million of unamortized Tera Probe Amortization was being recognized over a weighted-average period of 6 years.

As of November 28, 2013, based on the closing trading price of Tera Probe's shares in an active market, the market value of our equity interest was $36 million. We evaluated our investment in Tera Probe and concluded that the decline in the market value below carrying value was not an other-than-temporary impairment primarily because of the limited amount of time the fair value was below the carrying value and historical volatility of the stock price.

Tera Probe performs probe services for certain of our manufacturing processes. Included in cost of goods sold for the first quarter of 2014 is $33 million for probe services performed by Tera Probe.

Other

Transform: In the second quarter of 2010, we acquired a 50% interest in Transform, a developer, manufacturer and marketer of photovoltaic technology and solar panels, from Origin Energy Limited ("Origin"). As of November 28, 2013, we and Origin each held a 50% ownership interest in Transform. In the third quarter of 2012, the Board of Directors of Transform approved a liquidation plan. In the first quarter of 2013, Transform terminated a fully-paid lease to a portion of our Boise manufacturing facilities and, as a result, we recognized a restructure gain of $25 million in the first quarter of 2013.

Aptina: Other equity method investments included a 30% equity interest in Aptina. The amount of cumulative loss we recognized from our investment in Aptina through the second quarter of 2012 reduced our investment balance to zero and we ceased recognizing our proportionate share of Aptina's losses.

In the first quarter of 2013, we recognized net sales of $61 million and cost of goods sold of $81 million from products sold to Aptina under a wafer supply agreement. In the third quarter of 2013, in connection with our sale of

Micron Technology Italia, S.r.l. ("MIT") to LFoundry, we assigned to LFoundry our supply agreement with Aptina to manufacture image sensors at MIT. In 2013, we also loaned $45 million to Aptina under a short-term, interest-free, unsecured agreement. In the first quarter of 2014, Aptina repaid $15 million of the loan and as of November 28, 2013, other current assets included $30 million for the outstanding amount, which was repaid to us in the second quarter of 2014.

Intangible Assets

As of	November 28, 2013		August 29, 2013	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Product and process technology	$647	$(288)	$642	$(269)
Customer relationships	127	(118)	127	(114)
	$774	$(406)	$769	$(383)

During the first quarters of 2014 and 2013, we capitalized $6 million and $9 million, respectively, for product and process technology with weighted-average useful lives of 9 years. Amortization expense was $23 million and $20 million for the first quarters of 2014 and 2013, respectively. Annual amortization expense is estimated to be $90 million for 2014, $74 million for 2015, $66 million for 2016, $56 million for 2017 and $45 million for 2018.

Accounts Payable and Accrued Expenses

As of	November 28, 2013	August 29, 2013
Accounts payable	$1,164	$1,048
Related party payables	605	374
Salaries, wages and benefits	337	267
Customer advances	192	140
Income and other taxes	42	47
Other	290	239
	$2,630	$2,115

As of November 28, 2013 and August 29, 2013, related party payables included $578 million and $345 million, respectively, due to Inotera primarily for the purchase of DRAM products under the Inotera Supply Agreement. As of November 28, 2013 and August 29, 2013, respectively, related party payables also included $27 million and $29 million due to Tera Probe for probe services performed. (See "Equity Method Investments" note.)

As of November 28, 2013 and August 29, 2013, customer advances included $100 million and $134 million, respectively, for amounts received from Intel to be applied to Intel's future purchases under a NAND Flash supply agreement. (See "Consolidated Variable Interest Entities – IMFT" note.)

As of November 28, 2013 customer advances also included $90 million for amounts received from a customer in the first quarter of 2014 under a DRAM supply agreement to be applied to purchases through September 2016. In addition, as of November 28, 2013, other noncurrent liabilities included $158 million from this agreement.

