

ADVANCED MICRO DEVICES INC

Form POS AM

December 17, 2002

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As filed with the Securities and Exchange Commission on December 17, 2002

Registration No. 333-84028

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**POST-EFFECTIVE
AMENDMENT NO. 6
TO
FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

ADVANCED MICRO DEVICES, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

One AMD Place
Sunnyvale, CA 94086
(408) 732-2400
(Address, Including Zip Code, and Telephone Number,
Including Area Code, of Registrant's Principal Executive Offices)

94-1692300
(I.R.S. Employer
Identification Number)

Thomas M. McCoy, Esq.
Senior Vice President,
General Counsel and Secretary
One AMD Place
Sunnyvale, CA 94086 (408) 732-2400
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Copy To:

Tad J. Freese, Esq.
Latham & Watkins
505 Montgomery Street, Suite 1900
San Francisco, California 94111
(415) 391-0600

Approximate date of commencement of proposed sale to the public: From time to time after this registration statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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PROSPECTUS

\$500,000,000

**Advanced Micro Devices, Inc.
4.75% Convertible Senior Debentures Due 2022**

In January 2002, we issued and sold \$500,000,000 aggregate principal amount of our 4.75% Convertible Senior Debentures Due 2022 in a private offering. This prospectus will be used by selling securityholders to resell the debentures and the common stock issuable upon conversion of the debentures.

The debentures currently bear interest at an annual rate of 4.75%. On August 1, 2008, August 1, 2011 and August 1, 2016, the interest rate on the debentures will be reset to a rate per annum equal to the interest rate payable 120 days prior to such reset date on 5-year U.S. Treasury Notes plus 0.43%. However, in no event will such interest rate be reset below 4.75% or above 6.75% per annum. Interest is payable February 1 and August 1 of each year, beginning August 1, 2002. On February 1, 2022, the maturity date of the debentures, holders of debentures will receive \$1,000 plus accrued and unpaid interest for each debenture.

Holders may convert all or some of their debentures at any time prior to the close of business on the business day immediately preceding the maturity date at a conversion price of \$23.38 per share, subject to prior redemption of the debentures. The conversion price is subject to adjustment. Upon conversion, a holder will not receive any cash representing accrued and unpaid interest.

The debentures are not entitled to any sinking fund. We may redeem the debentures on or after February 5, 2005 at the prices described in this prospectus; provided that we may not redeem the debentures prior to February 5, 2006 unless the last reported sale price of our common stock is at least 130% of the then effective conversion price for at least 20 trading days within a period of 30 consecutive trading days ending within five trading days of the date of the redemption notice.

We do not intend to list the debentures on any national securities exchange or the Nasdaq National Market. Our common stock is listed on the New York Stock Exchange under the symbol AMD. On December 13, 2002, the last reported sale price of our common stock on the New York Stock Exchange was \$7.32 per share.

Investing in the debentures involves risk. See Risk Factors beginning on page 5 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____, 2002

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PROSPECTUS SUMMARY

This summary highlights some information contained or incorporated by reference in this prospectus. It may not contain all of the information that is important to you. Important information is incorporated by reference into this prospectus. To understand this offering fully, you should read carefully the entire prospectus, including Risk Factors, the incorporated consolidated financial statements and related notes and the information incorporated by reference in this prospectus. References in this prospectus to us, we, the Company or AMD shall mean Advanced Micro Devices, Inc. and our consolidated subsidiaries, unless the context indicates otherwise.

Advanced Micro Devices, Inc.

AMD is one of the world's leading semiconductor manufacturers. We were founded in 1969, became a publicly held company in 1972 and since 1979 our common stock has been listed on the New York Stock Exchange under the trading symbol AMD.

We design, manufacture and market a wide variety of industry-standard digital integrated circuits, or ICs, primarily for the microprocessor and Flash memory markets. Our products are used in many diverse product applications such as personal computers, workstations, servers, telecommunications equipment, data and network communications equipment and consumer electronics.

We have sales offices worldwide and have manufacturing or testing facilities in Sunnyvale, California; Austin, Texas; Dresden, Germany; Aizu-Wakamatsu, Japan; Bangkok, Thailand; Penang, Malaysia; Suzhou, China; and Singapore. Our mailing address and executive offices are located at One AMD Place, Sunnyvale, California 94086, and our telephone number at that location is (408) 732-2400.

Recent Developments

On November 25, 2002, we sold \$402.5 million aggregate principal amount of our 4.50% Convertible Senior Notes Due 2007 in a public offering. The notes are convertible into our common stock at an initial conversion price of \$7.37 per share. We intend to use the net proceeds from the sale of these notes for general corporate purposes, including capital expenditures and working capital.

We recently announced that we are formulating a restructuring and cost-cutting plan (the 2002 Restructuring Plan) to address the continuing industry-wide weakness in the semiconductor industry by adjusting our cost structure to industry conditions. Pursuant to the 2002 Restructuring Plan, we intend to reduce our fixed costs as a percentage of total costs over time from approximately 80% to approximately 70%. We also expect to reduce our expenses by approximately \$100 million per quarter by the second quarter of 2003. As a result, we expect total expenses in 2003 to be reduced by \$350 million based on current product demand forecasts. We cannot, however, be sure that the goals of the 2002 Restructuring Plan will be realized. The ultimate effects of the 2002 Restructuring Plan could prove to be adverse.

We also recently announced that we expect to record a charge to income tax expense in the quarter ending December 29, 2002 in order to establish a 100% valuation allowance against our net deferred tax assets, which were \$263 million as of September 29, 2002. This charge to income tax expense would reduce after-tax results of operations but would not affect cash, cash flows or pre-tax results of operations for the quarter ending December 29, 2002.

We estimate that the impact of the charges in the quarter ending December 29, 2002 would be \$300 to \$600 million on a pre-tax basis, inclusive of charges associated with the 2002 Restructuring Plan, and \$563 million to \$863 million on an after-tax basis. The components of these charges consist of the \$300 to \$600 million pre-tax charges for restructuring and other special charges and the \$263 million non-cash charge to tax expense for the 100% valuation allowance. We estimate that the cash cost of the 2002 Restructuring Plan will be approximately \$100 million.

Table of Contents**The Offering**

Issuer	Advanced Micro Devices, Inc.
Securities offered	\$500 million aggregate principal amount of 4.75% Convertible Senior Debentures Due 2022.
Interest	The debentures currently bear interest at an annual rate of 4.75%. On August 1, 2008, August 1, 2011 and August 1, 2016 the interest rate on the debentures will be reset to a rate per annum equal to the interest rate payable 120 days prior to such reset date on 5-year U.S. Treasury Notes plus 0.43%. However, in no event will the interest rate be reset below 4.75% or above 6.75% per annum. Interest is payable on February 1 and August 1 of each year, beginning on August 1, 2002.
Maturity date	February 1, 2022.
Conversion rights	Holders may convert all or some of their debentures at any time prior to the close of business on the business day immediately preceding the maturity date at a conversion price of \$23.38 per share. The initial conversion price is equivalent to a conversion rate of approximately 42.77 shares per \$1,000 principal amount of debentures. The conversion price is subject to adjustment. Upon conversion, holders will not receive any cash representing accrued interest. For more information, see Description of Debentures Conversion of Debentures.
Ranking	The debentures are our senior unsecured obligations and will rank equally with all of our other senior unsecured indebtedness, including \$402.5 million of our 4.50% Convertible Senior Notes Due 2007 that we sold in November 2002. The debentures effectively rank behind all of our secured debt to the extent of the value of the assets securing those debts, and are structurally subordinated to all liabilities, including trade payables, of our subsidiaries. At September 29, 2002, we had \$155 million of secured indebtedness, comprised of \$45 million under our secured revolving credit facility, which has since been repaid, and \$110 million under our September 2002 term loan, and our subsidiaries had approximately \$933 million of outstanding indebtedness and other liabilities. In addition, our joint ventures had \$436 million of indebtedness, including trade payables and capital lease obligations. For more information, see Description of Debentures Ranking.
Sinking fund	None.
Optional redemption	We may redeem some or all of the debentures on or after February 5, 2005, at the redemption prices set forth in this prospectus; provided that we may not redeem the debentures prior to February 5, 2006 unless the last reported sale price of our common stock is at least 130% of the then effective conversion price for at least 20 trading days within a period of 30 consecutive trading days ending within five trading days of the date of the redemption notice. For more information, see Description of Debentures Optional Redemption by AMD.
Purchase of debentures by us at the option of the holder	Holders may require us to repurchase all or a portion of their debentures on February 1, 2009, February 1, 2012 and February 1, 2017 at 100% of the principal amount of the debentures to be repurchased, plus accrued and unpaid interest to, but excluding, the repurchase date. For more information, see Description of Debentures Repurchase at Option of the Holder on Purchase Dates.

