AGERE SYSTEMS INC
Form 10-K
December 12, 2005

As filed with the Securities and Exchange Commission on December 12, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2005

[ ] 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 001-16397

Agere Systems Inc.

(Exact name of registrant as specified in its charter)

Delaware	**22-3746606**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1110 American Parkway N.E. Allentown, Pennsylvania	**18109**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: **610-712-1000**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, $.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [X] No [ ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act). Yes [ ] No [X]

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 [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).
Yes [X] No [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes [ ] No [X]

The aggregate market value of voting common equity held by non-affiliates of the registrant as of March 31, 2005 was approximately $2.5 billion, based on the reported last sale prices on the New York Stock Exchange of such equity on such date.

As of December 1, 2005, 179,962,331 shares of common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required by Part III of this report is incorporated by reference from the registrant s proxy statement to be filed pursuant to Regulation 14A with respect to the registrant s 2006 annual meeting of stockholders.

Agere Systems Inc.
Form 10-K
For the Year Ended September 30, 2005

FORWARD-LOOKING STATEMENTS

Certain statements in this Form 10-K are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. The words estimate, plan, intend, expect, anticipate, believe and similar expressions are intended to identify forward-looking statements. These forward-looking statements are found at various places throughout this report and in the documents incorporated herein by reference. Agere disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Although we believe that our expectations are based on reasonable assumptions, we can give no assurance that our goals will be achieved. Important factors that could cause our actual results to differ from estimates or projections contained in the forward-looking statements are described in Item 1A.

PART I

Item 1. Business.

General

We are a leading provider of integrated circuit solutions for a variety of applications, including high-density storage, mobile wireless communications and enterprise and telecommunications networks. These solutions form the building blocks for a broad range of computing and communications applications. Some of our solutions include related software and reference designs. Our customers include manufacturers of hard disk drives, mobile phones, high-speed communications systems and personal computers.

Integrated circuits, or chips, are made using semiconductor wafers imprinted with a network of electronic components. They are designed to perform various functions such as processing electronic signals, controlling electronic system functions and processing and storing data. Reference designs are complete specifications for products that a customer can use to build an end product, including components, board layouts and software. By using one of our reference designs, a customer can reduce the amount of product design it must perform and the amount of time required to introduce a new product into the market.

We have operating segments that focus on four target markets: Storage, Mobility, Enterprise and Networking and Telecommunications. We have two reportable segments for financial reporting purposes, Consumer Enterprise and Telecommunications. The Consumer Enterprise segment includes the Storage, Mobility and Enterprise and Networking operating segments. Information about each of these groups is provided below. We also have an operations group that manages our manufacturing and supply chain activities.

In fiscal 2005 and fiscal 2004, 17% of our revenue was generated in the United States and 83% was generated outside the United States. See We conduct a significant amount of our sales activity and manufacturing efforts outside the United States, which subjects us to additional business risks and may adversely affect our results of operations due to increased costs in Item 1A. See Item 8 for financial information about our

reportable segments and geographic financial information.

In the fourth quarter of fiscal 2005, we ceased operations at our Orlando, Florida, manufacturing facility and sold substantially all of the semiconductor manufacturing equipment at the facility.

We have research and development and manufacturing sites in the United States, Australia, Canada, China, Germany, India, Ireland, Israel, Japan, Korea, Singapore, Spain, Taiwan, Thailand and the United Kingdom. As of September 30, 2005, we had approximately 6,200 employees worldwide, including approximately 500 employees who were expected to go off-roll as a result of the closure of our Orlando, Florida manufacturing facility. We were incorporated in Delaware in 2000 as part of the plan of Lucent Technologies Inc. to spin off its microelectronics business to its stockholders. Lucent completed our spin-off in June 2002.

On May 27, 2005, we reclassified our Class A common stock and Class B common stock into a new, single class of common stock and effected a 1-for-10 reverse stock split.

We maintain an Internet website at http://www.agere.com. We make available free of charge on our website our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934

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as soon as practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. Information on our website is not incorporated by reference into this report.

In March 2005, our Chief Executive Officer submitted to the New York Stock Exchange an annual certification stating that he was not aware of any violations of the New York Stock Exchange s corporate governance listing standards.

Consumer Enterprise Segment

Storage

We sell integrated circuits for hard disk drives, which are used to store data in personal computers, corporate network servers and consumer electronics products such as digital video recorders, digital media players, mobile phones and game consoles.

Our TrueStore® family of storage electronics includes read channels, preamplifiers, motor controllers, disk controllers and firmware, as well as systems-on-a-chip. These are the critical chips required to read, write and protect data.

Read channels convert analog signals that are generated by reading the stored data on the hard disk into digital signals. Analog refers to a transmission technique employing a continuous signal that varies in amplitude, frequency or phase of the transmission. Digital refers to a method of transmitting, storing and processing data that uses distinct electronic or optical pulses to represent the binary digits 0 and 1. We also sell pre-amplifiers, or preamps, which are used to amplify the initial signal from the hard disk so the signal can be processed by the read channel. Together, these components are critical to determining the overall performance of a hard disk drive.

Our disk controllers are used to control signal processing and communications functions within the disk drive. We also sell motor controllers, which are used to control functions related to the spinning of the physical storage media.

A storage system-on-a-chip is an integrated circuit that combines the functionality of a read channel and a disk controller in a small, high-performance, low-power and cost-effective package. With these devices, manufacturers of hard disk drives get the performance and design flexibility needed to develop drives with outstanding storage capacity, speed, reliability and power savings.

Consumers are increasingly in need of more storage to manage their digital content whether it is MP3 files, home videos, digital photographs or downloaded video. As disk drives reach a capacity ceiling using current longitudinal recording techniques, design innovations are required in a disk drive s heads, media and electronics to deliver more storage. Perpendicular recording increases the amount of storage possible on a disk drive s platter. In fiscal 2005, we introduced our TrueStore CE family of integrated circuits targeting hard disk drives for portable consumer electronics. These integrated circuits support both horizontal and perpendicular recording, at a performance level that enables hard disk drives to store more data than competing solutions.

Mobility

We sell integrated circuits for use in mobile phones and other wireless data and voice communications products. We offer integrated wireless solutions that include:

Digital baseband processors for speech compression and encoding and transmission of voice and data;

Conversion signal processors to convert signals between frequencies used in digital signal processors and frequencies used for radio transmission; and

Software that controls the communication process.

Several different standards exist for mobile phones. The most prevalent standards are commonly referred to as second generation, or 2G , standards. Carriers are deploying advancements to their 2G networks that provide customers with higher data rates, thereby enabling services like Internet surfing and e-mail. Some carriers are also beginning to deploy networks based on third generation, or 3G , standards. These networks offer even higher data throughput, enabling revenue-generating applications, like streaming video, that require higher data rates than 2G networks can provide.

Our mobile phone products support a number of protocols, including General Packet Radio Service, or GPRS, which operates on the second generation Global System for Mobile Communications, or GSM, standard. GPRS provides enhanced data transmission capabilities for GSM mobile phones. We also provide integrated circuits for an extension of GPRS called EDGE. GPRS and EDGE are often referred to as 2.5G solutions because of the enhanced data rates they provide. We are sampling products that support the wideband Code Division Multiple Access, or W-CDMA, standard. W-CDMA is a third generation, or 3G , standard. In March 2005, we acquired Modem-Art Ltd., a privately-held developer of advanced processor technology for 3G mobile phone devices as part of our effort to develop 3G solutions. Because it is costly for a carrier to replace its network infrastructure to support 3G service, we expect that many carriers will choose to replace their infrastructure only in high usage areas, and to retain 2.5G infrastructure in lower use areas. To address this, we are developing a 3G solution which is designed to support both W-CDMA and EDGE and to enable consumers to experience 3G data rates in a 3G service area, while providing 2.5G data rates outside of 3G coverage.

In fiscal 2005, we introduced a new generation solution for mainstream EDGE feature phones and Smartphones. This is a dual-core, multi-processor solution that separates communications and applications processing to deliver improved handling of advanced multimedia tasks while ensuring that voice calling is continuously maintained. It delivers high-quality video and audio without requiring costly applications processors or multimedia companion chips. We have been sampling this solution and expect it will be available for volume production in late 2005.

Enterprise and Networking

The majority of our revenue from products used in enterprise and networking applications is derived from the sale of integrated circuits that are custom developed for our customers. These integrated circuits incorporate our intellectual property or combine our intellectual property with the intellectual property of our customers or other third parties to create a customized solution for these customers. For some customers, we design and manufacture the integrated circuit while the key intellectual property belongs solely to our customers.

Our systems-level knowledge and integrated circuit design methodologies allow us to turn our customers design concepts into a systems solution quickly and effectively. Our intellectual property gives our customers the flexibility to customize their products to meet their individual cost and performance objectives.

Networking Products

We sell custom-designed integrated circuits for use in storage area networks, Ethernet networks and wireless and wireline telecommunications applications. We are developing a family of standard products for high speed data networking applications. These products are intended to address enterprise and client applications for gigabit Ethernet, a high-speed data networking standard that operates at data rates of one billion bits, or one gigabit, per second. We are currently in production with five different products: our single and octal physical layer devices, our fully and lightly managed 48-port switches and our physical layer device controller.