As of November 28, 2013 and August 29, 2013, other accounts payable and accrued expenses included $11 million and $8 million, respectively, due to Intel for NAND Flash product design and process development and licensing fees pursuant to cost-sharing agreements. (See "Consolidated Variable Interest Entities – IMFT" note.)

Debt

As of	November 28, 2013	August 29, 2013
Capital lease obligations	$1,107	$1,252
Elpida creditor installment payments	1,095	1,644
2014 convertible senior notes, due June 2014[1]	471	465
2027 convertible senior notes, due June 2027	160	147
2031A convertible senior notes, due August 2031	284	277
2031B convertible senior notes, due August 2031	104	253
2032C convertible senior notes, due May 2032[1]	467	463
2032D convertible senior notes, due May 2032[1]	371	369
2033E convertible senior notes, due February 2033	273	272
2033F convertible senior notes, due February 2033	261	260
2043G convertible senior notes, due November 2043[1]	628	—
Other notes payable	582	635
	5,803	6,037
Less current portion	1,543	1,585
	$4,260	$4,452

[1] For these notes, we have the option to pay cash for the aggregate amount due upon conversion. It is our current intent to settle the principal amount of these notes in cash upon conversion. As a result, the notes are considered in diluted earnings per share under the treasury stock method.

Elpida Creditor Installment Payments

As of November 28, 2013, under the terms and conditions of the respective plans of reorganization of Elpida and Akita Elpida Memory, Inc. ("Akita" and, together with Elpida, the "Elpida Companies"), we are obligated to pay 142 billion yen (or the equivalent of $1,388 million based on exchange rates as of November 28, 2013) to the external creditors of the Elpida Companies (the "Elpida Creditor Installment Payments"). In October 2013, we made the first installment payments of $534 million to the external creditors of the Elpida Companies from funds that had been held in a restricted cash account since the acquisition date. The remaining payments are payable at the end of each calendar year beginning in 2014 through 2019.

Debt Restructure

In November 2013, we initiated a series of actions resulting in the restructure of certain of our series of convertible notes as follows:

Exchange Transactions: On November 12, 2013, we exchanged with various note holders in a series of separate non-cash transactions an aggregate principal amount of $440 million of 2027 Notes, 2031A Notes and 2031B Notes (the "Exchanged Notes") into 3.00% Convertible Senior Notes due 2043 (the "2043G Notes") (the "Exchange Transactions").

In the Exchange Transactions, we exchanged $80 million in principal amount of our 2027 Notes, $155 million in principal amount of our 2031A Notes and $205 million in principal amount of our 2031B Notes into $820 million aggregate issue price of 2043G Notes. The principal amount of 2043G Notes will accrete from their issue price to an aggregate principal amount at maturity of $1,025 million. The liability and equity components of the Exchanged Notes had previously been stated separately within debt and additional capital in our consolidated balance sheet. Accordingly, the Exchange Transaction resulted in derecognition for the Exchanged Notes of $345 million of carrying value of debt (which was the aggregate principal amount of $440 million, net of $95 million of unamortized debt discount) and $411 million of additional capital. In connection with the Exchange Transactions, we recognized a loss of $38 million based on the difference between the fair value and carrying value of the debt component of the Exchanged Notes (Level 2 fair value measurements). In addition, we recognized $11 million of interest expense to pay a "make-whole premium," which was included in the non-cash exchanges into 2043G Notes.

Termination of Conversion Rights: On November 7, 2013, we gave notice to (1) terminate the conversion rights of the remaining 2027 Notes, not participating in the Exchange Transactions, effective as of December 13, 2013 and (2) settle entirely in cash any conversions of the 2027 Notes that occur prior to the conversion right termination date (the "Termination of Conversion Rights"). Through December 13, 2013, all holders of the 2027 Notes notified us of the exercise of their option to convert their 2027 Notes entirely (convertible into approximately 9 million shares of our common stock). Based on our notice to settle entirely in cash any conversions of the remaining 2027 Notes, the settlement obligation constituted a derivative instrument subject to mark-to-market accounting treatment. Therefore, we reclassified the $58 million fair value (Level 2 fair value measurement) of the equity component of the remaining 2027 Notes from additional capital to a derivative debt liability as of November 7, 2013, which resulted in an aggregate carrying value of the remaining 2027 Notes on that date of $138 million.