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Fundamental Change	If we undergo a Fundamental Change, as described in this prospectus, holders will have the option to require us to repurchase for cash all or any portion of their debentures not previously called for redemption. We will pay a repurchase price equal to 100% of the principal amount of the debentures to be repurchased plus accrued and unpaid interest to, but excluding, the repurchase date. The purpose of the repurchase option is to afford holders protection upon the occurrence of certain transactions that result in a change to our basic structure or ownership. However, the term Fundamental Change may not include other events that might adversely affect our financial condition. For more information, see Description of Debentures Repurchase at Option of the Holder Upon a Fundamental Change.
Use of proceeds	The selling securityholders will receive all of the proceeds from the sale under this prospectus of debentures and the common stock issuable upon conversion of the debentures. We will not receive any proceeds from these sales.
United States federal income tax considerations	<p>Each holder agrees in the indenture, for United States federal income tax purposes, to treat the debentures as contingent payment debt instruments and to abide by our application of the Treasury regulations that govern contingent payment debt instruments, including our determination that the rate at which interest will be deemed to accrue for federal income tax purposes will be 9.625% compounded semi-annually, which is the rate comparable to the rate at which we would borrow on a noncontingent, nonconvertible borrowing with terms and conditions otherwise comparable to the debentures. Accordingly, each holder will be required to accrue interest at this rate (subject to certain adjustments as described in greater detail in Material United States Federal Income Tax Considerations), with the result that a U.S. Holder will recognize taxable income significantly in excess of cash received while the debentures are outstanding. In addition, a U.S. Holder will recognize gain upon a conversion of a debenture into our common stock equal to the excess, if any, of the value of the common stock received on the conversion over the sum of the original purchase price of the U.S. Holder's debenture and accrued but unpaid interest. Moreover, gain recognized on conversion or other taxable disposition of a debenture will generally be treated as ordinary income. However, no rulings have been or will be sought from the Internal Revenue Service or a court with respect to the applicability of the Contingent Debt Regulations to the debentures and, accordingly, no assurance can be given that the IRS or a court will agree with the treatment described herein. If the agreed upon treatment was successfully challenged by the IRS, it might be determined that, among other differences, a holder should have accrued interest income at a lower rate, should not have recognized income or gain upon the conversion, and should not have recognized ordinary income upon a taxable disposition of its debentures. For more information, see Material United States Federal Income Tax Considerations.</p> <p>HOLDERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE TAX TREATMENT OF THE DEBENTURES AND WHETHER A PURCHASE OF THE DEBENTURES IS ADVISABLE IN LIGHT OF THE AGREED UPON TAX TREATMENT AND THE INVESTOR'S PARTICULAR TAX SITUATION.</p>
Common stock	Our common stock is listed on The New York Stock Exchange under the symbol AMD.

We have not authorized any dealer, salesperson or other person to give any information or to make any representations to you other than the information contained in this prospectus. You must not rely on any information or representations not contained in this prospectus as if we had authorized it. The information contained in this prospectus is current only as of the date on the cover page of this prospectus, and may change after that date. We do not imply that there has been no change in the information contained in this prospectus or in our affairs since that date by delivering this prospectus.

This prospectus incorporates important business and financial information about us that is not included in or delivered with this prospectus. This information is available without charge to you upon written or oral request. If you would like a copy of any of this information, please submit your request to One AMD Place, Sunnyvale, CA 94086, Attention: Legal Department, or call (408) 732-2400 and ask to speak to someone in our Legal Department.

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FORWARD-LOOKING STATEMENTS

Discussions contained in this prospectus and the documents incorporated by reference in this prospectus include forward-looking statements. These forward-looking statements involve numerous risks and uncertainties and should not be relied upon as predictions of future events as we cannot assure you that the events or circumstances reflected in these statements will be achieved or will occur. You can identify forward-looking statements by the use of forward-looking terminology including believes, expects, may, will, should, seeks, approximately, intends, forma, estimates, or anticipates or the negative of these words and phrases or other variations of these words and phrases or comparable terminology, or by discussions of strategy, plans or intentions. These forward-looking statements are based on current expectations and beliefs and involve numerous risks and uncertainties that could cause actual results to differ materially. The forward-looking statements relate to, among other things:

- operating results;
- anticipated cash flows;
- capital expenditures;
- gross margins;
- adequacy of resources to fund operations and capital investments;
- our ability to achieve cost reductions in the amounts and time frames anticipated;
- our ability to transition new product introductions effectively;
- our ability to produce microprocessors in the volume required by customers on a timely basis;
- our ability to maintain average selling prices of microprocessors despite aggressive marketing and pricing strategies of our competitors;
- our ability to achieve market acceptance of our microprocessors including those based on x86-64 technology, on a timely basis and produce them in volumes required by the market at acceptable yields;
- our ability, and the ability of third parties, to provide timely infrastructure solutions, such as motherboards and chipsets, to support our microprocessors;
- a recovery in the economy leading to increased demand for our microprocessor products;
- a recovery in the communication and networking industries leading to an increase in the demand for Flash memory products;
- the effect of foreign currency hedging transactions;
- the process technology transition in our submicron integrated circuit manufacturing and design facility in Dresden, Germany, known as Dresden Fab 30; and
- the financing and construction of the Fujitsu AMD Semiconductor Limited, or FASL, manufacturing facilities.

See Risk Factors below, as well as such other risks and uncertainties as are detailed in our other documents incorporated by reference in this prospectus for a discussion of the factors that could cause actual results to differ materially from the forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements, which reflect management's analysis only. We assume no obligation to update forward-looking statements.

AMD, the AMD logo, and combinations thereof, Advanced Micro Devices, AMD-K6, AMD Athlon, AMD Duron, AMD Opteron and MirrorBit are either trademarks or registered trademarks of Advanced Micro Devices, Inc. Other terms used to identify companies and products may be trademarks of their respective owners.

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RISK FACTORS

You should consider the risk factors below as well as other information set forth or incorporated by reference in this prospectus. If any of the following risks actually occurs, our business, financial condition or results of operations could be materially and adversely affected. In such case, our ability to make payments on the debentures could be impaired, the trading price of the debentures and our common stock could decline, and you could lose all or part of your investment. This prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below, elsewhere in this prospectus and in the documents incorporated by reference in this prospectus.

Risks Related to Our Business

We have recently experienced substantial declines in revenues and operating losses, and we may experience additional declines in revenues and operating losses.

Our historical financial results have been, and our future financial results are anticipated to be, subject to substantial fluctuations. Our total revenues for the first nine months of 2002 were \$2,011 million compared to \$2,940 million for the first nine months of 2001. This decline was due primarily to reduced demand for our products resulting from the current economic slowdown and our decision in the third quarter of 2002 not to accept orders from certain customers, not to ship to certain customers and our receipt of product returns from certain customers, each as part of our efforts to reduce excess PC processor inventory in the overall supply chain. We incurred a net loss of \$448 million for the first nine months of 2002 compared to a net loss of \$45 million for the first nine months of 2001. Reduced end-user demand, underutilization of our manufacturing capacity and other factors could adversely affect our business in the near term and we may experience additional declines in revenue and operating losses. We cannot assure you that we will be able to return to profitability or that, if we do, we will be able to sustain it.

The semiconductor industry is highly cyclical and is currently experiencing a severe downturn, which is adversely affecting, and may continue to adversely affect, our business.

The highly cyclical semiconductor industry has experienced significant downturns often in connection with maturing product cycles, manufacturing overcapacity and declines in general economic conditions. The most recent downturn, which began in the fourth quarter of 2000 and continues today, has been severe and prolonged, and future downturns may also be severe and prolonged. Our financial performance has been negatively affected by these downturns, including the incurrence of substantial losses during the current downturn, as a result of:

- the cyclical nature of the supply/demand imbalances in the semiconductor industry;
- a decline in demand for end-user products that incorporate our semiconductors;
- excess inventory levels in the channels of distribution, including our customers;
- excess production capacity; and
- accelerated declines in average selling prices.

If current conditions do not improve in the near term or if these conditions in the semiconductor industry occur in the future, as they likely will to a lesser or greater degree, our business will continue to be adversely affected.

Fluctuations in the personal computer market may continue to materially adversely affect us.

Our business is, and particularly our PC processor product lines are, closely tied to the personal computer industry. Industry-wide fluctuations in the PC marketplace, including the current industry downturn which commenced in 2001 and has continued throughout 2002, have materially adversely affected us and may materially adversely affect us in the future. If we experience a sustained reduction in the growth rate of PCs sold, sales of our microprocessors may decrease. If market conditions do not improve, shipments to our customers could be limited until customer demand increases and supply chain inventories are fully balanced with end user demand.

In addition, current trends of consolidation within the personal computer industry, as recently evidenced by the Hewlett-Packard/Compaq merger, as well as potential market share increases by customers who exclusively purchase microprocessors from Intel corporation, such as Dell Corporation, could further materially adversely affect us.

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We plan for significant capital expenditures in 2003 and beyond and if we cannot generate the capital required for these capital expenditures and other ongoing operating expenses through operating cash flow and external financing activities, we may be materially adversely affected.

We plan to continue to make significant capital expenditures to support our microprocessor and Flash memory products both in the near and long term, including approximately \$200 million during the remainder of 2002. Our capital expenditure plan for 2003 is approximately \$650 million. These capital expenditures include those relating to the continued facilitization of our manufacturing facilities known as Dresden Fab 30, in Dresden, Germany, and Fab 25, in Austin, Texas. These capital expenditures, together with ongoing operating expenses, will be a substantial drain on our cash flow and may also decrease our cash balances. In addition, our July 1999 Loan Agreement is scheduled to expire in July 2003. The timing and amount of our capital requirements cannot be precisely determined at this time and will depend on a number of factors, including demand for products, product mix, changes in semiconductor industry conditions and competitive factors. We regularly assess markets for external financing opportunities including debt and equity. Additional debt or equity financing may not be available when needed or, if available, may not be available on satisfactory terms. Our inability to obtain needed debt and/or equity financing would have a material adverse effect on us.

In March 1997, our consolidated German subsidiary, AMD Liability Company & Co. KG (AMD Saxony) entered into the Dresden loan agreement and other related agreements. These agreements require that we partially fund Dresden Fab 30 project costs in the form of subordinated loans to, or equity investments in, AMD Saxony. We currently estimate that the maximum construction and facilitization costs to us of Dresden Fab 30 will be \$2.6 billion when fully equipped. We had invested \$2.1 billion as of September 29, 2002. If we are unable to meet our obligations to AMD Saxony as required under these agreements, we will be in default under the Dresden loan agreement, which would permit acceleration of \$552 million of indebtedness, as well as acceleration by cross-default of our obligations under our other borrowing arrangements.

Our joint venture with Fujitsu Limited, FASL, continues to facilitate its manufacturing facilities in Aizu-Wakamatsu, Japan, known as FASL JV2 and FASL JV3. We expect FASL JV2 and FASL JV3, including equipment, to cost approximately \$2.1 billion when fully equipped. As of September 29, 2002, approximately \$1.6 billion of this cost had been funded. To the extent that additional funds are required for the full facilitization of FASL JV2 and FASL JV3, we will be required to contribute cash or guarantee third-party loans in proportion to our 49.992 percent interest in FASL.

Intense competition in the integrated circuit industry may materially adversely affect us.