Client Access Products

We sell integrated circuits and associated software for modem products, primarily to leading manufacturers of personal computers, modems and other electronic equipment. We also offer integrated circuits and software for use in packet telephony products that provide access to converged voice and data communications networks.

We sell high speed input/output products primarily to manufacturers of computers, peripheral equipment and communications equipment. Input/output refers to the transfer of data within and between computers; peripheral equipment, such as printers, scanners and digital cameras; and data networks. Our products support established connectivity and transmission standards known as Universal Serial Bus, or USB, and IEEE-1394.

We also sell integrated circuits for use in computer printing and imaging applications.

Other Products

We sell custom-designed integrated circuits for use in satellite digital radio receivers. Our integrated circuits process signals received from satellites and ground-based repeaters. In fiscal 2005, we introduced new media server chips that can be used in digital media servers and network-attached storage devices in homes and small businesses

to provide central data storage capabilities at a lower cost than a computer server. We also sell integrated circuits for use in other computing applications.

Telecommunications Segment

We offer solutions targeting wireless and wireline access and multiservice communications networks. Our products encompass integrated circuits, software and reference designs that facilitate the transmission and traffic management of voice, video and data signals within communications networks and are used primarily in the following types of equipment:

Wireline telecommunications equipment, including:

Network communications equipment, which facilitates the transmission and management of data and voice traffic within communications networks; and

Network access equipment, such as data communications equipment, which allows devices to connect with communications networks.

Wireless telecommunications equipment, such as a cellular base station, which transmits and receives data and voice communications through radio waves.

We sell integrated circuit solutions that include integrated circuits supporting SONET/SDH communication standards, broadband aggregation devices, network processing and traffic management devices and digital signal processing (DSP) devices, each of which is described below.

Wireline Telecommunications Equipment Solutions

We sell products designed for wired communications infrastructure. These products are used in high-speed transport networks and in the equipment used to access and interconnect these networks.

Multiservice Network Processing and Traffic Management Devices. Multiservice network processing and traffic management devices ensure that quality of service and service level agreement specifications are adhered to within wide area networks. Quality of service and service level agreements provide for reliable delivery of voice, video and data services to business and residential customers. These devices process data being sent over the network, providing for classification, traffic policing, queuing, scheduling and shaping of multiservice data.

Broadband Aggregation Devices. Broadband is a general term that refers to high-speed data transmission. Our broadband access integrated circuits, or mappers, support data transport between central offices and enterprise sites by aggregation and termination. Aggregation refers to the

combining of many low-speed, or tributary, data signals from enterprises into higher speed, or trunk, data signals for transmission to a central office. Termination refers to the separation of trunk data signals into lower-speed, tributary data signals.

Our products support data transport for T-carrier data transport in North America. T-carrier is a digital transmission service from a common carrier. We support similar services worldwide. These services are referred to as J-carrier in Japan and E-carrier in Europe. T-carrier services such as T1 and T3 lines are widely used to create point-to-point networks for use by enterprises. T1 and T3 lines refer to different levels of T-carrier service that transmit data at 1.544 megabits per second and 44.736 megabits per second, respectively. A megabit is a unit of measurement for data and is equal to approximately one million bits.

SONET/SDH Network Devices. Synchronous optical networks, which are typically referred to as SONET, and synchronous digital hierarchy standard networks, or SDH, carry data, voice and video traffic through a network by combining lines carrying traffic at slower speeds with lines carrying traffic at higher speeds. This process is known as multiplexing, and involves directing traffic from the individual lines into designated time slots in the higher speed lines, and those lines into still higher speed lines. The SONET/SDH equipment that handles the directing of traffic into slower speed and faster speed lines is the add-drop multiplexer. Add-drop multiplexers handle the addition and removal of traffic from a SONET/SDH communication transmission. We offer single-chip integrated circuit solutions, or framers, for add-drop multiplexing of data and voice traffic. In addition, our framers are used in high-speed routers within optical networks. A router is an interface, or link, between two networks.

Wireless Telecommunications Equipment

Wireless Infrastructure Devices. We sell integrated circuit solutions used in wireless infrastructure products, which are primarily cellular base stations and cellular base transceiver stations. Our solutions include digital signal processors for speech compression and encoding and transmission of voice and data and networking products that

connect cellular equipment to the wired communications network. Some of these products are standard offerings that are sold to multiple customers and some are customized for a particular customer. The customized offerings may combine our intellectual property with intellectual property from our customer. Many of the multiservice networking devices used in wireline communications infrastructure, including network processors and asynchronous transfer mode, or ATM, traffic management devices, are also used in wireless infrastructure.

In fiscal 2005, we introduced a new telecommunications product platform, TrueAdvantage , to serve as a building block for intelligent converged access networks and services. The TrueAdvantage family includes hardware and software development tools, application software and reference designs that are intended to help telecommunications equipment makers reduce product development costs, increase their products revenue-generating capabilities and accelerate time-to-market. We also announced new TrueAdvantage wireless access solutions that can simultaneously support current and future wireless systems over a single network.

Customers, Sales And Distribution

Customers

We have a globally diverse base of customers, consisting primarily of manufacturers of computer and communications equipment. In fiscal 2005, we sold our products directly to approximately 260 end customers and indirectly, through distributors, to approximately 339 end customers. For some end customers, we deliver the product to, and are paid by, a third party associated with the customer, such as their contract manufacturer. Our top 20 end customers in fiscal 2005, based on revenue, accounted for approximately 80% of our revenue and our top 10 end customers in fiscal 2005, based on revenue, accounted for approximately 67% of our revenue. These amounts include both product revenue and revenue from the licensing of intellectual property. Our top ten end customers in fiscal 2005 were:

Apple Computer, Inc.	NEC Corporation
Cisco Systems, Inc.	Nokia Corporation
Hitachi Global Storage Technologies	Samsung Electronics Co., Ltd.
Lucent Technologies Inc.	Seagate Technology, Inc.
Maxtor Corp.	Toshiba Corporation

In fiscal 2005, our sales to Maxtor represented 15% of our total revenue, our sales to Seagate represented 15% of our total revenue and our sales to Samsung represented 14% of our total revenue. No other customer accounted for 10% or more of our total revenue in fiscal 2005.

Sales and Distribution

We have a worldwide sales organization with approximately 300 employees as of September 30, 2005, located in seven U.S. sales offices and 16 sales offices outside the U.S. We sell our products globally primarily through our direct sales force. To complement our direct sales force, we also sell our products through distributors, which sales in fiscal 2005 represented approximately six percent of our revenue.

We aim to have our customers incorporate our products into the end products they design and develop. Typically, manufacturers of computer and communications equipment conduct a competitive process to select suppliers for the parts that they will include in their end products. Our sales, marketing and technical personnel work with customers to demonstrate our products ability to satisfy any specific requirements. We call winning the competitive process a design win. A design win is important because it allows us to establish a long-term relationship with the customer, at least through the life cycle of the product. We generally do not, however, enter into written agreements with our customers after achieving a design win. A customer could terminate its relationship with us or discontinue developing the product. Most of our revenue originates from sales that are the result of design wins.

After we achieve a design win and negotiate the terms of the sale, we deliver our products to our end customers in a number of ways. Our end customers typically have us ship our products to their facilities directly. In some instances, however, our customer may use a contract manufacturer to manufacture and assemble its end product. When our product is being incorporated into an end product being manufactured by a contract manufacturer, we often ship our product directly to the contract manufacturer and receive payment from that contract manufacturer. To determine our sales to particular customers, however, we recognize this type of transaction as a sale to, and revenue from, the end customer. Sometimes a customer for whom we have achieved a design win will have us sell

that product to a distributor or trading company from whom the customer then buys our product. We recognize these transactions as indirect sales.

Manufacturing

We had three facilities located in two countries devoted to manufacturing integrated circuits as of September 30, 2005. These sites utilized approximately 687,000 square feet of space dedicated to manufacturing. As of September 30, 2005, we had joint venture wafer fabrication operations in Singapore, while our assembly and test operations were in Singapore and Thailand. Prior to September 30, 2005, we also conducted wafer fabrication operations in Orlando, Florida. As of September 30, 2005, we had approximately 3,100 employees in manufacturing and other functions involved in delivering products to customers. Included in this amount are approximately 500 people who were expected to go off-roll as a result of the closure of the Orlando facility.

Because of the high cost of implementing new manufacturing processes, we have decided to use foundry partners, rather than internal manufacturing capabilities, to produce integrated circuits using newer processes. Our primary foundry partners are Chartered Semiconductor Manufacturing, Ltd. and Taiwan Semiconductor Manufacturing Corporation. We believe that our internal assembly and test operations provide us with a competitive advantage and intend to continue operating those facilities.

We have a joint venture, called Silicon Manufacturing Partners, with Chartered Semiconductor Manufacturing Ltd., that operates a 54,000 square foot integrated circuit manufacturing facility in Singapore. We are entitled to 51% of the managed wafer capacity of the facility. The joint venture agreement may be terminated by either party upon two years written notice, but may not be terminated prior to February 2008. The agreement may also be terminated for material breach, bankruptcy or insolvency of either party.

Competition

We sell products designed for communications, consumer electronics and computer equipment manufacturers. Our customers products are sold in market segments that are intensely competitive and characterized by:

- Rapid technological change;

Evolving standards;

Short product life cycles; and

Price erosion.