Under the terms of the indenture of the 2027 Notes, the final cash settlement amount is determined based on the shares underlying the remaining 2027 Notes multiplied by the volume-weighted-average price of our common stock over a period of 20 consecutive trading days. Through the end of our first quarter of 2014, we recognized a loss of $22 million, included in other non-operating expense, on our derivative settlement obligations based on an increase in the settlement amounts. The carrying value of the remaining 2027 Notes was $160 million as of November 28, 2013. Subsequent to the end of our first quarter of 2014, due to a further increase in the settlement amounts, we paid the holders of the remaining 2027 Notes $179 million to settle our conversion obligations. As a result, our second quarter of 2014 will include an additional loss of $19 million in other non-operating expense related to the Termination of Conversion Rights.

Redemption Notice: On November 7, 2013, we gave notice of our intent to redeem the remaining 2031A Notes, not participating in the Exchange Transactions, on December 7, 2013 (the "Redemption Notice"). In connection therewith, we recognized $5 million of interest expense to pay a "make-whole premium" upon redemption of the remaining 2031A Notes. From November 7, 2013 through the end of our first quarter of 2014, holders of $112 million principal amount of 2031A Notes (convertible into approximately 12 million shares of our common stock) notified us of the exercise of their option to convert their 2031A Notes entirely. For each of these conversion notices, we elected to settle the conversions entirely in cash. Based on our elections to settle amounts in cash, the settlement obligations became derivative instruments subject to mark-to-market accounting treatment and we therefore reclassified an aggregate of $115 million of fair value (Level 2 fair value measurements) of the equity components from additional capital to a derivative debt liability.

Under the terms of the indenture of the 2031A Notes, the final cash settlement amount is determined based on the underlying shares multiplied by the volume-weighted-average price of our common stock over a period of 20 consecutive trading days. Through the end of our first quarter of 2014, we recognized a loss of $15 million, included in other non-operating expense, on our derivative settlement obligations based on an increase in the settlement amounts. The carrying value of the remaining 2031A Notes was $284 million as of November 28, 2013. Subsequent to the end of our first quarter of 2014, holders of the remaining $78 million principal amount of the 2031A Notes (convertible into approximately 8 million shares of our common stock) notified us of the exercise of their option to convert their 2031A Notes entirely. For each of these conversion notices, we elected to settle the conversions entirely in cash. Based on our elections to settle amounts in cash, the settlement obligations became derivative instruments and we therefore reclassified the $102 million fair value of the equity component from additional capital to a derivative debt liability. As a result, we estimate that our second quarter of 2014 will include an additional loss of $49 million in other non-operating expense related to conversions effective in the first quarter in response to the Redemption Notice.

2043G Notes

In connection with the Exchange Transactions, on November 12, 2013, we issued $1,025 million of 2043G Notes. Each $1,000 principal amount at maturity has an issue price of $800 for purposes of the indenture. An amount equal to the difference between the issue price and the principal amount at maturity will accrete in accordance with a schedule set forth in the indenture. The issue price plus such accretion is the accreted principal amount. The initial conversion rate for the 2043 Notes is 34.2936 shares of common stock per $1,000 principal amount at maturity, equivalent to an initial conversion price of approximately $29.16 per share of common stock. Issuance costs for the 2043 Notes totaled $7 million. Interest is payable in May and November of each year.