The integrated circuit industry is intensely competitive. Products compete on performance, quality, reliability, price, adherence to industry standards, software and hardware compatibility, marketing and distribution capability, brand recognition and availability. After a product is introduced, costs and average selling prices normally decrease over time as production efficiency improves, competitors enter the market and successive generations of products are developed and introduced for sale. Failure to reduce our costs on existing products or to develop and introduce, on a cost-effective and timely basis, new products or enhanced versions of existing products with higher margins, would have a material adverse effect on us.

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Intel Corporation's dominance of the PC processor market may limit our ability to compete effectively in that market.

Intel has dominated the market for microprocessors used in PCs for many years. As a result, Intel has been able to control x86 microprocessor and PC system standards and dictate the type of products the market requires of Intel's competitors. In addition, the financial strength of Intel allows it to market its product aggressively, to target our customers and our channel partners with special incentives and to provide disincentives to customers who do business with us. These aggressive activities can result in lower unit sales and average selling prices for us and adversely affect our margins and profitability. Intel also exerts substantial influence over PC manufacturers and their channels of distribution through the Intel Inside brand program and other marketing programs. As long as Intel remains in this dominant position, we may be materially adversely affected by its:

pricing and allocation strategies and actions;

product mix and introduction schedules;

product bundling, marketing and merchandising strategies;

control over industry standards, PC manufacturers and other PC industry participants, including motherboard, chipset and basic input/output system (BIOS) suppliers; and

user brand loyalty.

We expect Intel to maintain its dominant position in the marketplace as well as to continue to invest heavily in research and development, new manufacturing facilities and other technology companies. Intel has substantially greater financial resources than we do and accordingly expends substantially greater amounts on research and development than we do.

In marketing our microprocessors to OEMs and dealers, we depend on third-party companies other than Intel for the design and manufacture of core-logic chipsets, graphics chips, motherboards, BIOS software and other components. Over the years, many of these third-party designers and manufacturers have lost significant market share to Intel or exited the business. In addition, these companies produce chipsets, motherboards, BIOS software and other components to support each new generation of Intel's microprocessors, and Intel has significant leverage over their business opportunities.

Our microprocessors are not designed to function with motherboards and chipsets designed to work with Intel microprocessors. Our ability to compete with Intel in the market for seventh-generation and eighth-generation microprocessors will depend on our ability to ensure that PC platforms are designed to support our microprocessors. A failure of the designers and producers of motherboards, chipsets and other system components to support our microprocessor offerings would have a material adverse effect on us.

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If we are unable to develop, produce and successfully market higher-performing microprocessor products, we may be materially adversely affected.

The microprocessor market is characterized by short product life cycles and migration to ever-higher performance microprocessors. To compete successfully, we must transition to new process technologies at a fast pace and offer higher-performance microprocessors in significantly greater volumes. If we fail to achieve yield and volume goals or to offer higher-performance microprocessors in significant volume on a timely basis and at competitive prices, we could be materially adversely affected.

To be successful, we must increase sales of our microprocessor products to existing customers and develop new customers in both consumer and commercial markets, particularly the latter. Our production and sales plans for microprocessors are subject to other risks and uncertainties, including:

our ability to continue offering new higher performance microprocessors competitive with Intel's product offerings;

our ability to maintain and improve the successful marketing position of the AMD Athlon XP microprocessor, which relies in part on market acceptance of a metric based on overall processor performance versus processor clock speed (measured in megahertz frequency);

our ability to maintain adequate selling prices of microprocessors despite increasingly aggressive Intel pricing strategies, marketing programs, new product introductions and product bundlings of microprocessors, motherboards and chipsets;

our ability, on a timely basis, to produce microprocessors in the volume and with the performance and feature set required by customers;

the pace at which we expect to be able to convert production in Dresden Fab 30 to 90-nanometer copper interconnect process technology, a process we will begin in late 2003;

our ability to expand system design capabilities; and

the availability and acceptance of motherboards and chipsets designed for our microprocessors.

Our ability to increase microprocessor product revenues and benefit fully from the substantial investments we have made and continue to make related to microprocessors depends on the continuing success of our AMD Athlon microprocessors and the success of future generations of microprocessors. If we fail to achieve continued and expanded market acceptance of our seventh-generation microprocessors, we may be materially adversely affected.

We must introduce in a timely manner, and achieve market acceptance for, our eighth-generation microprocessors, or we will be materially adversely affected.

We plan to ship our eighth-generation 64-bit processors, formerly code-named Hammer in the first half of 2003. These processors are designed to provide high performance for both 32-bit and 64-bit applications in servers and in desktop and mobile PCs. The success of our eighth-generation processors are subject to risks and uncertainties including our ability to produce them in a timely manner on new process technologies, including silicon on insulator technology, in the volume and with the performance and feature set required by customers; their market acceptance; the availability, performance and feature set of motherboards and chipsets designed for our eighth-generation processors; and the support of the operating system and application program providers for our 64-bit instruction set.

If we were to lose Microsoft Corporation's support for our products, our ability to market our processors would be materially adversely affected.

Our ability to innovate beyond the x86 instruction set controlled by Intel depends on support from Microsoft in its operating systems. If Microsoft does not provide support in its operating systems for our x86 instruction sets, including our x86-64 technology that will be introduced with our eighth-generation AMD Athlon and AMD Opteron processors, independent software providers may forego designing their software applications to take advantage of our innovations. If we fail to retain the support and certification of Microsoft, our ability to market our processors could be materially adversely affected.

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We recently announced a restructuring and cost-reduction program that will adversely affect results of operations for the quarter ending December 29, 2002 and may also have other adverse effects.

We recently announced that we are formulating our 2002 Restructuring Plan to address the continuing industry-wide weakness in the semiconductor industry by adjusting our cost structure to industry conditions. Pursuant to the 2002 Restructuring Plan, we intend to reduce our fixed costs as a percentage of total costs over time from approximately 80% to approximately 70%. We also expect to reduce our expenses by approximately \$100 million per quarter by the second quarter of 2003. As a result, we expect total expenses in 2003 to be reduced by \$350 million based on current product demand forecasts. We cannot, however, be sure that the goals of the 2002 Restructuring Plan will be realized. The ultimate effects of the 2002 Restructuring Plan could prove to be adverse.

We also recently announced that we expect to record a charge to income tax expense in the quarter ending December 29, 2002 in order to establish a 100% valuation allowance against our net deferred tax assets, which were \$263 million as of September 29, 2002. This charge to income tax expense would reduce after-tax results of operations but would not affect cash, cash flows or pre-tax results of operations for the quarter ending December 29, 2002.

We estimate that the impact of the charges in the quarter ending December 29, 2002 would be \$300 to \$600 million on a pre-tax basis, inclusive of charges associated with the 2002 Restructuring Plan, and \$563 million to \$863 million on an after-tax basis. The components of these charges consist of the \$300 to \$600 million pre-tax charges for restructuring and other special charges and the \$263 million non-cash charge to tax expense for the 100% valuation allowance. We estimate that the cash cost of the 2002 Restructuring Plan will be approximately \$100 million.

Weak market demand for our Flash memory products, the loss of a significant customer in the high-end mobile telephone market, or any difficulty in our transition to MirrorBit technology may have a material adverse effect on us.

The demand for Flash memory devices has been weak due to the sustained downturn in the communications and networking equipment industries and excess inventories held by our customers. In the third quarter of this year, our Flash memory product sales grew almost entirely based on strength in the high-end mobile phone market. Our sales in that market are concentrated in a few customers. In addition, we expect competition in the market for Flash memory devices to continue to increase as competing manufacturers introduce new products and industry-wide production capacity increases. We may be unable to maintain or increase our market share in Flash memory devices as the market develops and Intel and other competitors introduce new competing products. A decline in unit sales of our Flash memory devices, lower average selling prices, or a loss of a significant customer in the high-end mobile phone market would have a material adverse effect on us.

In July 2002 we commenced production shipments of our first product with MirrorBit technology. Our MirrorBit technology is a new memory cell architecture that enables Flash memory products to hold twice as much data as standard Flash memory devices. A lack of customer acceptance, any substantial difficulty in transitioning our Flash memory products to MirrorBit technology or any future process technology could reduce our ability to be competitive in the market and could have a material adverse effect on us.

Worldwide economic and political conditions may affect demand for our products and slow payment by our customers.

The economic slowdown in the United States and worldwide, exacerbated by the occurrence and threat of terrorist attacks and consequences of sustained military action, has adversely affected demand for our microprocessors, Flash memory devices and other integrated circuits. A continued decline of the worldwide semiconductor market or a significant decline in economic conditions in any significant geographic area would likely decrease the overall demand for our products, which could have a material adverse effect on us. If the economic slowdown continues or worsens as a result of terrorist activities, military action or otherwise, it could adversely impact our customers' ability to pay us in a timely manner.

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Our inability to adapt quickly to significant fluctuations in demand for our products relative to the capacity of our manufacturing facilities could have a material adverse effect on us.

Because we cannot quickly adapt our manufacturing capacity to rapidly changing market conditions, at times we underutilize our manufacturing facilities as a result of reduced demand for certain of our products. We are substantially increasing our manufacturing capacity by making significant capital investments in Dresden Fab 30, Fab 25, FASL JV3 and our test and assembly facility in Suzhou, China. If the increase in demand for our products is not consistent with our expectations, we may underutilize our manufacturing facilities, and we could be materially adversely affected. This has in the past had, and in the future may have, a material adverse effect on our earnings and cash flow.

There may also be situations in which our manufacturing facilities are inadequate to meet the demand for certain of our products. Our inability to obtain sufficient manufacturing capacity to meet demand, either in our own facilities or through foundry or similar arrangements with others, could have a material adverse effect on us.

At this time, the most significant risk is that the ramp of production in Fab 25 of Flash memory products will not be successful or that demand for Flash memory products will be weaker than expected.

Further, during periods when we are implementing new process technologies, our manufacturing facilities may not be fully productive. A substantial delay in the technology transitions in Dresden Fab 30 to smaller than 130-nanometer process technologies employing silicon on insulator technology could have a material adverse effect on us.