There are many competitors for our products. We expect the intensity of competition in the market segments we serve to continue to increase in the future as existing competitors enhance and expand their product offerings and as our customers attempt to limit the number of suppliers from which they buy. Increased competition may result in price reductions, reduced revenues and loss of market share. We cannot assure you that we will be able to compete successfully against existing or future competitors. Some of our customers and companies with which we have strategic relationships also are, or may be in the future, competitors of ours.

Our primary competitors are listed in the table below.

Storage	Mobility	Enterprise and Networking	Telecommunications
Infineon Technologies AG	Broadcom Corp.	Broadcom Corp.	Applied Micro Circuits Corp.
Marvell Technology Group Ltd.	Koninklijke Philips Electronics N.V.	Conexant Systems	Infineon Technologies AG
STMicroelectronics N.V.	Freescale Semiconductor, Inc.	International Business Machines	Intel Corp.
Texas Instruments Incorporated	QUALCOMM Inc.	LSI Logic Corp.	Freescale Semiconductor, Inc.
	Skyworks Solutions, Inc.	Marvell Technology Group Ltd.	PMC-Sierra, Inc.
	STMicroelectronics N.V.	Texas Instruments Incorporated	STMicroelectronics N.V.
	Telefonaktiebolaget LM Ericsson		Vitesse Semiconductor Corporation
	Texas Instruments Incorporated		Wintegra, Inc.

Our competitive position varies depending on the market and product areas within these markets. For example, we are number one or two, based on revenue, in many of our product areas, including read channels and systems-on-a-chip for hard disks used in consumer electronics products, integrated circuits for notebook computer modems, digital signal processors for wireless infrastructure, SONET/SDH integrated circuits and wired communications integrated circuits. However, our competitive position is not as strong in the gigabit Ethernet product area, which is a new area for us. While improving our position in many of the product areas where our position is less well-established is an objective of ours, we cannot assure you that we will be able to accomplish this goal. Further, because we expect to face increasing competitive pressures from both current and future competitors in the product areas we serve, we may not be able to maintain our position in the product areas in which we are currently a leader.

We believe competition in our industry is based on the following factors:

Performance and reliability;

Price;

Compatibility of products with other products and communications standards used in communications networks;

Product size;

Ability to offer integrated solutions;

Time to market;

Breadth of product line;

Customer support;

Logistics and planning systems; and

Quality of manufacturing processes.

While we believe we are competitive on the basis of all the factors listed above, we believe some of our competitors compete more favorably on the basis of price and on delivering products to market more quickly. However, we feel we are particularly strong in offering integrated solutions, our broad product lines, our customer support and our logistics and planning systems.

Research and development

As of September 30, 2005, our product development team consisted of approximately 2,000 employees. Our research and development expenditures were $462 million, $496 million and $467 million for fiscal 2005, 2004 and 2003, respectively. We anticipate that we will continue to make significant research and development expenditures to maintain our competitive position with a continuing flow of innovative products and technology.

Patents, Trademarks And Other Intellectual Property

We own or have rights to a number of patents, trademarks, copyrights, trade secrets and other intellectual property directly related to and important to our business. We have approximately 5,875 U.S. patents and patent applications and their corresponding foreign patents and patent applications. These patents include patents related to the following technologies:

Integrated circuit and optoelectronic manufacturing processes;

Modems, digital signal processors, wireless communications, network processors and communication protocols; and

Optoelectronic products including lasers, optical modulators, optical receivers and optical amplifiers.

The patents described above include patents of all ages ranging from pending applications, which will have a duration of 20 years from their filing dates, through patents soon to expire.

We indemnify our customers for some of the costs and damages of patent infringement in circumstances where our product is the primary factor creating the customer s infringement exposure. We generally exclude coverage where infringement arises out of the combination of our products with products of others.

We protect our products and processes by asserting our intellectual property rights where appropriate and prudent. We also obtain licenses to patents, copyrights and other intellectual property rights used in connection with our business when practicable and appropriate.

Government Regulation

Many of our customers end products that include our products are subject to extensive telecommunications-based regulation by the United States and foreign laws and international treaties. We must design and manufacture our products to ensure that our customers are able to satisfy a variety of regulatory requirements and protocols established to, among other things, avoid interference among users of radio frequencies and to permit interconnection of equipment.

Each country has different regulations and a different regulatory process. In order for our customers products to be used in some jurisdictions, regulatory approval and, in some cases, specific country compliance testing may be required. The delays inherent in this regulatory approval process may force our customers to reschedule, postpone or cancel the incorporation of our products into their products, which may result in significant reductions in our sales. The failure to comply with current or future regulations or changes in the interpretation of existing regulations in a particular country could result in the suspension or cessation of sales in that country by us or our customers. It also may require us to incur substantial costs to modify our products to aid our customers in complying with the regulations of that country. Changes in our regulatory environment that generally result from our expansion into new areas or changes in current regulations could increase the cost of manufacturing our products because we must continually modify our products to respond to these changes.

In addition, domestic and international authorities continue to regulate the allocation and auction of the radio frequency spectrum. These regulations have a direct impact on us because many of our customers licensed products can be marketed only if permitted by suitable frequency allocations, auctions and regulations. The implementation of these regulations may delay our end-users in deploying their systems, which could, in turn, lead to delays in orders of our products by our customers and end users.

Employees

As of September 30, 2005, we had approximately 6,200 full-time employees, including approximately 500 employees who were expected to go off-roll as a result of the closure of our Orlando manufacturing facility in September 2005. As of September 30, 2005, we had approximately 450 U.S. union-represented employees covered by collective bargaining agreements. Three hundred and seventy of these employees had been assigned to our Orlando manufacturing facility and were expected to go off-roll as a result of the closure of that facility.

On May 27, 2003, we entered into a collective bargaining agreement with local unions 1522, 1560, 1898 and 2000 of the International Brotherhood of Electrical Workers. This agreement, which covers our U.S. union-represented employees, will be effective until May 31, 2006, unless the parties reach a mutual agreement to amend the terms.

We believe that we generally have good relationships with our employees and the unions that represent them.

Backlog

Our backlog, which represents the aggregate of the sales price of orders received from customers for delivery within six months, but not yet recognized as revenue, was approximately $311 million and $447 million on September 30, 2005 and September 30, 2004, respectively. The majority of these orders are fulfilled within three months. All orders, however, are subject to possible rescheduling by customers. Our customers often change their orders two or three times between initial order and delivery. Our customers frequent changes usually relate to quantities or delivery dates, but sometimes relate to the specifications of the products we are shipping. Although we believe that the orders included in the backlog are firm, generally orders may be cancelled by the customer without penalty. We also may elect to permit cancellation of orders without penalty where we believe it is in our interest to do so. For these reasons, we believe that our backlog at any given date may not be a reliable indicator of future revenues.

Environmental, Health And Safety Matters

We are subject to a wide range of laws and regulations relating to protection of the environment and employee health and safety. Our manufacturing facilities have undergone regular internal audits relating to environmental, health and safety requirements. Most of those facilities also are regularly audited and certified by an independent and accredited third party registrar, such as Lloyd s Register Quality Assurance, as conforming to the internationally recognized ISO 14001 standard relating to environmental management. In addition, our non-U.S. manufacturing facilities conform to BS 8800, the British standard for occupational health and safety management systems. Based upon these reviews, we believe that our manufacturing facilities are in substantial compliance with all applicable environmental, health and safety requirements.

Item 1A. Risk Factors

Set forth below are some of the risks and uncertainties that, if they were to occur, could materially adversely affect our business or that could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this report and other public statements we make.

Because our sales are concentrated on a limited number of key customers, our revenue may materially decline if one or more of our key customers do not continue to purchase our existing and new products in significant quantities.

Our customer base is highly concentrated. Our top 10 end customers accounted for approximately 67% of our revenue in fiscal 2005. If any one of our key customers were to decide to purchase significantly less from us or to terminate its relationship with us, our revenue may materially decline. Because we have a long product design and development cycle for most of our products, we may be unable to replace these customers quickly or at all. We could lose our key customers or significant sales to our key customers because of factors beyond our control, such as a significant disruption in our customers businesses generally or in a specific product line.

If we fail to keep pace with technological advances in our industry or if we pursue technologies that do not become commercially accepted, customers may not buy our products and our results of operations may be adversely affected.

The demand for our products can change quickly and in ways we may not anticipate because our industry is generally characterized by:

rapid, and sometimes disruptive, technological developments;

evolving industry standards;

changes in customer requirements;

limited ability to accurately forecast future customer orders;

frequent new product introductions and enhancements; and

short product life cycles with declining prices over the life cycle of the product.

If we fail to make sufficient investments in research and development programs in order to develop new and enhanced products and solutions, or if we focus on technologies that do not become widely adopted, new technologies could render our current and planned products obsolete, resulting in the need to change the focus of our research and development and product strategies and disrupting our business significantly.

The integrated circuit industry is intensely competitive, and our failure to compete effectively could result in reduced revenue.

The market for integrated circuits is intensely competitive and subject to rapid and disruptive technological change. We expect the intensity of competition to continue to increase as existing competitors enhance and expand their product offerings and as new participants enter the market. Increased competition may result in price reductions, reduced gross margins and loss of market share. We may not be able to compete successfully against existing or future competitors, which may result in reduced revenue.