Upon issuance of the 2043G Notes, we recorded $627 million of debt, $173 million of additional capital and $5 million of deferred debt issuance costs (included in other noncurrent assets). The amount recorded as debt was based on the fair value of the debt component as a standalone instrument and was determined using an average interest rate for similar nonconvertible debt issued by entities with credit ratings comparable to ours at the time of issuance (Level 2 fair value measurements). We recorded a debt discount of $398 million for the difference between the debt recorded at inception and the principal amount at maturity. Holders of the 2043G Notes have the right to require us to repurchase all or a portion of their notes in November 2028 at the accreted principal amount which is scheduled to be $917 million.

Conversion Rights: Holders may convert their 2043G Notes under the following circumstances: (1) if the 2043G Notes are called for redemption; (2) during any calendar quarter if the closing price of our common stock for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is more than 130% of the conversion price (approximately $37.91 per share) of the 2043G Notes; (3) if the trading price of the 2043G Notes is less than 98% of the product of the closing price of our common stock and the conversion rate of the 2043G Notes during the periods specified in the indenture; (4) if specified distributions or corporate events occur, as set forth in the indenture for the 2043G Notes; or (5) at any time after August 15, 2043.

We have the option to pay cash, issue shares of common stock or any combination thereof for the aggregate amount due upon conversion. It is our intent to settle the principal amount of the 2043G Notes in cash upon conversion. As a result, upon conversion of the 2043G Notes, only the amounts payable in excess of the principal amounts of the 2043G Notes are considered in diluted earnings per share under the treasury stock method.

Cash Redemption at Our Option: We may redeem for cash the 2043G Notes prior to November 20, 2018 if the closing price of our common stock is more than 130% of the conversion price for at least 20 trading days in the 30 consecutive trading days ending within five trading days prior to the date on which we provide notice of redemption. The redemption price will equal the principal amount at maturity plus accrued and unpaid interest. We may redeem for cash the 2043G Notes on or after November 20, 2018 without regard to the closing price of our common stock. The redemption price will equal the accreted principal amount plus accrued and unpaid interest. If we redeem the 2043G Notes prior to November 20, 2018, we will also pay a make-whole premium in cash, as specified in the indenture to the 2043G Notes.

Cash Repurchase at the Option of the Holder: We may be required by the holders of the 2043G Notes to repurchase for cash all or a portion of the 2043G Notes on November 15, 2028. The repurchase price is equal to the accreted principal amount plus accrued and unpaid interest. Upon a change in control or a termination of trading, as defined in the indenture, holders of the 2043G Notes may require us to repurchase for cash all or a portion of their 2043G Notes at a repurchase price equal to the accreted principal amount plus accrued and unpaid interest.

Convertible Notes With Debt and Equity Components

The accounting standards for convertible debt instruments that may be fully or partially settled in cash upon conversion require the debt and equity components to be separately accounted for in a manner that reflects our nonconvertible borrowing rate when interest expense is recognized in subsequent periods. The amount recorded as debt is based on the fair value of the debt component as a standalone instrument, determined using an average interest rate for similar nonconvertible debt issued by entities with credit ratings comparable to ours at the time of issuance. The difference between the debt recorded at inception and its principal amount is to be accreted to principal through interest expense through the estimated life of the note.

	Term (Years)[1]	Date Holders Can Put Back to Us[2]	Interest Rate Stated		Effective		Discount as of November 28, 2013	August 29, 2013
2014 Notes	Less than 1	—	1.875	%	7.9	%	$14	$20
2027 Notes[3]	Less than 1	N/A	1.875	%	6.9	%	14	28
2031A Notes[3]	Less than 1	N/A	1.500	%	6.5	%	36	68
2031B Notes	7	August 2020	1.875	%	7.0	%	36	92
2032C Notes	5	May 2019	2.375	%	6.0	%	83	87
2032D Notes	7	May 2021	3.125	%	6.3	%	79	81
2033E Notes	4	February 2018	1.625	%	4.5	%	27	28
2033F Notes	6	February 2020	2.125	%	4.9	%	39	40
2043G Notes	15	November 2028	3.000	%	6.8	%	397	—

(1) Expected term for amortization of the remaining debt discount as of November 28, 2013. For the 2043G Notes, $289 million of debt discount is expected to be amortized over the 15-year expected term. See "2043G Notes" above.
(2) Holders of these notes have the right to require us to repurchase all or a portion of their notes on the dates specified.
(3) In connection with the November 2013 debt restructure transactions, all holders exercised their option to convert their notes in the second quarter of 2014.