Unless we maintain manufacturing efficiency, our future profitability could be materially adversely affected.

Manufacturing semiconductor components involves highly complex processes that require advanced equipment. We and our competitors continuously modify these processes in an effort to improve yields and product performance. Impurities or other difficulties in the manufacturing process can lower yields. Our manufacturing efficiency will be an important factor in our future profitability, and we cannot be sure that we will be able to maintain our manufacturing efficiency or increase manufacturing efficiency to the same extent as our competitors.

From time to time, we have experienced difficulty in beginning production at new facilities, transferring production to other facilities, and in effecting transitions to new manufacturing processes that have caused us to suffer delays in product deliveries or reduced yields. We cannot be sure that we will not experience manufacturing problems in achieving acceptable yields or experience product delivery delays in the future as a result of, among other things, capacity constraints, construction delays, transferring production to other facilities, upgrading or expanding existing facilities or changing our process technologies, which could result in a loss of future revenues. Our results of operations could also be adversely affected by the increase in fixed costs and operating expenses related to increases in production capacity if revenues do not increase proportionately.

We cannot be certain that our substantial investments in research and development of process technologies will lead to improvements in technology and equipment used to fabricate our products or that we will have sufficient resources to invest in the level of research and development that is required to remain competitive.

We make substantial investments in research and development of process technologies in an effort to improve the technologies and equipment used to fabricate our products. For example, the successful development and implementation of silicon on insulator technology is critical to our eighth-generation family of microprocessors. However, we cannot be certain that we will be able to develop or obtain or successfully implement leading-edge process technologies needed to fabricate future generations of our products. Further, we cannot assure you that we will have sufficient resources to maintain the level of investment in research and development that is required for us to remain competitive.

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If our microprocessors are not compatible with some or all industry-standard software and hardware, we could be materially adversely affected.

Our microprocessors may not be fully compatible with some or all industry-standard software and hardware. Further, we may be unsuccessful in correcting any such compatibility problems in a timely manner. If our customers are unable to achieve compatibility with software or hardware after our products are shipped in volume, we could be materially adversely affected. In addition, the mere announcement of an incompatibility problem relating to our products could have a material adverse effect on us.

Costs related to defective products could have a material adverse effect on us.

One or more of our products may be found to be defective after the product has been shipped to customers in volume. The cost of a recall, software fix, product replacements and/or product returns may be substantial and could have a material adverse effect on us. In addition, modifications needed to fix the defect may impede performance of the product.

If essential raw materials are not available to manufacture our products, we could be materially adversely affected.

Certain raw materials we use in the manufacture of our products are available from a limited number of suppliers. Interruption of supply or increased demand in the industry could cause shortages and price increases in various essential materials. If we are unable to procure certain of these materials, we might have to reduce our manufacturing operations. Such a reduction could have a material adverse effect on us.

Our operations in foreign countries are subject to political and economic risks, which could have a material adverse effect on us.

Nearly all product assembly and final testing of our products are performed at our manufacturing facilities in Malaysia, Thailand, China, Japan and Singapore; or by subcontractors in the United States and Asia. We also depend on foreign foundry suppliers and joint ventures for the manufacture of a portion of our finished silicon wafers and have international sales operations.

The political and economic risks associated with our operations in foreign countries include:

- expropriation;
- changes in a specific country's or region's political or economic conditions;
- trade protection measures and import or export licensing requirements;
- difficulty in protecting our intellectual property;
- changes in foreign currency exchange rates and currency controls;
- changes in freight and interest rates;
- disruption in air transportation between the United States and our overseas facilities; and
- loss or modification of exemptions for taxes and tariffs;

any of which could have a material adverse effect on us.

As part of our business strategy, we are continuing to seek expansion of product sales in emerging overseas markets. We recently signed a research and development joint venture agreement with China Basic Education Software Company, Ltd. to develop hardware platforms using our products for computer equipment to be sold in the Chinese IT education market. Expansion into emerging overseas markets presents similar political and economic risks as described above, and we may be unsuccessful in our strategy to penetrate these emerging overseas markets.

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Our inability to continue to attract and retain key personnel may hinder our product development programs.

Our future success depends upon the continued service of numerous key engineering, manufacturing, marketing, sales and executive personnel. If we are not able to continue to attract, retain and motivate qualified personnel necessary for our business, the progress of our product development programs could be hindered, and we could be otherwise adversely affected.

Our operating results are subject to substantial seasonal fluctuations.

Our operating results tend to vary seasonally. For example, our revenues are generally higher in the fourth quarter than the third quarter of each year. This seasonal pattern is largely a result of decreased demand in Europe during the summer months and higher demand in the retail sector of the PC market during the winter holiday season. In recent quarters, a substantial portion of our quarterly sales have been made in the last month of the quarter.

Uncertainties involving the ordering and shipment of, and payment for, our products could materially adversely affect us.

Our sales are typically made pursuant to individual purchase orders, and we generally do not have long-term supply arrangements with our customers. Generally, our customers may cancel orders 30 days prior to shipment without incurring a significant penalty. We base our inventory levels on customers' estimates of demand for their products, which is difficult to predict. This difficulty may be compounded when we sell to original equipment manufacturers indirectly through distributors, as our forecasts for demand are then based on estimates provided by multiple parties. In addition, our customers may change their inventory practices on short notice for any reason. The cancellation or deferral of product orders, the return of previously sold products or overproduction due to failure of anticipated orders to materialize could result in excess or obsolete inventory, which could result in write-downs of inventory.

During 2002, the markets in which our customers operate were characterized by a decline in end-user demand which reduced visibility of future demand for our products and resulted in high levels of inventories in the PC industry supply chain. In some cases, this led to delays in payments for our products. We believe that these and other factors could continue to materially adversely affect our revenues in the near term.

Our price protection obligations and return rights under specific provisions in our agreements with distributors may adversely affect us.

Distributors typically maintain an inventory of our products. In most instances, our agreements with distributors protect their inventory of our products against price reductions, as well as products that are slow moving or have been discontinued. These agreements, which may be canceled by either party on a specified notice, generally allow for the return of our products. The price protection and return rights we offer to our distributors could materially adversely affect us if distributors exercise these rights as a result of an unexpected significant decline in the price of our products or otherwise.

If we cannot adequately protect our technology or other intellectual property, in the United States and abroad, through patents, copyrights, trade secrets, trademarks and other measures, we may lose a competitive advantage and incur significant expenses.

We may not be able to adequately protect our technology or other intellectual property, in the United States and abroad, through patents, copyrights, trade secrets, trademarks and other measures. Any patent licensed by us or issued to us could be challenged, invalidated or circumvented or rights granted thereunder may not provide a competitive advantage to us. Further, patent applications that we file may not be issued. Despite our efforts to protect our rights, others may independently develop similar products, duplicate our products or design around our patents and other rights. In addition, it is difficult to cost-effectively monitor compliance with, and enforce, our intellectual property on a worldwide basis.

From time to time, we have been notified that we may be infringing intellectual property rights of others. If any such claims are asserted against us, we may seek to obtain a license under the third party's intellectual property rights. We cannot assure you that all necessary licenses can be obtained on satisfactory terms, if at all. We could decide, in the alternative, to resort to litigation to challenge such claims. Such challenges could be extremely expensive and time-consuming and could have a material adverse effect on us. We cannot assure you that litigation related to the intellectual property rights of us and others will always be avoided or successfully concluded.

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Failure to comply with applicable environmental regulations could subject us to fines, suspension of production, alteration of our manufacturing operations, or regulatory action.

Our business involves the use of hazardous materials. If we fail to comply with governmental regulations related to the use, storage, handling, discharge or disposal of toxic, volatile or otherwise hazardous chemicals used in our manufacturing process, we may be subject to fines, suspension of production, alteration of our manufacturing processes or cessation of our operations. Such regulations could require us to procure expensive remediation equipment or to incur other expenses to comply with environmental regulations. Any failure to control the use of, disposal or storage of, or adequately restrict the discharge of, hazardous substances could subject us to future liabilities and could have a material adverse effect on us. Violations of environmental laws may result in criminal and civil liabilities.

Terrorist attacks, such as the attacks that occurred in New York and Washington, DC on September 11, 2001, and other acts of violence or war may materially adversely affect us.

Terrorist attacks may negatively affect our operations. These attacks or armed conflicts may directly impact our physical facilities or those of our suppliers or customers. Furthermore, these attacks may make travel and the transportation of our products more difficult and more expensive and ultimately affect our sales.

Also as a result of terrorism, the United States may be included in armed conflicts that could have a further impact on our sales, our supply chain, and our ability to deliver products to our customers. Political and economic instability in some regions of the world may also result and could negatively impact our business. The consequences of armed conflicts are unpredictable, and we may not be able to foresee events that could have an adverse effect on our business or your investment.

More generally, any of these events could cause consumer confidence and spending to decrease or result in increased volatility in the United States and worldwide financial markets and economy. They also could result in or exacerbate economic recession in the United States or abroad. Any of these occurrences could have a significant impact on our operating results, revenues and costs and may result in the volatility of the market price for our securities and on the future prices of our securities.

Our corporate headquarters, assembly and research and development activities are located in an earthquake zone and these operations could be interrupted in the event of an earthquake.

Our corporate headquarters, assembly operations in California and research and development activities related to process technologies are located near major earthquake fault lines. In the event of a major earthquake, we could experience business interruptions, destruction of facilities and/or loss of life, all of which could materially adversely affect us.

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Risks Related to the Debentures

We have a substantial amount of debt and debt service obligations, and may incur additional debt, that could adversely affect our financial position and prevent us from fulfilling our obligations under the debentures.

We have a substantial amount of debt and we may incur additional debt in the future. At September 29, 2002, our total long-term debt was \$1.2 billion and, as adjusted to give effect to the November 2002 offering of the 4.50% Convertible Senior Notes due 2007, would have been \$1.6 billion and our stockholders' equity would have been \$3.2 billion. Of the \$1.2 billion of our total long-term debt, \$343 million was long-term debt of AMD Saxony, under the Dresden loan agreement, of which we have guaranteed \$300 million.