The size and number of our competitors vary across our product areas, as do the resources we have allocated to the segments we target. Therefore, many of our competitors have greater financial, personnel, production capacity and other resources than we have in a particular market segment or overall. Competitors with greater financial resources may be able to offer lower prices, additional products or services or other incentives that we cannot match or offer. These competitors may be in a stronger position to respond quickly to new technologies and may be able to undertake more extensive marketing campaigns. They also may adopt more aggressive pricing policies and make more attractive offers to potential customers, employees and strategic partners. These competitors may also make strategic acquisitions or establish cooperative relationships among themselves or with third parties to increase their ability to gain market share.

Further, some of our competitors are currently selling commercial quantities of products that we are sampling to our customers, that are still in the initial stages of development or that we may develop in the future. By being able to offer these products in commercial quantities before we do, our competitors can establish significant market share, acquire design wins in customer equipment programs and create a market position that we may be unable to overcome once we have completed development and testing of our product.

Our revenue and operating results may fluctuate because we derive most of our revenue from semiconductor devices and the integrated circuits industry is highly cyclical, and because of other characteristics of our business, and these fluctuations may cause our stock price to fall.

We expect to derive most of our revenue from the sale of integrated circuits. Because the integrated circuits industry is highly cyclical, we may experience declines in our revenue that are primarily related to industry conditions and not our products. This industry has experienced significant downturns, often in connection with, or in anticipation of, excess manufacturing capacity worldwide, maturing product cycles and declines in general economic conditions.

We focus primarily on winning competitive selection processes to develop products for use in our customers equipment. These selection processes can be lengthy. After winning a product design for a customer, that customer may not begin volume production of their equipment for a period of up to two years, if at all. Due to this lengthy design and development cycle, we may experience delays from the time we begin incurring expenses until the time we generate revenue from our products. We have no assurances that our customers will ultimately market and sell their equipment or that such efforts by our customers will be successful. Thus, we may never generate any revenue from our products after incurring significant design and development expenditures.

If we are not selected by a customer to provide a product, we may experience significantly lower revenue later, as compared to prior periods with more revenue from earlier design wins. In addition, sales of our products for specific customer projects often begin and end abruptly, so revenue may increase rapidly and later decrease just as quickly. The relative timing of the beginning and end of our sales and design processes can make our revenues less predictable.

Fluctuations in our revenue or operating results could cause our stock price to decline, even if our results meet expectations. Further, stock prices in our industry have recently been highly volatile for reasons that sometimes are unrelated to the performance of the companies in the industry. These broad fluctuations could adversely affect our stock price.

If we do not achieve adequate manufacturing utilization, yields or volumes or sufficient product reliability, our gross margins will be reduced.

Because the manufacturing costs at our owned and joint venture manufacturing facilities are relatively fixed, efficient utilization of manufacturing facilities and manufacturing yields are critical to our results of operations. If we do not experience adequate utilization of our manufacturing facilities, our results of operations may be adversely affected. In addition, from time to time, we may have to pay to reserve capacity at third-party manufacturers. If this is the case and we overestimate demand for our products, we may have to pay for capacity that we do not use, and our results of operations may be adversely affected.

The manufacture of our products involves highly complex and precise processes, requiring production in highly controlled and clean environments. Changes in our manufacturing processes or those of our suppliers or contractors, or the inadvertent use of defective or contaminated materials, could significantly reduce our manufacturing yields and product reliability. Lower than expected manufacturing yields could adversely affect our results of operations and delay product shipments.

Because we are subject to order and shipment uncertainties, any significant cancellations or deferrals could cause our revenue to decline or fluctuate.

We generally sell products pursuant to purchase orders that customers may cancel or defer on short notice without incurring a significant penalty. Cancellations or deferrals could cause us to hold excess inventory, which could adversely affect our results of operations. If a customer cancels or defers product shipments, we may incur unanticipated reductions or delays in our revenue. If a customer refuses to accept shipped products or does not pay for these products in a timely manner, we could incur significant charges against our income, which could materially and adversely affect our results of operations.

A joint venture and third parties manufacture all of our wafers for us. If these suppliers are unable to fill our orders on a timely and reliable basis, our revenue may be adversely affected.

The integrated circuit manufacturing industry has a history of developing new manufacturing processes. We believe that the costs associated with implementing new processes, including acquiring the necessary equipment and building appropriate facilities, are increasing with each generation of manufacturing processes. We have not wanted to make the significant financial investments necessary for new processes and in the last few years we have relied on contract manufacturers to fabricate products using processes that we did not have internally or at our joint

venture manufacturer. We recently discontinued operations at our last wholly-owned wafer fabrication facility and now rely on our joint venture and third-party manufacturers to fabricate all of our wafers. To the extent we rely on joint ventures and third-party manufacturing relationships, we face the following risks:

- that they may not be able to develop manufacturing methods appropriate for our products;
- that manufacturing costs will be higher than planned;
- that reliability of our products will decline;
- that they may be unwilling to devote adequate capacity to produce our products;
- that they may not be able to maintain continuing relationships with our suppliers; and
- that we may have reduced control over delivery schedules and costs of our products.

If any of these risks were to be realized, we could experience an interruption in supply or an increase in costs, which could adversely affect our results of operations.

In the event of an increase in demand, failure to increase our manufacturing volumes or obtain capabilities from third parties may result in our not being able to meet customer demand for our products, which could hurt our relationships with our customers and result in our recording lower revenues than would be the case if we had greater manufacturing capacity.

Because many of our current and planned products are highly complex, they may contain defects or errors that are detected only after deployment in commercial applications, and if this occurs, it could harm our reputation and result in reduced revenues or increased expenses.

Our products are highly complex and may contain undetected defects, errors or failures. These products can only be fully tested when deployed in commercial applications and other equipment. Consequently, our customers may discover errors after the products have been deployed. The occurrence of any defects, errors or failures could result in:

- cancellation of orders;
- product returns, repairs or replacements;
- diversion of our resources;
- legal actions by our customers or our customers end-users;
- increased insurance costs; and
- other losses to us or to our customers or end-users.

Any of these occurrences could also result in the loss of or delay in market acceptance of our products and loss of sales, which would harm our business and adversely affect our results of operations. We have from time

to time experienced defects in our products and expect to experience defects in the future. Because the trend in our industry is moving toward

even more complex products in the future, this risk will intensify over time and may result in increased expenses.

We are expanding, and may seek in the future to expand, into new areas, and if we are not successful, our results of operations may be adversely affected.

We are currently developing products in new areas, including wireless communications infrastructure, high-speed networking and consumer electronics. We may seek to expand into additional areas in the future. We may expand through internal development efforts, through acquisitions of companies or technologies, or a combination of these methods.

Our efforts may not result in sales that are sufficient for us to recoup our investment, and we may experience higher costs than we anticipated. For example, we may not be able to manufacture our products at a competitive cost, may need to rely on new suppliers or may find that the development efforts are more costly or time consuming than we had anticipated. Our products may support protocols that are not widely adopted. Where we choose to develop capabilities by acquiring another company, we may not be able to integrate the other company successfully into our operations, which may mean that we have difficulty retaining employees from the acquired company or integrating its technology into our products. We may have difficulties entering markets where competitors have strong market positions.

We have recently upgraded our enterprise financial management system, and it is possible that we may have a defect in the design of the system that may result in the generation of incorrect financial information, an adverse impact on the processing of customer orders or some other adverse impact on our business.

We recently upgraded the enterprise-wide computer system that we use to control activities such as the processing of customer orders and accounts, the generation of financial data used in the preparation of financial statements and the handling of employee expense and payroll information. The system is extremely complex because of the wide range of processes that it integrates. Because of the complex nature of the system, it is possible that we will have a flaw in our design of the upgrade that has an adverse impact on our business. While we tested the system before implementing the upgrade, we cannot assure you that our testing would uncover every defect in the design or implementation of the upgrade that might be made. If such a defect did exist in the system after the upgrade, it could have a significant impact on how we conduct our business and we may not be able to mitigate that impact through other actions.

A widespread outbreak of an illness or other health issue could negatively affect our manufacturing, assembly and test, design or other operations, making it more difficult and expensive to meet our obligations to our customers, and could result in reduced demand from our customers.

A widespread outbreak of an illness such as severe acute respiratory syndrome, or SARS, or avian influenza, or bird flu, could adversely affect our operations as well as demand from our customers. A number of countries in the Asia/Pacific region have experienced outbreaks of SARS and/or bird flu. As a result of such an outbreak, businesses can be shut down temporarily and individuals can become ill or quarantined. We have assembly and test and back-office operations as well as our joint venture wafer fabrication facility in Singapore, assembly and test and back-office operations in Thailand and design operations in China, countries where outbreaks of SARS and/or bird flu have occurred. If our operations are curtailed because of health issues, we may need to seek alternate sources of supply for manufacturing or other services and alternate sources can be more expensive. Alternate sources may not be available or may result in delays in shipments to our customers, each of which would affect our results of operations. In addition, a curtailment of our design operations could result in delays in the development of new products. If our customers businesses are affected by health issues, they might delay or reduce purchases from us, which could adversely affect our results of operations.