Conversion prices per share and the conversion value in excess of principal for our convertible notes were as follows:

	Outstanding Principal	Initial Conversion Price Per Share	Initial Conversion Number of Shares[1]	Conversion Price Per Share Threshold[2]	Conversion Value in Excess of Principal November 28, 2013[3]	August 29, 2013[4]
2014 Notes	$485	14.23	34	18.50	$237	$—
2027 Notes	95	10.90	9	14.17	89	43
2031A Notes	190	9.50	20	12.35	233	148
2031B Notes	140	9.50	15	12.35	172	148
2032C Notes	550	9.63	57	12.52	659	225
2032D Notes	450	9.98	45	12.97	504	162
2033E Notes	300	10.93	27	14.21	281	72
2033F Notes	300	10.93	27	14.21	281	72
2043G Notes	1,025	29.16	35	37.91	—	—
	$3,535		269		$2,456	$870

(1)Shares issuable, upon conversion, for the principal amount of the notes.
(2)Holders may convert their notes during any calendar quarter if the closing price of our common stock for at least 20 trading days in a 30 trading day period ending on the last trading day of the immediately preceding calendar quarter is

130% of the initial conversion price per share.
(3)Based on our closing share price of $21.17 and outstanding principal balances as of November 28, 2013.
(4)Based on our closing share price of $13.57 and outstanding principal balances as of August 29, 2013. The principal balances were not reduced by the amount of the Exchange Transactions that occurred in the first quarter of 2014 as described below.

Subsequent Event - Financing

On December 20, 2013, we issued $462 million in aggregate principal amount of 1.258% Secured Notes due 2019 (the "2019 Notes"). The 2019 Notes mature on January 15, 2019 and bear interest at a rate of 1.258% per annum, payable semi-annually in arrears in January and July of each year, commencing in January 2014. The principal amount of the 2019 Notes are payable in 10 consecutive semi-annual installments payable in arrears in January and July of each year, commencing in July 2014. The Notes are collateralized by certain equipment. The Export-Import Bank of the United States ("Ex-Im Bank") guaranteed payment of all regularly scheduled installment payments of principal of, and interest on, the 2019 Notes. We paid $23 million to Ex-Im Bank for their guarantee upon issuance of the 2019 Notes.

At any time prior to the maturity date of the 2019 Notes, we may redeem the 2019 Notes, in whole or in part, at a price equal to the principal amount of the 2019 Notes to be redeemed plus a "make-whole premium" as described in the indenture, together with accrued and unpaid interest and any other unpaid amounts then due under the indenture, to the date of redemption. If we or certain related persons described in the indenture are or become a person to whom Ex-Im Bank is prohibited by law from providing financing or other credit support, we will be required to redeem the 2019 Notes in whole, at a price equal to the principal amount of the 2019 Notes plus a "make-whole premium," together with accrued and unpaid interest and any other unpaid amounts then due to the date of redemption.

The indenture for the 2019 Notes contains covenants which are customary for financings of this type, including negative covenants that limit or restrict our ability to create liens or dispose of the equipment securing the 2019 Notes. Events of default also include, among others, the occurrence of any event or circumstance that, in the reasonable judgment of Ex-Im Bank, is likely materially and adversely to affect our ability to perform any payment obligation, or all or any of our other obligations which are material obligations, under the indenture, the 2019 Notes or under any other related transaction documents to which it is a party.