At September 29, 2002, we also had approximately \$276 million of guarantees related to the debt of our unconsolidated joint ventures. These guarantees include our guarantee to repay up to \$125 million of borrowings made by Fujitsu Microelectronics, Inc. under its credit facility, which we are currently in disagreement as to the amount we owe, if any, and our other guarantees of approximately \$151 million related to FASL and our Maskhouse Building Administration GmbH & Co. KG (BAC) joint venture with Infineon Technologies AG and DuPont Photomasks, Inc.

The indenture governing the debentures does not limit the amount of additional debt that we may incur. At September 29, 2002, we had \$95 million of availability under our secured revolving credit facility (subject to our borrowing base).

Our high degree of leverage may:

- limit our ability to use our cash flow or obtain additional financing for future working capital, capital expenditures, acquisitions or other general corporate purposes;
- require a substantial portion of our cash flow from operations to make debt service payments;
- limit our flexibility to plan for, or react to, changes in our business and industry;
- place us at a competitive disadvantage compared to our less leveraged competitors; and
- increase our vulnerability to the impact of adverse economic and industry conditions and, to the extent of our outstanding debt under our secured revolving credit facility, the impact of increases in interest rates.

Our ability to make payments on and to refinance our debt or our guarantees of other parties' debts will depend on our financial and operating performance, which may fluctuate significantly from quarter to quarter and is subject to prevailing economic conditions and to financial, business and other factors beyond our control.

We cannot assure you that we will continue to generate sufficient cash flow or that we will be able to borrow funds under our credit facilities in amounts sufficient to enable us to service our debt, including the debentures, or meet our working capital and capital expenditure requirements. If we are not able to generate sufficient cash flow from operations or to borrow sufficient funds to service our debt, due to borrowing base restrictions or otherwise, we may be required to sell assets, reduce capital expenditures, refinance all or a portion of our existing debt or obtain additional financing. We cannot assure you that we will be able to refinance our debt, sell assets or borrow more funds on terms acceptable to us, if at all.

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Our debt instruments impose restrictions on us that may adversely affect our ability to operate our business.

Our secured revolving credit facility and our September 2002 term loan contain restrictive covenants and also require us to maintain specified financial ratios and satisfy other financial condition tests when our net domestic cash is below specified amounts, and the Dresden loan agreement imposes restrictive covenants on AMD Saxony, including a prohibition on its ability to pay dividends.

Our ability to satisfy the covenants, financial ratios and tests of our debt instruments can be affected by events beyond our control. We cannot assure you that we will meet those requirements. A breach of any of these covenants, financial ratios or tests could result in a default under our secured revolving credit facility, our September 2002 term loan and/or the Dresden loan agreement. The occurrence of an event of default under any of these agreements or under the indenture governing our Debentures would likely result in a cross-default under the agreements covering the other borrowings and would permit the applicable lenders or noteholders to declare all amounts outstanding under those borrowing arrangements to be immediately due and payable and permitting the lenders to terminate all commitments to extend further credit. If we were unable to repay those amounts, the lenders under the secured revolving credit facility, the September 2002 term loan and the Dresden loan agreement could proceed against the collateral granted to them to secure that indebtedness. We have pledged substantially all of our personal property, including inventory and accounts receivable, as security under our secured revolving credit facility, and certain property, plant and equipment as security under our September 2002 term loan, and AMD Saxony has pledged substantially all of its property as security under the Dresden loan agreement. If the lenders under any of the credit facilities or the noteholders or the trustee under the indenture governing our Debentures accelerate the repayment of borrowings, we cannot assure you that we will have sufficient assets to repay those borrowings and our other indebtedness.

The debentures will be effectively subordinated to all of our secured indebtedness and structurally subordinated to all of our subsidiaries and joint ventures existing and future indebtedness.

The debentures will be effectively subordinated to all of our secured indebtedness to the extent of the value of the assets securing that debt. As of September 29, 2002, AMD had \$155 million of secured indebtedness outstanding, comprised of \$45 million under our secured revolving credit facility, which has since been repaid, and \$110 million under our September 2002 term loan. The indenture governing the debentures permits us to incur additional secured indebtedness.

A substantial portion of our operations is conducted through our subsidiaries and joint ventures. The cash flow and our consequent ability to service debt, including the debentures, may become dependent in part upon the earnings from the business conducted through subsidiaries and joint ventures and the distribution of those earnings, or upon loans or other payments of funds by those subsidiaries or joint ventures, to us. Except to the extent we may be a creditor with recognized claims against our subsidiaries or joint ventures, the claims of creditors of our subsidiaries or joint ventures will have priority with respect to the assets and earnings of the subsidiaries or joint ventures over the claims of our creditors, including holders of the debentures, even though subsidiary and joint venture obligations do not constitute our senior indebtedness. As of September 29, 2002, the indebtedness, including trade payables and capital lease obligations, of our subsidiaries was \$933 million. In addition, our joint ventures had \$436 million of indebtedness, including trade payables and capital lease obligations.

The ability of our subsidiaries and joint ventures to pay dividends to us could be restricted.

We conduct a substantial portion of our operations through our subsidiaries and joint ventures. The Dresden loan agreement prohibits AMD Saxony from paying dividends to us, and FASL cannot pay dividends to us without the consent of Fujitsu. Subject to the restrictions contained in the indenture and our other debt agreements, future borrowings by our subsidiaries and joint ventures could contain restrictions or prohibitions on the payment of dividends to us. In addition, under applicable law, our subsidiaries and joint ventures could be limited in the amounts that they are permitted to pay us as dividends on their capital stock. As a result, we may not be able to receive funds from our subsidiaries and joint ventures.

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We may not be able to finance or effect the repurchase of the debentures as a result of a Fundamental Change as required by the indenture, which would result in a default under our indenture.

Upon the occurrence of a Fundamental Change under the indenture, we will be required to offer to repurchase all of the debentures then outstanding at 100% of the principal amount, plus accrued and unpaid interest, if any, to, but excluding, the repurchase date. A Fundamental Change may also constitute an event of default under our July 1999 Loan Agreement, our September 2002 term loan and/or the Dresden loan agreement that will permit the lenders thereunder to accelerate the maturity of all borrowings thereunder and terminate commitments to lend thereunder. The indenture governing our outstanding notes requires us to offer to repurchase the notes upon a Fundamental Change. Any of our future debt agreements may contain similar provisions. We cannot assure you that we will have the financial resources to repurchase your debentures, particularly if the Fundamental Change triggers a similar repurchase requirement for, or results in the acceleration of, other indebtedness.

In addition, our secured revolving credit facility, our September 2002 term loan and the Dresden loan agreement may prohibit us from repurchasing any of the debentures. If we do not obtain applicable consents to the repurchase, we may remain prohibited from repurchasing the debentures.

An active public market may not develop for the notes, which may hinder your ability to sell your investment.

The debentures are a new issue of securities with no established trading market, and we do not intend to list them on any securities exchange. We cannot assure you that an active trading market will develop for the debentures. The underwriters have informed us that they intend to make a market in the debentures, but they may cease their market-making activities at any time.

In addition, the liquidity of the trading market for the debentures, if any, and the market price quoted for the debentures may be adversely affected by changes in interest rates in the market for comparable securities and by changes in our financial performance or prospects, as well as by declines in the prices of securities, or the financial performance or prospects of similar companies.

You should consider the U.S. federal income tax consequences of owning the debentures and the shares of common stock issuable upon conversion of the debentures.

We and each holder agree in the indenture to treat the debentures as indebtedness that is subject to U.S. Treasury regulations governing contingent payment debt instruments. The following discussion assumes that the debentures will be so treated, though we cannot assure you that the Internal Revenue Service will not assert that the debentures should be treated differently. Under the contingent payment debt regulations, a holder will be required to include amounts in income, as original issue discount, in advance of cash such holder receives on a debenture, and to accrue interest on a constant yield to maturity basis at a rate comparable to the rate at which we would borrow in a noncontingent, nonconvertible borrowing, even though the debenture will have a significantly lower yield to maturity. A holder will recognize taxable income significantly in excess of cash received while the debentures are outstanding. In addition, under the indenture, a holder will recognize ordinary income, if any, upon a sale, exchange, conversion or redemption of the debentures at a gain. In computing such gain, the amount realized by a holder will include, in the case of a conversion, the amount of cash and the fair market value of shares received.

Given this tax treatment, upon acceleration of the debentures at any time prior to maturity, a holder's unamortized portion of income treated as original issue discount is likely to be characterized as unearned interest under New York law. New York courts have consistently held that upon acceleration of a debt obligation, a creditor is entitled to recover the unpaid principal balance and any accrued or earned interest on the obligation, but a creditor is not entitled to recover interest that is unearned at the time of acceleration. Thus, holders of the debentures bear the risk that upon an acceleration of the debentures, they may be unable to collect that portion of unamortized original issue discount that is deemed to be unearned interest.

Holders are urged to consult their own tax advisors as to the U.S. federal, state and other tax consequences of acquiring, owning and disposing of the debentures and the shares of common stock issuable upon conversion of the debentures. For more information, see Material United States Federal Income Tax Considerations.

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The price of our common stock is highly volatile, and this may materially adversely affect the liquidity and market price of the debentures.

Based on the trading history of our common stock, we believe that the following factors have caused and are likely to continue to cause the market price of our common stock to fluctuate substantially and are likely to affect the trading price of the debentures:

- quarterly fluctuations in our operating and financial results;
- announcements of new technologies, products and/or pricing by us or our competitors;
- the pace of new process technology and product manufacturing ramps;
- fluctuations in the stock price and operating results of our competitors, particularly Intel Corporation;
- changes in earnings estimates or buy/sell recommendations by financial analysts;
- changes in the ratings of our outstanding securities;
- production yields of key products;
- changes in the mix of products sold; and
- general conditions in the semiconductor industry.

In addition, an actual or anticipated shortfall in revenue, gross margins or earnings from securities analysts' expectations could have an immediate effect on the trading price of our common stock and the debentures. Technology company stocks in general have experienced extreme price and volume fluctuations that are often unrelated to the operating performance of the companies. Market volatility may adversely affect the market price of our common stock, which could affect the price of our debentures and limit our ability to raise capital or to make acquisitions.