We may be subject to intellectual property litigation and infringement claims, which could cause us to incur significant expenses or prevent us from selling our products. If we are unable to protect our intellectual property rights, our business and prospects may be harmed.

Like other companies in the semiconductor industry, we are frequently involved in disputes regarding patent and other intellectual property rights. From time to time, we receive notices from third-parties of potential infringement and receive claims of potential infringement when we attempt to license our intellectual property to

others. Defending these claims could be costly and time consuming and would divert the attention of management and key personnel from other business issues. The complexity of the technology involved and the uncertainty of intellectual property litigation increase these risks. Claims of intellectual property infringement also might require us to enter into costly royalty or license agreements. However, we may be unable to obtain

royalty or license agreements on terms acceptable to us or at all. In addition, third-parties may attempt to appropriate the confidential information and proprietary technologies and processes used in our business, which we may be unable to prevent and which would harm our business and prospects.

We have relatively high gross margin on the revenue we derive from the licensing of our intellectual property, and a decline in this revenue would have a greater impact on our net income than a decline in revenue from the sale of our integrated circuits products.

The revenue we generate from the licensing of our intellectual property has a higher gross margin compared to the revenue we generate from the sale of our integrated circuits products. Although we derive less than 10% of our total revenue from the licensing of intellectual property, a decline in this licensing revenue would have a greater impact on our profitability than a similar decline in revenues from the sale of our integrated circuit products.

If our customers do not qualify our products or manufacturing lines or the manufacturing lines of our third-party suppliers for volume shipments, our results of operations may be adversely affected.

Some customers will not purchase any of our products, other than limited numbers of evaluation units, until they qualify the manufacturing line for the product. We may not always be able to satisfy the qualifications. Delays in qualification may cause a customer to discontinue use of our products and result in a significant loss of revenue.

We conduct a significant amount of our sales activity and manufacturing efforts outside the United States, which subjects us to additional business risks and may adversely affect our results of operations due to increased costs.

In fiscal 2005, we derived approximately 83% of our revenue from sales of our products shipped to locations outside the United States. We also manufacture a significant portion of our products outside the United States and are dependent on non-U.S. suppliers for many of our parts. We intend to continue to pursue growth opportunities in both sales and manufacturing outside the United States. Operations outside the United States are subject to a number of risks and potential costs, which could adversely affect our revenue and results of operations, including:

- our brand may not be recognized locally, which may cause us to spend significant amounts of time and money to build a brand identity;
- unexpected changes in regulatory requirements;
- inadequate protection of intellectual property in some countries outside of the United States;
- currency exchange rate fluctuations;
- international trade disputes;
- political and economic instability; and
- disruptions in international air transport systems.

If we fail to attract, hire and retain qualified personnel, we may not be able to develop, market or sell our products or successfully manage our business.

In some of our fields of operation, there are only a limited number of people in the job market who possess the requisite skills. In the past we have experienced difficulty in identifying and hiring sufficient numbers of qualified engineers in parts of our business as well as in retaining employees. The loss of the services of any key personnel or our inability to hire new personnel with the requisite skills could restrict our ability to develop new products or enhance existing products in a timely manner, sell products to our customers or manage our business effectively.

The development and evolution of markets for our integrated circuits are dependent on factors over which we have no control. For example, if our customers adopt new or competing industry standards with which our products are not compatible or fail to adopt standards with which our products are compatible, our existing products would become less desirable to our customers and our sales would suffer.

The emergence of markets for our integrated circuits is affected by a variety of factors beyond our control. In particular, our products are designed to conform to current specific industry standards. Our customers may not adopt or continue to follow these standards, which would make our products less desirable to our customers and

reduce our sales. Also, competing standards may emerge that are preferred by our customers, which could also reduce our sales and require us to make significant expenditures to develop new products. To the extent that we are not able to effectively and expeditiously adapt to new standards, our business will suffer.

Class action litigation due to stock price volatility or other factors could cause us to incur substantial costs and divert our management s attention and resources.

In the past, securities class action litigation often has been brought against a company following periods of volatility in the market price of its securities. Companies in the integrated circuit industry and other technology industries are particularly vulnerable to this kind of litigation due to the high volatility of their stock prices. Accordingly, we may in the future be the target of securities litigation. Any securities litigation could result in substantial costs and could divert the attention and resources of our management.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

As of September 30, 2005, we operated three manufacturing facilities in Singapore and Thailand. We also operated an additional 50 facilities, including research and development facilities and design centers. We had facilities in a total of 20 countries. Our manufacturing facilities were located in Singapore and Thailand. We also have a 51% interest in our Silicon Manufacturing Partners joint venture located in Singapore, which is predominantly used as a manufacturing site.

Our facilities have an aggregate floor space of approximately 5.5 million square feet, of which approximately 3.9 million square feet, including all of our manufacturing facilities other than our assembly and test facility in Singapore, is owned and approximately 1.6 million square feet is leased. Our lease terms range from monthly leases to ten years. We believe that all of our facilities and equipment are in good condition and are well maintained and able to operate at present levels. We are currently not utilizing approximately 3.1 million of our 5.5 million square feet of this space due to our previous facility consolidation efforts.

Item 3. Legal Proceedings

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

During the fourth quarter of fiscal 2005, no matter was submitted to a vote of our security holders.

Executive Officers of the Registrant

Our executive officers as of December 1, 2005 were as follows:

Name	Age	Position
Richard L. Clemmer	53	President and Chief Executive Officer
Peter Kelly	48	Executive Vice President and Chief Financial Officer
Denis P. Regimbal	44	Executive Vice President, Mobility
Samir F. Samhouri	33	Executive Vice President, Telecom and Enterprise and Networking
Ruediger Stroh	43	Executive Vice President, Storage

Richard L. Clemmer has been our President and Chief Executive Officer since October 2005. Mr. Clemmer has also been a member of our Board of Directors since October 2002. Mr. Clemmer has over 30 years of experience in the technology industry, where he has held a variety of executive, financial and management positions. Between June 2004 and October 2005, he was an active partner at Shelter Capital Partners, a private investment fund. Between 2003 and October 2005, he was Chairman and President of Venture Capital Technology LLC, which was focused on investing in and consulting for technology companies, primarily involved as Chairman of uNav Microelectronics, an emerging global positioning systems chipset company. Between May 2001 and January 2003, he was on the Board and served as an executive at PurchasePro.com, Inc., a provider of electronic procurement and strategic sourcing solutions. Between 1996 and May 2001, Mr. Clemmer was Executive Vice President, Finance and Chief Financial Officer of Quantum Corp., which was a provider of hard disk drives and other storage solutions. Prior to Quantum, Mr. Clemmer served at Texas Instruments Incorporated for over 20 years, including between 1988 and 1996 as Senior Vice President and Chief Financial Officer of Texas Instruments Semiconductor Group. Mr. Clemmer is a director of i2 Technologies, Inc.

In September 2002, while Mr. Clemmer was Chairman, Chief Executive Officer and Chief Financial Officer of PurchasePro, having been asked to take over from prior management, PurchasePro filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code in connection with an agreement to sell substantially all of its assets.

Peter Kelly has been our Chief Financial Officer since August 2005. Prior to that, he had been Executive Vice President, Operations Group, since October 2001 and Vice President of Operations for Integrated Circuits from September 2000 to October 2001. Mr. Kelly joined the business in 2000 from Fujitsu-ICL Systems Inc., a joint venture of ICL and Fujitsu that provided computer systems and services to retailers and banks, where he was Executive Vice President and Chief Operating Officer. Mr. Kelly had been with Fujitsu-ICL for six years. Mr. Kelly is a director of Plexus Corp.

Denis P. Regimbal has been the head of our Mobility group since December 2005. Prior to that, he was the head of our Telecommunications group from August 2004 to December 2005, Vice President and General Manager of the Media Connectivity Division from July 2003 to July 2004, Vice President of Strategy for the Client Systems Group from March 2003 to July 2003, Vice President of sales and applications for Europe, Middle East and Africa from September 2001 to March 2003 and General Manager of the Wireless Infrastructure Division from 1999 to September 2001. Prior to joining the business in 1988, Mr. Regimbal held several management positions with Analog Devices, Inc. and Intel Corporation.

Samir F. Samhouri has been the head of our Telecommunications group since December 2005 and the head of our Enterprise and Networking group since September 2005. Previously, Mr. Samhouri was the head of our Ethernet Division from December 2004 to September 2005, Vice President of marketing, applications and product line management for the Telecommunications Division from January 2002 to December 2004 and General Manager for network communications intellectual property from 2000 to January 2002.

Ruediger Stroh has been the head of our Storage group since November 2005. Since August 2004, he has been a director, and from August 2004 until November 2005, he was Chief Executive Officer, of Intematix Inc., a nano and thin film materials design and manufacturing company. From November 2003 to November 2005, he was an active principal of RST Partners, a technology consulting firm. From February 2003 through November 2003, he was President and Chief Executive Officer and a director of Trebia Networks Inc., a storage area networking chipset company. From April 2001 to January 2003, Mr. Stroh was President and Chief Executive Officer and a director of Systemonic Inc., a wireless local area networking chipset company. Prior to that, he held a number of management positions at Infineon Technologies Corporation.