Maturities of Notes Payable and Future Minimum Lease Payments

As of November 28, 2013, maturities of notes payable, excluding the 2019 Notes which were issued subsequent to November 28, 2013, were as follows:

As of November 28, 2013	Notes Payable
Remainder of 2014	$1,110
2015	359
2016	348
2017	317
2018	516
2019 and thereafter[1]	2,960
Discounts[1]	(914)
	$4,696

[1] Includes $917 million of scheduled accreted principal amount and $289 million of discount for the 2043G Notes. See "2043G Notes" above.

Contingencies

We have accrued a liability and charged operations for the estimated costs of adjudication or settlement of various asserted and unasserted claims existing as of the balance sheet date, including those described below. We are currently a party to other legal actions arising from the normal course of business, none of which is expected to have a material adverse effect on our business, results of operations or financial condition.

Rambus

On May 5, 2004, Rambus, Inc. ("Rambus") filed a complaint in the Superior Court of the State of California (San Francisco County) against us and other DRAM suppliers which alleged that the defendants harmed Rambus by engaging in concerted and unlawful efforts affecting Rambus DRAM by eliminating competition and stifling innovation in the market for computer memory technology and computer memory chips. Rambus' complaint alleged various causes of action under California state law including, among other things, a conspiracy to restrict output and fix prices, a conspiracy to monopolize, intentional interference with prospective economic advantage, and unfair competition. Rambus sought a judgment for damages of approximately $3.9 billion, joint and several liability, trebling of damages awarded, punitive damages, a permanent injunction enjoining the defendants from the conduct alleged in the complaint, interest, and attorneys' fees and costs. Trial began on June 20, 2011, and the case went to the jury on September 21, 2011. On November 16, 2011, the jury found for us on all claims. On April 2, 2012, Rambus filed a notice of appeal to the California 1st District Court of Appeal.

We were engaged in litigation with Rambus relating to certain of Rambus' patents and certain of our claims and defenses. Our lawsuits with Rambus related to patent matters were pending in the U.S. District Court for the District of Delaware, U.S. District Court for the Northern District of California, Germany, France, and Italy.

In December 2013, subsequent to the end of our first fiscal quarter of 2014, we settled all pending litigation between us and Rambus, including all antitrust and patent matters. We also entered into a 7-year term patent cross-license agreement with Rambus that allows us to avoid costs of patent-related litigation during the term. We agreed to pay Rambus up to $10 million per quarter over 7 years, for a total of $280 million. The primary benefits we received from these arrangements were (1) the settlement and termination of all existing litigation, (2) the avoidance of future litigation expenses and (3) the avoidance of future management and customer disruptions. As a result, other operating expense for the quarter ended November 28, 2013 included a $233 million charge to accrue a liability, which reflects the discounted value of amounts due under this arrangement.

Patent Matters

As is typical in the semiconductor and other high technology industries, from time to time others have asserted, and may in the future assert, that our products or manufacturing processes infringe their intellectual property rights.

On September 1, 2011, HSM Portfolio LLC and Technology Properties Limited LLC filed a patent infringement action in the U.S. District Court for the District of Delaware against us and seventeen other defendants, including Elpida Memory, Inc. and Elpida Memory (USA) Inc. (collectively “Elpida”). On August 22, 2013, the plaintiffs filed a third amended complaint. The third amended complaint alleges that certain of our DRAM and image sensor products infringe four U.S. patents and that certain Elpida DRAM products infringe two U.S. patents and seeks damages, attorneys' fees, and costs. On March 23, 2012, Elpida filed a Notice of Filing and Hearing on Petition Under Chapter 15 of the U.S. Bankruptcy Code and Issuance of Provisional Relief that included an order of the U.S. Bankruptcy Court for the District of Delaware staying judicial proceedings against Elpida. Accordingly, the plaintiffs' case against Elpida is stayed.