Anti-takeover provisions in our charter documents and Delaware law, as well as the right of holders of the debentures to require us to repurchase the debentures upon the occurrence of a Fundamental Change, may make an acquisition of us more difficult.

Anti-takeover provisions in our charter documents and Delaware law may make an acquisition of us more difficult. These provisions:

- authorize our board of directors to issue preferred stock without stockholder approval and to designate the rights, preferences and privileges of each class; if issued, such preferred stock would increase the number of outstanding shares of our capital stock and could include terms that may deter an acquisition of us;
- establish advance notice requirements for nominations to the board of directors or for proposals that can be acted on at stockholder meetings; and
- limit who may call stockholder meetings.

In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law which may prohibit large stockholders from consummating a merger with or acquisition of us.

Further, the holders of the debentures have the right to require us to repurchase the debentures should a Fundamental Change occur. The term **Fundamental Change** includes specified transactions involving changes to our basic structure or ownership, but may not include other events that adversely affect our financial condition. This repurchase option may discourage a potential acquiror. These provisions may deter an acquisition of us that might otherwise be attractive to stockholders.

Table of Contents**USE OF PROCEEDS**

The selling securityholders will receive all of the proceeds from the sale under this prospectus of the debentures and the common stock issuable upon conversion of the debentures. We will not receive any proceeds from these sales.

PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

Our common stock is listed and traded on the New York Stock Exchange under the symbol AMD. The following table shows, for the periods indicated, the high and low sales prices on the New York Stock Exchange.

	<u>High</u>	<u>Low</u>
Fiscal year ended December 31, 2000		
First quarter*	\$ 30.19	\$ 14.00
Second quarter*	47.72	25.50
Third quarter*	47.50	23.00
Fourth quarter	25.44	13.56
Fiscal year ended December 30, 2001		
First quarter	\$ 30.15	\$ 14.13
Second quarter	34.65	18.73
Third quarter	30.20	7.80
Fourth quarter	18.62	7.69
Fiscal year ended December 29, 2002		
First quarter	\$ 20.6	\$ 12.63
Second quarter	15.30	7.95
Third quarter	10.88	5.70
Fourth quarter (through December 13, 2002)	9.60	3.10

* Adjusted to reflect a 2:1 stock split on August 22, 2000.

On December 13, 2002 the last sale price of our common stock as reported on the New York Stock Exchange was \$7.32 per share. As of November 15, 2002, there were approximately 7,974 holders of record of our common stock.

We have never paid any cash dividends on our common stock and have no present plans to do so. In addition, we are prohibited by certain of our borrowing arrangements from paying cash dividends without the prior written consent of the lender.

RATIO OF EARNINGS TO FIXED CHARGES

Our ratios of earnings to fixed charges for each of our fiscal years from 1997 to 2001 and for the nine months ended September 29, 2002 were as follows:

	<u>Year ended</u>					<u>Nine months ended September 29, 2002</u>
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	
Ratio of earnings to fixed charges(1)			1.3x	13.0x		

- (1) For purposes of computing this ratio of earnings to fixed charges, fixed charges consist of interest expense on long-term debt and capital leases, amortization of deferred financing costs and that portion of rental expense deemed to be representative of interest. Earnings consist of income (loss) before income taxes and equity in joint venture, plus fixed charges. Earnings were insufficient to cover fixed charges by \$121 million, \$224 million and \$76 million in 1997, 1998 and 2001. Earnings were insufficient to cover fixed charges by \$645 million for the nine months ended September 29, 2002.

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DESCRIPTION OF DEBENTURES

We issued the debentures under an indenture, dated January 29, 2002, between us and the Bank of New York, as trustee. The following description is only a summary of the material provisions of the debentures and the indenture. We urge you to read these documents in their entirety because they, and not this description, define the rights of holders of these debentures. You may request copies of these documents at our address shown under the caption **Incorporation By Reference**. The terms of the debentures include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, as amended. For purposes of this description, references to **we**, **us**, **our** or **AMD** in this section, include only Advanced Micro Devices, Inc. and not its subsidiaries.

General

The debentures are our senior unsecured obligations and rank equally with all our other senior unsecured indebtedness. However, the debentures are structurally subordinated to indebtedness of our subsidiaries and effectively subordinated to our secured debt to the extent of the value of the assets securing such debt. The debentures are convertible into common stock as described under the caption **Conversion of Debentures**.

We issued \$500,000,000 aggregate principal amount of debentures in denominations of \$1,000 and multiples of \$1,000. The debentures will mature on February 1, 2022 unless earlier converted, redeemed at our option or repurchased by us at the option of the holder on the Purchase Dates or upon a Fundamental Change.

We are not subject to any financial covenants under the indenture. In addition, we are not restricted under the indenture from paying dividends, incurring debt or issuing or repurchasing our securities.

Holders are not afforded protection in the event of a highly leveraged transaction, or a change in control of us under the indenture except to the extent described below under the caption **Repurchase at Option of the Holder Upon a Fundamental Change**.

The debentures bear interest at the initial annual rate of 4.75%. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. On August 1, 2008, August 1, 2011 and August 1, 2016 the interest rate on the debentures will be reset to a rate per annum equal to the interest rate payable 120 days prior to such reset date on 5-year U.S. Treasury Notes plus 0.43%. However, in no event will the interest rate be reset below 4.75% or above 6.75% per annum. We will pay interest on February 1 and August 1 of each year, beginning August 1, 2002 to record holders at the close of business on the preceding January 15 and July 15, as the case may be, except:

interest payable upon redemption will be paid to the person to whom principal is payable, unless the redemption date is an interest payment date in which case interest shall be paid to the record holder; and

as set forth in the next sentence.

In case a holder converts his debenture into common stock during the period after any record date but prior to the next interest payment date either:

we will not be required to pay interest on the interest payment date if the debenture has been called for redemption on a redemption date that occurs during this period, but accrued and unpaid interest on such debenture will be paid on the redemption date; or

we will not be required to pay interest on the interest payment date if the debenture is to be repurchased in connection with a Purchase Date or a Fundamental Change on a Purchase Date or a repurchase date that occurs during this period, but accrued and unpaid interest on such debenture will be paid on the Purchase Date or repurchase date, as applicable; or

if otherwise, any debenture not called for redemption that is submitted for conversion during this period must also be accompanied by an amount equal to the interest due on the interest payment date on the converted principal amount, unless at the time of the conversion there is a default in the payment of interest on the debentures. See **Conversion of Debentures**.

We will maintain an office in New York for the payment of interest, which shall initially be an office or agency of the trustee.

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We will pay interest by check mailed to each holder's address as it appears in the debenture register, provided that a holder with an aggregate principal amount in excess of \$5.0 million will be paid, at the written election of that holder, by wire transfer in immediately available funds.

However, payments to The Depository Trust Company, New York, New York, which we refer to as DTC, or its nominee will be made by wire transfer of immediately available funds to the account of DTC or its nominee.

Holders are not required to pay a service charge for registration or transfer of their debentures. We may, however, require holders to pay any tax or other governmental charge in connection with the transfer. We are not required to exchange or register the transfer of:

- any debenture or portion selected for redemption;
- any debenture or portion surrendered for conversion; or
- any debenture or portion surrendered for repurchase but not withdrawn in connection with a Fundamental Change.

Interest Rate Adjustment

Under the indenture, we and each holder agree, for U.S. federal income tax purposes, to treat the debentures as indebtedness that is subject to the regulations governing contingent payment debt instruments and, for purposes of those regulations, to treat the fair market value of the common stock received on the conversion as a contingent payment, and the discussion herein assumes that such treatment is correct. However, no rulings have been or will be sought from the IRS or a court with respect to the applicability of the contingent debt regulations to the debentures and, accordingly, no assurance can be given that the IRS or a court will agree with this treatment. See Material United States Federal Income Tax Consequences.

Conversion of Debentures

A holder may convert a debenture, in whole or in part, into our common stock at any time prior to the close of business on the business day immediately preceding the maturity date, subject to prior redemption of the debentures. If we call debentures for redemption, holders may convert the debentures only until the close of business on the business day prior to the redemption date unless we fail to pay the redemption price. If a holder has submitted debentures for repurchase on a Purchase Date or upon a Fundamental Change, that holder may convert the debentures only if it withdraws its election. A holder may convert debentures in part so long as that part is \$1,000 principal amount or an integral multiple of \$1,000. If any debentures not called for redemption are converted after a record date for any interest payment date and prior to the next interest payment date, the debentures must be accompanied by an amount equal to the interest payable on the next interest payment date on the converted principal amount unless a default exists at the time of conversion.

The initial conversion price for the debentures is \$23.38 per share of common stock, subject to adjustment as described below. We will not issue fractional shares of common stock upon conversion of debentures. Instead, we will pay cash based on the average of the closing sales prices of our common stock for the five trading days ending on the day prior to the conversion date for all fractional shares of common stock. Unless a holder converts debentures on an interest payment date and except as described below, that holder will not receive any accrued interest or dividends upon conversion.

To convert a debenture (other than a debenture held in book entry form through DTC) into common stock, a holder must:

- complete and manually sign the conversion notice on the back of the debenture or facsimile of the conversion notice and deliver this notice to the conversion agent;
- surrender the debenture to the conversion agent;
- if required, furnish appropriate endorsements and transfer documents;
- if required, pay all transfer or similar taxes; and
- if required, pay funds equal to interest payable on the next interest payment date.

Holders of debentures held in book-entry form through DTC must follow DTC's customary practices. The date a holder complies with these requirements is the conversion date under the indenture. As promptly as practicable on or after the conversion date, but no later than three business days after the conversion date, we will issue and deliver to the conversion agent certificates for the number of full shares of common stock issuable upon conversion, together with any cash payment for fractional shares.

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If a holder delivers a debenture for conversion, that holder will not be required to pay any taxes or duties for the issue or delivery of common stock on conversion. However, we will not pay any transfer tax or duty payable as result of the issuance or delivery of the common stock in a name other than that of the holder of the debenture. We will not issue or deliver common stock certificates unless we have been paid the amount of any transfer tax or duty or we have been provided satisfactory evidence that the transfer tax or duty has been paid.