Officers are not elected for a fixed term of office but hold office until their successors have been elected.

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Price Range of Common Stock

On May 27, 2005, we reclassified our Class A common stock and Class B common stock into a new, single class of common stock and effected a 1-for-10 reverse stock split. The new class of common stock trades under the symbol AGR on the New York Stock Exchange. The high and low sale prices for our common stock for each quarter during our last two full fiscal years are set forth below, as reported in the consolidated transaction reporting system and as adjusted to give retroactive effect to our 1-for-10 reverse stock split:

Fiscal 2004	**High**	**Low**
Quarter ended December 31, 2003		
Class A common stock	$44.50	$27.00
Class B common stock	$37.50	$25.60
Quarter ended March 31, 2004		
Class A common stock	$41.40	$28.90
Class B common stock	$38.80	$28.30
Quarter ended June 30, 2004		
Class A common stock	$34.60	$19.80
Class B common stock	$33.30	$18.90
Quarter ended September 30, 2004		
Class A common stock	$23.00	$10.00
Class B common stock	$21.70	$ 8.90
Fiscal 2005		
Quarter Ended December 31, 2004		
Class A common stock	$15.40	$10.70
Class B common stock	$14.90	$10.40
Quarter ended March 31, 2005		
Class A common stock	$16.90	$12.60
Class B common stock	$16.90	$12.50
Quarter ended June 30, 2005		
Class A common stock (April 1, 2005 through May 27, 2005)	$14.60	$11.00
Cass B common stock (April 1, 2005 through May 27, 2005)	$14.30	$11.00
Common stock (May 31, 2005 through June 30, 2005)	$13.65	$10.85
Quarter ended September 30, 2005		
Common stock	$12.98	$ 9.63

As of November 28, 2005, there were approximately 1.85 million record and beneficial holders of our common stock.

Dividend Policy

We have never declared or paid and we do not anticipate paying any dividends on our common stock in the foreseeable future. We currently intend to retain our future earnings for use in the operation and expansion of our business.

See Item 12 for information about our equity compensation plans.

Item 6. Selected Financial Data

The following table sets forth selected financial information for our company. The financial information for the years ended September 30, 2005, 2004, and 2003, and as of September 30, 2005 and 2004, has been derived from our audited financial statements included elsewhere in this report. The financial information for the year ended September 30, 2002 and 2001 and as of September 30, 2003, 2002 and 2001 has been derived from our audited financial statements not included in this report. The historical selected financial information may not be indicative of our future performance and should be read in conjunction with the information contained in Management s Discussion and Analysis of Financial Condition and Results of Operations in Item 7 and the consolidated financial statements and the related notes in Item 8.

	Year Ended September 30,				
(Dollars in millions except per share amounts)	**2005 (1)**	**2004 (1)**	**2003**	**2002 (2)**	**2001**
Statement of operations information:					
Revenue	$ 1,676	$ 1,912	$ 1,839	$ 1,923	$ 2,886
Gross profit	664	866	579	494	915
Loss from continuing operations	(8)	(90)	(371)	(803)	(1,454)
Basic and diluted earnings (loss) per share: (3) (4)					
Loss from continuing operations	$ (0.04)	$ (0.52)	$ (2.23)	$ (4.90)	$ (10.90)
Weighted average shares outstanding basic and diluted (thousands)	177,775	171,248	166,699	163,720	133,428

(1) During fiscal 2005 and fiscal 2004 we recorded reversals of tax and interest contingencies of $120 million and $86 million, respectively, resulting from settlements of certain prior year tax audits. This relates to the company s tax sharing agreement with Lucent and covers periods the company operated as either a division of AT&T Corp. or Lucent. In fiscal 2005 we also recorded a reversal of $22 million for tax and interest contingencies related to non-U.S. income tax.

(2) During fiscal 2002, our short-term debt decreased significantly as we repaid $2.5 billion of borrowings under a credit facility. Also, our total assets decreased significantly as we used $1.6 billion of cash on hand to partially repay the credit facility and recorded significant impairments of property, plant and equipment, as well as goodwill and acquired intangible assets.

(3) On May 27, 2005, we reclassified our Class A common stock and Class B common stock into a new single class of common stock, and effected a 1-for-10 reverse stock split. All per share and share amounts have been restated to reflect the reverse stock split. Basic and diluted earnings (loss) per common share are calculated by dividing income (loss) from continuing operations by the weighted average number of common shares outstanding during the period.

(4) The weighted average number of common shares outstanding on a historical basis includes retroactive recognition to October 1, 2000 of the 103,510,000 shares owned by Lucent prior to our initial public offering in fiscal 2001.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements and the related notes in Item 8. This discussion contains forward-looking statements. Please see Forward-Looking Statements and Item 1A Risk Factors for a discussion of the uncertainties, risks and assumptions associated with these statements.

Overview

We are a leading provider of integrated circuit solutions for a variety of applications, including high-density storage, mobile wireless communications and enterprise and telecommunications networks. These solutions form the building blocks for a broad range of computing and communications applications. Some of our solutions include related software and reference designs. Our customers include manufacturers of hard disk drives, mobile phones, high speed communications systems and personal computers. We also generate revenue from the licensing of intellectual property.

Our business is organized into operating segments that focus on four key markets: Storage, Mobility, Enterprise and Networking, and Telecommunications. We have two reportable segments, Consumer Enterprise and Telecommunications. Each segment includes product revenue and revenue from the licensing of intellectual property. The Consumer Enterprise segment includes the Storage, Mobility and Enterprise and Networking operating segments. Storage targets computing and consumer electronic devices that need high capacity storage and provides integrated circuit solutions for hard disk drives. Mobility targets the consumer communications market and provides integrated circuit solutions for a variety of end-user applications such as data-enabled mobile phones. Enterprise and Networking targets the data networking equipment market and also provides solutions for consumer communications applications. The Telecommunications segment targets the telecommunications network equipment market and provides integrated circuit solutions for wireless and wireline infrastructure.

On March 8, 2005, we acquired Modem-Art Ltd., a privately held developer of advanced processor technology for third generation, or 3G, mobile communications for $144 million in common stock and cash. We issued common stock valued at $113 million and paid $31 million in cash in exchange for all the outstanding shares of Modem-Art. This acquisition complements our existing mobile phone products, and enhances our ability to address the rapidly evolving cellular technologies with integrated chips and software for today s 3G market and widely anticipated future demand for High Speed Downlink Packet Access, or HSDPA technology.

On May 27, 2005 we reclassified our Class A common stock and Class B common stock into a new, single class of common stock and effected a 1-for-10 reverse stock split.

On October 26, 2005, we announced that our Board of Directors had authorized the repurchase of up to $200 million of our common stock.

Operating Environment

Our business depends in large part on demand for personal computers and associated equipment, wireless communications equipment such as mobile phones, enterprise networking equipment and telecommunications infrastructure equipment. Our revenues can be affected by changes in demand for any of these types of products. The markets for these products are competitive and rapidly changing. Accordingly, significant technological changes, new customer requirements, changes in customer buying behavior or the emergence of competitive products with new capabilities or technologies could adversely affect our revenues and operating results. Also, several customers have each recently accounted for more than 10% of our revenues. In fiscal 2005, each of Maxtor and Seagate represented 15% of our revenue and Samsung represented 14% of our revenue. In fiscal 2004 and 2003, sales to Maxtor represented 16% and sales to Seagate represented 12% of our revenue.

As our revenue declined over the last few years, we determined on several occasions that we needed to reduce our cost structure. As a result, we implemented programs to reduce our headcount, consolidate our operations into fewer facilities and reduce our owned manufacturing capacity, including exiting our optoelectronic components business, selling several non-core businesses and reducing our capital spending.

The integrated circuit manufacturing industry has a history of developing new manufacturing processes. We believe that the costs associated with implementing new processes, including acquiring the necessary equipment

and building appropriate facilities, are increasing with each generation of manufacturing processes. Because we do not want to make the financial investments necessary for future processes, we have increased our reliance on third-party contract manufacturers to make integrated circuits for us, as we transition to new technologies. We refer to this strategy as our fab-lite strategy. We believe this strategy will lead to lower capital expenditures, fixed costs and process development expenses than if we continued to invest in new manufacturing facilities. As part of this strategy, we have closed our manufacturing facilities in Madrid, Spain; Orlando, Florida; and Allentown and Reading, Pennsylvania.

When we ceased operations at our Orlando facility in September 2005 we had pre-built inventory of $28 million to meet our estimates of our customers future demand for products we will no longer have the capability to produce. We expect to sell the majority of this inventory during fiscal 2006, with the remainder being sold by the end of fiscal 2007.

Restructuring and Decommissioning Activities

We implemented restructuring and consolidation actions to improve gross profit, reduce expenses and streamline operations and, on September 30, 2005, we had restructuring reserves related to three separate restructuring programs. The first is a resizing and consolidation of the business which began in fiscal 2001. This restructuring is substantially complete. We undertook this restructuring in response to significant declines in our revenue, particularly from our telecommunications network equipment customers. We believe that our customers were themselves experiencing significant declines in demand from their customers. As part of this restructuring, we:

Sold our optoelectronic components business, including the manufacturing facilities associated with that business;

Reduced our total headcount by approximately 9,700 employees;

Consolidated our operations into fewer facilities, resulting in the closure of over 25 smaller manufacturing, administrative, support and warehouse facilities; and

Closed integrated circuit wafer manufacturing facilities in Allentown and Reading, Pennsylvania and Madrid, Spain.