On December 5, 2011, the Board of Trustees for the University of Illinois filed a patent infringement action against us in the U.S. District Court for the Central District of Illinois. The complaint alleges that unspecified semiconductor products of ours infringe three U.S. patents and seeks injunctive relief, damages, attorneys' fees, and costs. We have filed three petitions for inter-partes review by the Patent and Trademark Office, challenging the validity of each of the patents in suit. The Patent Trial and Appeal Board held a hearing in connection with the three petitions on December 9, 2013. A final decision is expected by the end of March 2014. The District Court has stayed the litigation pending the outcome of the inter-partes review by the Patent Office.

On April 27, 2012, Semcon Tech, LLC filed a patent infringement action against us in the U.S. District Court for the District of Delaware. The complaint alleges that our use of various chemical mechanical planarization systems purchased from Applied Materials and others infringes a single U.S. patent and seeks injunctive relief, damages, attorneys' fees, and costs. On September 24, 2013, the Court entered an order staying our case pending the resolution of co-pending cases brought by Semcon Tech, LLC against Applied Materials and Ebara Technologies, Inc.

On December 7, 2007, Tessera, Inc. filed a patent infringement against Elpida Memory, Inc., Elpida Memory (USA) Inc. (collectively "Elpida"), and numerous other defendants, in the United States District Court for the Eastern District of Texas. The complaint alleges that certain Elpida products infringe four U.S. patents and seeks injunctive relief, damages, attorneys' fees, and costs. Prior to answering the complaint, Elpida and other defendants filed motions to stay the case pending final resolution of a case before the International Trade Commission ("ITC") against Elpida and other respondents, alleging infringement of the same patents asserted in the Eastern District of Texas case (In The Matter of Certain Semiconductor Chips with Minimized Chip Package Size and Products Containing Same (III), ITC No. 337-TA-630 (the "ITC Action")). On February 25, 2008, the Eastern District of Texas Court granted the defendants' motion to stay the action. On December 29, 2009, the ITC issued a Notice of Final Determination in the ITC Action finding no violation by Elpida. Tessera Inc. subsequently appealed the matter to the U.S. Court of Appeals for the Federal Circuit. On May 23, 2011, the Federal Circuit affirmed the ITC's Final Determination. The Eastern District of Texas case currently remains stayed.

Among other things, the above lawsuits pertain to certain of our DDR, DDR2, DDR3, SDR SDRAM, PSRAM, RLDRAM, LPSDR, NAND Flash, image sensor products and certain other memory products we manufacture, which account for a significant portion of our net sales.

We are unable to predict the outcome of assertions of infringement made against us and therefore cannot estimate the range of possible loss. A court determination that our products or manufacturing processes infringe the intellectual property rights of others could result in significant liability and/or require us to make material changes to our products and/or manufacturing processes. Any of the foregoing could have a material adverse effect on our business, results of operations or financial condition.

Antitrust Matters

At least sixty-eight purported class action price-fixing lawsuits have been filed against us and other DRAM suppliers in various federal and state courts in the United States and in Puerto Rico on behalf of indirect purchasers alleging a conspiracy to increase DRAM prices in violation of federal and state antitrust laws and state unfair competition law, and/or unjust enrichment relating to the sale and pricing of DRAM products during the period from April 1999 through at least June 2002. The complaints seek joint and several damages, trebled, in addition to restitution, costs and attorneys' fees. A number of these cases were removed to federal court and transferred to the U.S. District Court for the Northern District of California for consolidated pre-trial proceedings. In July, 2006, the Attorneys General for approximately forty U.S. states and territories filed suit in the U.S. District Court for the Northern District of California. The complaints allege, among other things, violations of the Sherman Act, Cartwright Act, and certain other states' consumer protection and antitrust laws and seek joint and several damages, trebled, as well as injunctive and other relief. On October 3, 2008, the California Attorney General filed a similar lawsuit in California Superior Court, purportedly on behalf of local California government entities, alleging, among other things, violations of the Cartwright Act and state unfair competition law. On June 23, 2010, we executed a settlement agreement resolving these purported class-action indirect purchaser cases and the pending cases of the Attorneys General relating to alleged DRAM price-fixing in the United States. Subject to certain conditions, including final court approval of the class settlements, we agreed to pay approximately $67 million in aggregate in three equal installments over a two-year period. We paid the full amount into an escrow account by the end of the first quarter of 2013 in accordance with the settlement agreement.