To mitigate dilution of your equity ownership interests, we will adjust the conversion price, and therefore effectively adjust the number of shares of our common stock into which a debenture is convertible, if the following events occur:

- (1) we issue common stock as a dividend or distribution on our common stock;
- (2) we issue to all holders of common stock specified rights or warrants to purchase our common stock at a price per share less than the then current market price per share, unless we elect to distribute or reserve for distribution these rights or warrants for distribution to the holders of the debentures upon the conversion of the debentures, provided that the conversion price will be readjusted to the extent that such rights or warrants are not exercised prior to their expiration, *provided, however*, that if such rights or warrants are exercisable only upon the occurrence of certain triggering events then the conversion price will not be adjusted until such triggering event occurs;
- (3) we subdivide or combine our common stock;
- (4) we distribute to all common stockholders capital stock, evidences of indebtedness or assets, including securities but excluding:
 - rights or warrants listed in (2) above;
 - dividends or distributions listed in (1) above; and
 - cash distributions listed in (5) below;
- (5) we make a dividend or distribution consisting exclusively of cash to all holders of common stock if the aggregate amount of these distributions combined together with (A) all other all-cash distributions made within the preceding 12 months in respect of which we made no adjustment plus (B) any cash and the fair market value of other consideration payable in any tender offers by us or any of our subsidiaries for common stock within the preceding 12 months in respect for which we made no adjustment, exceeds 12.5% of our market capitalization, being the product of the then current market price of the common stock multiplied by the number of shares of our common stock then outstanding; or
- (6) the purchase of common stock pursuant to a tender offer made by us or any of our subsidiaries involves an aggregate consideration that, together with (A) any cash and the fair market value of any other consideration payable in any other tender offer by us or any of our subsidiaries for common stock expiring within the 12 months preceding the expiration of the tender offer plus (B) the aggregate amount of any such-all cash distributions referred to in (5) above to all holders of common stock within the 12 months preceding the expiration of the tender offer, in each case, for which we have made no adjustment, exceeds 12.5% of our market capitalization on the expiration of such tender offer.

To the extent that we have a stockholder rights plan in effect upon conversion of the debentures into common stock, holders will receive, in addition to the common stock, the rights under the rights plan whether or not the rights have separated from the common stock at the time of conversion, subject to limited exceptions.

If we reclassify our common stock, consolidate, merge or combine with another person or sell or convey our property and assets as an entirety or substantially as an entirety, each debenture then outstanding will, without the consent of the holder of any debenture, become convertible only into the kind and amount of securities, cash and other property receivable upon such reclassification, consolidation, merger, combination, sale or conveyance by a holder of the number of shares of common stock into which the debenture was convertible immediately prior to the reclassification, consolidation, merger, combination, sale or conveyance. This calculation will be made based on the assumption that the holder of common stock failed to exercise any rights of election that the holder may have to select a particular type of consideration. The adjustment will not be made for a consolidation, merger or combination that does not result in any reclassification, conversion, exchange or cancellation of our common stock.

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We may, from time to time, reduce the conversion price for a period of at least 20 days if our Board of Directors has made a determination that this reduction would be in our best interests. Any such determination by our Board of Directors will be conclusive. We would give holders at least 15 days' notice of any reduction in the conversion price. In addition, we may reduce the conversion price if our Board of Directors deems it advisable to avoid or diminish any income tax to holders of common stock resulting from any stock or rights distribution or due to the non-occurrence of such a distribution. See Material United States Federal Income Tax Considerations.

Holders may in some situations be deemed to have received a distribution subject to United States federal income tax as a dividend in the event of any taxable distribution to holders of common stock, in certain other situations requiring a conversion price adjustment or due to the non-occurrence of an adjustment. See Material United States Federal Income Tax Considerations.

We will not be required to make an adjustment in the conversion price unless the adjustment would require a change of at least 1% in the conversion price. However, we will carry forward any adjustments that are less than 1% of the conversion price.

Except as described above in this section, we will not adjust the conversion price for any issuance of our common stock or convertible or exchangeable securities or rights to purchase our common stock or convertible or exchangeable securities.

Optional Redemption by AMD

We may not redeem the debentures at our option prior to February 5, 2005. Thereafter, we may redeem the debentures at our option in whole or in part, upon not less than 15, nor more than 60, days' notice by mail to holders of the debentures. However, we may not redeem the debentures prior to February 5, 2006, unless the last reported sale price of our common stock is at least 130% of the then effective conversion price for at least 20 trading days within a period of 30 consecutive trading days ending within five trading days of the date of the redemption notice.

The redemption prices (expressed as a percentage of principal amount) are as follows for debentures redeemed during the periods set forth below:

<u>Period</u>	<u>Redemption Price</u>
Beginning on February 5, 2005 through February 4, 2006	102.375%
Beginning on February 5, 2006 through February 4, 2007	101.583
Beginning on February 5, 2007 through February 4, 2008	100.792
Beginning on February 5, 2008	100.000

in each case together with accrued interest to, but excluding, the redemption date. Subject to the next sentence, we will pay accrued and unpaid interest to the same holder that receives the redemption payment. However, if the redemption date is an interest payment date, interest shall be paid to the record holder on the relevant record date.

If less than all of the outstanding debentures are to be redeemed, the trustee shall select the debentures to be redeemed in principal amounts of \$1,000 or multiples of \$1,000 by lot, pro rata or by another method the trustee considers fair and appropriate. If a portion of a holder's debentures is selected for partial redemption and that holder converts a portion of its debentures, the converted portion shall be deemed to be of the portion selected for redemption.

No sinking fund is provided for the debentures.

Repurchase at Option of the Holder on Purchase Dates

On the Purchase Dates of February 1, 2009, February 1, 2012 and February 1, 2017, a holder has the right to require us to repurchase all or any portion of that holder's debentures that is equal to \$1,000 or a whole multiple of \$1,000 for which the holder has delivered, and not withdrawn, a written purchase notice, subject to certain additional conditions. A holder may submit debentures for repurchase to the paying agent at any time from the opening of business on the date that is 30 days prior to an applicable Purchase Date until the close of business on the date that is five days prior to such Purchase Date.

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We will repurchase the debentures at a price equal to 100% of the principal amount to be repurchased plus accrued and unpaid interest to, but excluding, the applicable Purchase Date. If the applicable Purchase Date is an interest payment date, we will pay interest on the interest payment date to the record holder on the relevant record date.

We will give notice on a date not less than 30 days prior to each Purchase Date to all record holders, stating among other things, the procedures that holders must follow to require us to repurchase debentures.

The repurchase notice given by a holder electing to require us to repurchase the debentures shall state:

the certificate numbers of the debentures to be delivered for repurchase;

the portion of the principal amount at maturity of debentures to be repurchased, which must be \$1,000 or an integral multiple of \$1,000; and

that the debentures are to be repurchased by us pursuant to the applicable provisions of the debentures and the indenture.

A holder may withdraw any repurchase notice by delivering a written notice of withdrawal to the paying agent prior to the close of business on the business day prior to the Purchase Date, which shall state the principal amount at maturity being withdrawn, the certificate numbers of the debentures being withdrawn; and the principal amount at maturity of the debentures that remains subject to the repurchase notice, if any.

We will comply with all applicable provisions of Rule 13e-4 and any other tender offer rules under the Exchange Act in connection with any repurchase offer.

Payment of the repurchase price for a debenture for which a holder has delivered, and not validly withdrawn, a repurchase notice is conditioned upon delivery of the debenture, together with necessary endorsements, to the paying agent at any time after delivery of the repurchase notice. We will promptly pay the repurchase price for the debenture following the later of the applicable Purchase Date or the time of delivery of the debenture.

If the paying agent holds money or securities sufficient to pay the repurchase price of the debenture on the business day following the applicable Purchase Date in accordance with the terms of the indenture, then, immediately after the applicable Purchase Date, the debenture will cease to be outstanding and interest on such debenture will cease to accrue, whether or not the debenture is delivered to the paying agent. Thereafter, all other rights of the holder shall terminate, other than the right to receive the repurchase price upon delivery of the debenture.

Our ability to repurchase debentures may be limited by the terms of our then existing borrowing or financial agreements.

Repurchase at Option of the Holder Upon a Fundamental Change

If a Fundamental Change occurs prior to February 1, 2022, a holder has the right to require us to repurchase all or any portion of its debentures that is equal to \$1,000 or a whole multiple of \$1,000, on a repurchase date set by us that is no earlier than 25 days and no later than 35 days after the date of our notice of the Fundamental Change.

We will repurchase the debentures at a price equal to 100% of the principal amount to be repurchased, plus accrued and unpaid interest to, but excluding, the repurchase date. If the repurchase date is an interest payment date, we will pay interest on the interest payment date to the record holder on the relevant record date. Otherwise, we will pay accrued and unpaid interest to the same holder that receives the principal amount to be repurchased.

We will mail to all record holders a notice of the Fundamental Change within 25 days after the occurrence of the Fundamental Change. The notice must describe the Fundamental Change, holders' right to elect repurchase of the debentures and the repurchase date. We are also required to deliver to the trustee a copy of the Fundamental Change notice. If a holder elects to exercise its repurchase right, that holder must deliver to us or our designated agent at any time from the date of our notice of Fundamental Change until the close of business on the date that is five business days prior to the repurchase date, written notice of the holder's exercise of his repurchase right, together with any debentures to be repurchased, duly endorsed for transfer. Following the repurchase date we will pay promptly the repurchase price for debentures surrendered for redemption.