Our second restructuring program was announced on September 23, 2004, and consists of a further resizing of our business to align the cost structure with revenue projections. As part of this program, we reduced our workforce by approximately 550 employees across the business, including administrative functions, sales, marketing, product development and manufacturing support, and exited our standalone wireless local area networking chipset, or WiFi, business, our radio-frequency power transistor, or RF power, business, and all operations in the Netherlands. This restructuring is substantially complete.

Our third restructuring program was announced on September 29, 2004, and relates to the closure of our Orlando wafer manufacturing facility. In September 2005, we ceased operations in the Orlando facility. Approximately 530 people were employed at the facility on September 30, 2005, the majority of which are expected to be off roll by December 31, 2005. We currently estimate that our costs in fiscal 2006 will be $80 million lower than if the facility was still in operation.

As a result of our restructuring activities, we recorded a charge of $18 million for the year ended September 30, 2005, classified within restructuring and other charges net. The net charge for the year ended September 30, 2005 is comprised of $1 million of net charges related to workforce reductions, $2 million related to facility lease terminations, $14 million of other charges, $11 million of which related primarily to decommissioning activity and relocation of employees and equipment at locations other than Orlando, and $3 million of which related to Orlando decommissioning activities, $5 million of non-cash charges related to the impairment of assets, primarily related to our Singapore operations, and $4 million related to the reversal of a non-cash charge for a pension liability in the Netherlands. In addition, within gross margin we recorded $139 million of restructuring related charges for the year ended September 30, 2005, of which $120 million resulted from increased depreciation, $16 million is related to inventory and purchase commitment charges, and $3 million relates to other charges. The increased depreciation is due to the shortening of the estimated useful lives of assets resulting from our Orlando restructuring actions. Of the inventory and purchase commitment charges, $11 million is the result of lower demand for WiFi and RF power transistor products in connection with our decision to exit the WiFi and RF power businesses, and $5 million

relates to commitments related to our Orlando facility. For additional details regarding our restructuring activities, see Note 4 to our financial statements in Item 8.

In addition, in the fourth quarter of fiscal 2005, we developed plans to resize and discontinue some of our shared business support groups. As a result, we have recorded a charge of $5 million related to workforce reductions within Restructuring and Other Charges net.

During fiscal 2004, we recorded a charge of $37 million for an asset retirement obligation related to the decommissioning of our former manufacturing facilities in Allentown and Reading, classified within restructuring and other charges net. We also recorded $160 million for net restructuring and related charges, classified within restructuring and other charges net. The net charges for fiscal 2004 include $132 million related to workforce reductions and $28 million related to other restructuring and related charges including facility lease terminations, asset impairments, and other charges, including relocation of employees and equipment. In addition, within gross margin we recorded $7 million of restructuring related charges during fiscal 2004, of which $5 million resulted from increased depreciation. This increased depreciation is due to the shortening of estimated useful lives of certain assets in connection with our restructuring actions.

We recorded net restructuring and related charges of $131 million within continuing operations for the year ended September 30, 2003, classified within restructuring and other charges net. We also recorded restructuring related costs within continuing operations in gross profit of $103 million for fiscal 2003, of which $71 million resulted from increased depreciation.

To complete our first restructuring program which began in fiscal 2001, we estimate that we will incur approximately $2 million in additional cash charges during fiscal 2006, related primarily to the relocation of employees. We also estimate that we will spend an additional $1 million for capital expenditures primarily related to the decommissioning of our former manufacturing facility in Allentown during the first quarter of fiscal 2006. To complete our exit from manufacturing operations at our Orlando facility, we estimate that we will have a total future cash outlay of approximately $38 million. Included in this amount are cash charges of $31 million related to the shutdown of the facility, of which we expect to pay $25 million in fiscal 2006 and $6 million in fiscal 2007. We also estimate that we will pay $3 million in the first quarter of fiscal 2006 related to equipment disposition costs. This amount was previously recognized in restructuring and other charges net in the fourth quarter of fiscal 2005. We will also pay approximately $4 million in the first quarter of fiscal 2006 related to purchase commitments which were previously recorded in gross margin in the fourth quarter of fiscal 2005. We also anticipate that we will pay a total of approximately $3 million related to our 2005 business resizing, of which $2 million and $1 million are expected to be paid in fiscal 2006 and 2007, respectively. These restructuring related charges were previously recognized in restructuring and other charges net in the fourth quarter of fiscal 2005.

On September 13, 2005, we entered into an agreement to sell the majority of the equipment at our Orlando facility for $89 million, which is $19 million more than previously estimated. In the fourth quarter of fiscal 2005, we incurred a non-cash charge of $19 million related to increased depreciation. This charge was $19 million lower than previously expected as we adjusted our estimated salvage value related to the equipment as a result of the proceeds from the sale of Orlando equipment. We are also looking for a buyer for the land and buildings at the Orlando facility and we anticipate that we will receive cash proceeds of approximately $10 million for these assets.

We expect that our future cash requirements to complete these restructuring and restructuring related programs will be approximately $72 million. This amount includes amounts in the restructuring reserve at September 30, 2005 and the estimated future cash charges and payments associated with our 2001 restructuring actions, 2004 business resizing, closure of Orlando and 2005 business resizing.

On October 26, 2005, we announced that we are considering additional actions that would further improve profitability and consolidate our operations. Although we have not finalized our plans, we currently anticipate that we will incur additional charges of approximately $20 million to $25 million related to these actions, of which approximately $15 million to $20 million will be cash charges.

Application of Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial

statements and revenues and expenses during the period reported. The following accounting policies involve one or more critical accounting estimates because they are particularly dependent on estimates and assumptions made by management about matters that are highly uncertain at the time the accounting estimates are made. In addition, while we have used our best estimates based on facts and circumstances available to us at the time, different estimates reasonably could have been used in the current period, and changes in the accounting estimates we used are reasonably likely to occur from period to period, which may have a material impact on the presentation of our financial condition and results of operations. We review these estimates and assumptions periodically and reflect the effects of revisions in the period that they are determined to be necessary. We have reviewed our critical accounting policies with our audit committee.

Property, Plant and Equipment

Property, plant and equipment that is held and used is generally reflected in our financial statements at historical cost less an allocation for depreciation. The resulting book value may not be reflective of its fair market value. However, we have impaired property, plant and equipment in connection with our restructuring initiatives. Property, plant and equipment is reviewed for impairment whenever events such as a significant industry downturn, product discontinuance, plant closures, product dispositions, technological obsolescence, or other changes in circumstances indicate that their carrying amount may not be recoverable. We perform impairment tests on groups of assets that are related and have separately identifiable cash flows. In some cases, it may not be practical to measure the cash flows associated with a particular asset or group of assets due to the integrated nature of our production process. When an asset s economic life is shorter than previously expected or when we plan to abandon an asset as a result of a restructuring plan or otherwise and are unable to measure the associated cash flows, we shorten the recovery period for

that asset to its remaining useful life, which would cause us to recognize increased depreciation. If separate cash flows can be identified, we compare the carrying amount of the assets to their undiscounted expected future cash flows. If an impairment exists, assets classified as held and used are written-down to fair value and are depreciated over their remaining useful life, while assets classified as held for sale are written down to fair value less costs to sell. It is reasonably likely that the actual fair value may differ from our current estimate, in which case we may under- or over-value our property, plant and equipment and under- or over-value the related impairment charge.

Tax Valuation Allowance

A tax valuation allowance is established, as needed, to reduce net deferred tax assets to the amount for which recovery is more likely than not to be realized. Since 2001, we established a full valuation allowance against our U.S. net deferred tax assets excluding deferred tax liabilities related to indefinite-lived goodwill. We recorded a valuation allowance because of our continuing losses and our long term financial forecast has enough uncertainty that we do not meet the standard of more likely than not that is required for measuring the likelihood of realization of net deferred tax assets. In the event it becomes more likely than not that some or all of the deferred tax assets will be realized, we will adjust our valuation allowance. Depending on the amount and timing of taxable income we ultimately generate in the future, as well as other factors, we could recognize no benefit from our deferred tax assets, in accordance with our current estimate, or we could recognize some or all of their full value.

Tax Contingencies

Tax contingencies are recorded to address potential exposures involving tax positions we have taken that could be challenged by taxing authorities. These potential exposures result from the varying application of statutes, rules, regulations and interpretations. Our estimate of the value of our tax contingencies contains assumptions based on past experiences and judgments about potential actions by taxing jurisdictions. The majority of our tax contingencies were transferred to us from Lucent as part of our separation from Lucent and reflect our potential exposures under our tax sharing agreement with Lucent. We believe our tax contingencies are reasonable although the accruals may change in the future due to new developments with each issue. It is possible that the ultimate resolution of these matters may be greater or less than the amount that we have accrued.

Retirement Benefits

Postretirement liabilities are for benefits that we expect to pay to eligible retirees. We consider various factors in determining our postretirement liability, including the number of employees who we expect to receive benefits, the type and length of benefits they will receive, trends in health care costs and other actuarial assumptions. If the actual postretirement benefits paid differ from our current estimate we may be over- or under-accrued.