On June 21, 2010, the Brazil Secretariat of Economic Law of the Ministry of Justice ("SDE") announced that it had initiated an investigation relating to alleged anticompetitive activities within the DRAM industry. The SDE's Notice of Investigation names various DRAM manufacturers and certain executives, including us, and focuses on the period from July 1998 to June 2002.

We are unable to predict the outcome of these matters and therefore cannot estimate the range of possible loss, except as noted in the above discussion of the U.S. indirect purchaser cases. The final resolution of these alleged violations of antitrust laws could result in significant liability and could have a material adverse effect on our business, results of operations or financial condition.

Securities Matters

On July 12, 2013, seven former shareholders of Elpida Memory, Inc. ("Elpida") filed a complaint against Messrs. Sakamoto, Adachi, Gomi, Shirai, Tsay-Jiu, Wataki, Kinoshita, and Takahasi in their capacity as members of the board of directors of Elpida as of February 2013. The complaint alleges that the defendants engaged in various acts and misrepresentations to hide the financial condition of Elpida and deceive shareholders prior to Elpida filing a petition for corporate reorganization on February 27, 2013. The plaintiffs seek joint and several damages equal to the market value of shares owned by each of the plaintiffs on February 23, 2013, along with attorneys' fees and interest. At a hearing on September 25, 2013, the plaintiffs withdrew the complaint against Mr. Tsay-Jiu.

We are unable to predict the outcome of this matter and therefore cannot estimate the range of possible loss. The final resolution of this matter could result in significant liability and could have a material adverse effect on our business, results of operations or financial condition.

Commercial Matters

On January 20, 2011, Dr. Michael Jaffé, administrator for Qimonda AG ("Qimonda") insolvency proceedings, filed suit against us and Micron Semiconductor B.V., our Netherlands subsidiary, in the District Court of Munich, Civil Chamber. The complaint seeks to void under Section 133 of the German Insolvency Act a share purchase agreement between us and Qimonda signed in fall 2008 pursuant to which we purchased all of Qimonda's shares of Inotera Memories, Inc. and seeks an order requiring us to retransfer the Inotera shares purchased from Qimonda to the Qimonda estate. The complaint also seeks to terminate under Sections 103 or 133 of the German Insolvency Code a patent cross-license between us and Qimonda entered into at the same time as the share purchase agreement. A three-judge panel will render a decision after a series of hearings with pleadings, arguments and witnesses. The most recent hearing was held on November 12, 2013 and an additional hearing is scheduled in January 2014. We are unable to predict the outcome of this lawsuit and therefore cannot estimate the range of possible loss. The final resolution of this lawsuit could result in the loss of the Inotera shares or equivalent monetary damages and the termination of the patent cross-license, which could have a material adverse effect on our business, results of operation or financial condition. As of November 28, 2013, the Inotera shares purchased from Qimonda had a carrying value of $241 million and a market value of $814 million.

Other

In the normal course of business, we are a party to a variety of agreements pursuant to which we may be obligated to indemnify the other party. It is not possible to predict the maximum potential amount of future payments under these types of agreements due to the conditional nature of our obligations and the unique facts and circumstances involved in each particular agreement. Historically, our payments under these types of agreements have not had a material adverse effect on our business, results of operations or financial condition.

Micron Shareholders' Equity and Noncontrolling Interests in Subsidiaries

Changes in the components of equity were as follows:

Quarter Ended November 28, 2013