We also have pension plans covering substantially all U.S. employees, excluding management employees hired after June 30, 2003. We consider various factors in determining our pension liability, including the number of employees who we expect to be paid, their salary levels and years of service, the expected return on plan assets, the discount rate used to determine the benefit obligation, the timing of the payment of benefits, and other actuarial assumptions. If the actual results and events of our pension plan differ from our current assumptions, our benefit obligations may be over- or under-valued.

We reassess our retirement benefit plan assumptions on an annual basis or more frequently if changes in circumstance indicate a re-evaluation of assumptions is required. The key benefit plan assumptions are the discount rate and the expected rate of return on plan assets. These assumptions are discussed below.

To select a discount rate for our retirement benefit plans, we use a modeling process that involves selecting a portfolio of bonds that will match the expected cash outflows of our benefit plans. We use the average yield of this hypothetical portfolio as a discount rate benchmark. In our model, we use a portfolio of fixed-income debt instruments rated AA- or better and with maturities matching the expected timing of the benefit obligation. We extrapolate values for any year in which an actual bond matching the needed criteria is not available in the financial market place. In fiscal 2005, we used discount rates of 6.0% and 5.5% to determine our net periodic benefit cost and our benefit obligation, respectively. This is a decrease from the rates used in prior years. In fiscal 2004, we used discount rates of 6.25% and 6.0% to determine our net periodic benefit cost and our benefit obligation, respectively. In fiscal 2003 we used a discount rate of 6.25% for the determination of both our net periodic benefit cost and our benefit obligation for U.S. retirement benefit plans.

We base our salary increase assumptions on historical experience and future expectations. The expected rate of return for our retirement benefit plans represents the average rate of return expected to be earned on plan assets over the period that benefits included in the benefit obligation are

expected to be paid. In developing the expected rate of return, we consider long-term compound annualized returns based on historical market data, historical and expected returns on the various categories of plan assets, and the target investment portfolio allocation between debt and equity securities. For fiscal 2005, we increased the weighted-average long-term rate of return on assets to 8.0% and 8.25% for the represented and management pension plans, respectively. For fiscal 2004, we reduced the weighted-average long-term rate of return on assets to 7.75% from 8.0% in fiscal 2003 for our U.S. retirement benefit plans. The target investment policy was changed in August 2004 to a mix of 57% equity and 43% debt instruments for the management pension plan and 48% equity and 52% debt instruments for the occupational pension plan. The weighted average target investment portfolio allocation for our U.S. management and occupational pension plans is 53% in equity and 47% in debt investments. The portfolio s equity weighting is consistent with the long-term nature of the plans benefit obligation. For fiscal 2006, we are using an expected rate of return on plan assets of 8.0% and 8.25% for the represented and management pension plans, respectively, consistent with the target investment portfolio allocation.

Actuarial assumptions are based on our best estimates and judgment. Material changes may occur in retirement benefit costs in the future if these assumptions differ from actual events or experience. We performed a sensitivity analysis on the discount rate, which is the key assumption in calculating the pension benefit obligation. Each change of 25 basis points in the discount rate assumption would have an estimated $2 million impact on annual net retirement benefit costs and a $47 million impact on benefit obligations. Each change of 25 basis points in the expected rate of return assumption would have an estimated $3 million annual impact on net retirement benefit costs.

In-process research and development

We review our acquisitions to determine if there are any intangible assets relating to purchased in-process research and development. Projects that have not achieved technological feasibility and have no alternative future use are valued at fair market value using a discounted cash flow analysis and are expensed in the statement of operations on the date of acquisition. We use a discount rate that reflects the development stage of the technology and the risks associated with attaining full technological and commercial feasibility. When we value in-process research and development, we must make a number of estimates, including the timing and amounts of future cash flows to be generated as a result of the projects, how close the projects are to technological feasibility and how much risk and cost is involved in finalizing the projects. It is reasonably likely that our estimates for these amounts will differ from actual results, in which case our in-process research and development charge may be over- or under-valued, which would also result in an under- or over-valuation of our goodwill.

Goodwill

Goodwill is the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations accounted for as purchases. Goodwill is tested for impairment at the reporting unit level annually, or more frequently if events and circumstances indicate that there may be an impairment. The test involves a two-step process. The first step requires us to compare the fair value of the reporting unit to its carrying value including goodwill. The fair value of the reporting unit is calculated using discounted expected future cash flows. If the fair value is less then the carrying value, a potential impairment exits and the second step of the process is performed. The second step requires us to calculate the excess of the fair value of the reporting unit over the fair value of the reporting unit s net assets other than goodwill. If this excess, referred to as the implied fair value of the goodwill, is less than the carrying value of the goodwill, an impairment exists and is recorded. Our estimates of future cash flows are dependent upon many factors, including general economic trends, industry trends, technological developments and customer demand. It is reasonably likely that future cash flows associated with these assets may exceed or fall short of our current estimates, in which case a different amount for an impairment would result. If our actual cash flows exceed our estimates of future cash flows, any impairment charge would be greater than needed. If our actual cash flows are less than our estimates of future cash flows, we may need to recognize additional impairment charges in future periods, which would be limited to the carrying value of the goodwill.

Purchased In-process Research and Development

In connection with the acquisitions of Modem-Art Ltd. and TeraBlaze, Inc., a portion of each purchase price was allocated to purchased in-process research and development. In analyzing these acquisitions, we made decisions to buy technology that had not yet reached commercialization rather than develop the technology internally. We relied on factors such as the amount of time it would take to bring the technology to market and our own resource allocation in making these decisions. At the date of acquisition, the in-process research and development projects had not yet reached technological feasibility and had no alternative future uses. Accordingly, the value allocated to these projects was immediately expensed at acquisition.

We estimated the fair value of the in-process research and development for these acquisitions using the excess earnings method of the income approach. This method employs a discounted cash flow analysis using the present value of the estimated after-tax cash flows expected to be generated by the purchased in-process research and development using risk-adjusted discount rates and revenue forecasts as appropriate. The

selection of the discount rates was based on consideration of our weighted average cost of capital, as well as other factors known at the time, including the projected useful life of each technology, profitability levels of each technology, the uncertainty of technology advances and the stage of completion of each technology. We believe that the estimated in-process research and development amounts so determined represented fair value and did not exceed the amount a third party would have paid for the projects.

Set forth below are descriptions for the major acquired in-process research and development projects and our assumptions in connection with these acquisitions.

Modem-Art Ltd.

On March 8, 2005, we acquired Modem-Art, a developer of advanced processor technology for 3G mobile communications, for $144 million. We issued common stock valued at $113 million and paid $31 million in cash in exchange for all the outstanding shares of Modem-Art. On the date of acquisition, we expensed $55 million of the purchase price as in-process research and development.

At the date of acquisition, Modem-Art did not have any developed technology. Its projects underway were a 3G single-mode chipset, a variant of the single-mode chipset, which when combined with our software and advanced second generation, or 2.5G, chipset incorporating GPRS and Enhanced Global Rates for Global Evolution, or EDGE, can fulfill the requirements of dual-mode 2.5G and 3G, and the development of HSDPA technology, which will be integrated in a chipset that supports high speed data transmission from base stations to mobile phones. The in-process research and development allocated to these projects was $12 million, $10 million and $33 million, respectively. These projects ranged from 10% to 90% complete at the time of acquisition and are expected to be completed through fiscal 2007. Projected net cash flows attributable to these projects, assuming successful development, were discounted to net present value using discount rates of 30% for the single-mode project, 35% for the dual-mode project and 40% for the HSDPA project.

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Fidelity Freedom K Funds 2025

988

14,683

Fidelity*

Fidelity Freedom K Funds 2030

1,295

19,652

Fidelity*

Fidelity Freedom K Funds 2035

1,087

16,975

Fidelity*

Fidelity Freedom K Funds 2040

1,270

19,868

Fidelity*

Fidelity Freedom K Funds 2045

1,054

16,922

Fidelity*

Fidelity Freedom K Funds 2050

911

14,724

Fidelity*

Fidelity Freedom K Funds 2055

201

2,392

Fidelity*

Fidelity Freedom K Income Fund

156

1,848

Fidelity*

Fidelity U.S. Government Reserves Fund

37,658

37,658

Fidelity*

Harbor Capital Appreciation Fund

1,171

68,527

Fidelity*

Invesco Growth and Income Fund

1,768

46,971

Fidelity*

Spartan International Index Fund

518

19,268

Fidelity*

Spartan Total Market Index Fund

396

23,721

Fidelity*

Spartan U.S. Bond Index Fund

4,190

49,195

Fidelity*

Spartan 500 Index Fund

863

62,880

Fidelity*

T. Rowe Price Small-Cap Value Fund

718

33,590

Fidelity*

Vanguard S&P Mid-Cap 400 Index Fund

158

30,670

Fidelity*

Vanguard S&P Small-Cap 600 Index Fund

114

23,412

Fidelity*

Wells Fargo Advantage Common Stock Fund

1,572

36,711

Participants *

Participant loans **

—

18,969

$
838,813

* Represents party-in-interest
** Loans to participants have various maturity dates (interest at 3.25% to 9.25%).