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A Fundamental Change will be considered to have occurred if:

our common stock or other common stock into which the debentures are convertible is neither listed for trading on an United States national securities exchange nor approved for trading on the Nasdaq National Market or another established automated over-the-counter trading market in the United States; or

one of the following change in control events occurs:

any person or group is a beneficial owner of more than 50% of the voting power of our outstanding securities entitled to generally vote for directors;

our stockholders approve any plan or proposal for our liquidation, dissolution or winding up;

we consolidate with or merge into any other corporation or any other corporation merges into us and, as a result, our outstanding common stock is changed or exchanged for other assets or securities unless our stockholders immediately before the transaction own, directly or indirectly, immediately following the transaction more than 50% of the combined voting power of the corporation resulting from the transaction in substantially the same proportion as their ownership of our voting stock immediately before the transaction;

we convey, transfer or lease all or substantially all of our assets to any person; or

continuing directors do not constitute a majority of our Board of Directors at any time.

However, a change in control will not be deemed to have occurred if:

the last sale price of our common stock for any five trading days during the 10 trading days immediately before the change in control is equal to at least 105% of the conversion price; or

all of the consideration, excluding cash payments for fractional shares in the transaction constituting the change in control, consists of common stock traded on a United States national securities exchange or quoted on the Nasdaq National Market, and as a result of the transaction the debentures become convertible solely into that common stock.

The term continuing director means at any date a member of our Board of Directors:

who was a member of our Board of Directors on January 1, 2002; or

who was nominated or elected by at least a majority of the directors who were continuing directors at the time of the nomination or election or whose election to our Board of Directors was recommended by at least a majority of the directors who were continuing directors at the time of the nomination or election or by the nominating committee comprised of our independent directors.

Under the above definition of continuing directors, if the current Board of Directors resigns after approving new directors, no change in control would occur, even though our current directors would then cease to be directors.

The interpretation of the phrase all or substantially all used in the definition of change in control would likely depend on the facts and circumstances existing at the time. As a result, there may be uncertainty as to whether or not a sale or transfer of all or substantially all of our assets has occurred.

We will comply with any applicable provisions of Rule 13e-4 and any other tender offer rules under the Exchange Act in the event of a Fundamental Change.

These repurchase rights could discourage a potential acquiror of AMD. However, this repurchase feature is not the result of management's knowledge of any specific effort to obtain control of AMD by means of a merger, tender offer or solicitation, or part of a plan by management to adopt a series of anti-takeover provisions. The term Fundamental Change is limited to certain specified transactions and may not include other events that might adversely affect our financial condition.

We may be unable to repurchase the debentures in the event of a Fundamental Change. If a Fundamental Change were to occur, we may not have enough funds to pay the repurchase price for all tendered debentures. In addition, a Fundamental Change could result in an event of default under loan agreements we may enter into in the future. Our loan agreements could also prohibit, in certain situations, repurchases of the

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debentures. For example, our current loan agreement would prohibit our repurchase of the debentures if our domestic cash levels declined below \$200,000,000. Any future credit facilities or other agreements relating to our indebtedness may contain similar provisions, or expressly prohibit the repurchase of the debentures.

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Ranking

The debentures are our senior unsecured obligations and rank equally with all our other senior unsecured debt, including the \$402.5 million aggregate principal amount of our 4.50% Convertible Senior Notes Due 2007 that we sold in November 2002. However, the debentures are structurally subordinated to indebtedness of our subsidiaries and joint ventures, which, as of September 29, 2002, was \$1.4 billion. In addition, the debentures are effectively subordinated to our secured debt to the extent of the value of the assets securing such debt.

We are obligated to pay reasonable compensation to the trustee and to indemnify the trustee against certain losses, liabilities or expenses incurred by the trustee in connection with its duties relating to the debentures. The trustee's claims for these payments will generally be senior to those of holders of debentures in respect of all funds collected or held by the trustee.

The debentures are obligations exclusively of AMD. As a result, our cash flow and our ability to service our indebtedness, including the debentures, is partially dependent upon the earnings of our subsidiaries. In addition, we are partially dependent on the distribution of earnings, loans or other payments by our subsidiaries to us. Our subsidiaries are separate and distinct legal entities. Our subsidiaries have no obligation to pay any amounts due on the debentures or to provide us with funds for our payment obligations, whether by dividends, distributions, loans or other payments. In addition, any payment of dividends, distributions, loans or advances by our subsidiaries to us could be subject to statutory or contractual restrictions. For example, the Dresden loan agreement prohibits our indirect wholly-owned subsidiary AMD Saxony from paying dividends and, the Delaware General Corporation Law would restrict the ability of our Delaware subsidiaries, such as AMD International Sales and Services, Ltd., from paying dividends if those subsidiaries did not have surplus or net profits as required by such law. Payments to us by our subsidiaries will also be contingent upon our subsidiaries' earnings and business considerations. Our right to receive any assets of any subsidiary upon its liquidation or reorganization, and, therefore, right to participate in those assets, will be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors. In addition, even if we were a creditor of any of our subsidiaries, our right as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us.

Events of Default

Each of the following constitutes an event of default under the indenture:

- (1) default in paying interest on the debentures when it becomes due and the default continues for a period of 30 days or more;
- (2) default in paying principal, or premium, if any, or the repurchase price in connection with a Purchase Date or a Fundamental Change on the debentures when due;
- (3) default in the performance, or breach, of any covenant in the indenture (other than defaults specified in clause (1) or (2) above) and the default or breach continues for a period of 60 days or more after written notice has been given to us by the trustee, or to us and the trustee by the holders of at least 25% in aggregate principal amount of the outstanding debentures;
- (4) failure to give notice to holders of optional repurchase upon a Fundamental Change;
- (5) the occurrence of events of bankruptcy, insolvency or similar proceedings with respect to us or any of our significant subsidiaries;
- (6) we fail or any of our significant subsidiaries fails to make any payment at maturity on any indebtedness, including any applicable grace periods, in an amount in excess of \$25.0 million in the aggregate for all such indebtedness and such amount has not been paid or discharged within 30 days after notice is given in accordance with the indenture; or
- (7) a default by us or any of our significant subsidiaries on any indebtedness that results in the acceleration of indebtedness in an amount in excess of \$25.0 million in the aggregate for all such indebtedness, without this indebtedness being discharged or the acceleration being rescinded or annulled for 30 days after notice is given in accordance with the indenture.

For purposes of the above, significant subsidiary has the meaning given to that term in rule 1-02 of Regulation S-X under the Securities Exchange Act of 1934, except that references to income from continuing operations are changed to revenues.

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If an event of default, other than an event of default described in clause (5) above with respect to us, occurs and is continuing, then the trustee or the holders of at least 25% in principal amount of the outstanding debentures may, and the trustee at the request of the holders of not less than 25% in principal amount of the outstanding debentures will, by written notice require immediate repayment of the entire principal amount of the outstanding debentures, together with all accrued and unpaid interest and premium, if any. If any event of default described in clause (5) above with respect to us occurs, the principal amount of all the debentures will automatically become immediately due and payable.

After a declaration of acceleration described above, the holders of a majority in principal amount of outstanding debentures may, under conditions set forth in the indenture, rescind this accelerated payment requirement if we have deposited with the trustee a sum sufficient to pay all amounts due on the debentures and all amounts due to the trustee under the indenture and all existing Events of Default, except for nonpayment of the principal and interest on the debentures that has become due solely as a result of the accelerated payment requirement, have been cured or waived and if the rescission of acceleration would not conflict with any judgment or decree. The holders of a majority in principal amount of the outstanding debentures also have the right to waive past defaults, except a default in paying the principal, redemption price, repurchase price in connection with a Purchase Date or upon a Fundamental Change or interest on any outstanding debenture, or in respect of a covenant or a provision that cannot be modified or amended without the consent of all holders of the debentures.

Holders of at least 25% in principal amount of the outstanding debentures may seek to institute a proceeding only after they have made written request and offered indemnity reasonably satisfactory to the trustee to institute a proceeding and the trustee has failed to do so within 60 days after it received this notice. In addition, within this 60-day period the trustee must not have received directions inconsistent with this written request by holders of a majority in principal amount of the outstanding debentures. These limitations do not apply, however, to a suit instituted by a holder of a debenture for the enforcement of the payment of principal, redemption price, repurchase price in connection with a Purchase Date or upon a Fundamental Change or interest on or after the due dates for payment.

During the existence of an event of default, the trustee is required to exercise the rights and powers vested in it under the indenture and use the same degree of care and skill in its exercise as a prudent person would under the circumstances in the conduct of that person's own affairs. If an event of default has occurred and is continuing, the trustee is not under any obligation to exercise any of its rights or powers at the request or direction of any of the holders unless the holders have offered to the trustee indemnity reasonably satisfactory to the trustee. Subject to limited exceptions, the holders of a majority in principal amount of the outstanding debentures have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust or power conferred on the trustee.

The trustee will, within 60 days after any default occurs, give notice of the default to the holders of the debentures, unless the default was already cured or waived. However, unless there is a default in paying principal or interest when due, the trustee can withhold giving notice to the holders if it determines in good faith that the withholding of notice is in the interest of the holders.

We are required to furnish to each trustee an annual statement as to compliance with all conditions and covenants under the indenture.

Supplemental Indentures

The trustee and we may enter into a supplemental indenture without the consent of any holder in order to:

- cure ambiguities, defects or inconsistencies;
- provide for the assumption of our obligations in the case of a merger or consolidation of us;
- make any change that would provide any additional rights or benefits to the holders;
- secure the debentures;
- evidence and provide for the acceptance of appointment under the indenture by a successor trustee; or
- make any change that does not adversely affect the rights of any holder in any material respect.

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The trustee and we may enter into a supplemental indenture with the consent of the holders of not less than a majority of the aggregate principal amount of the outstanding debentures. However, no modification or amendment may, without the consent of the holder of each outstanding debenture affected:

change the record or payment dates for interest payments or reduce the rate of interest on any debenture;

extend the stated maturity of any debenture;

reduce the principal amount, redemption price or repurchase price in connection with a Fundamental Change with respect to any debenture;

make any debenture payable in money or securities other than that stated in the debenture;

make any change that adversely affects the right to require us to purchase a debenture;

impair or adversely affect the right to convert, or receive payment with respect to, a debenture, or right to institute suit for the enforcement of any payment with respect to, or conversion of, the debentures;

change the provisions in the indenture that relate to modifying or amending the indenture; or

extend time for payment or otherwise waive a payment default with respect to the debentures.

Consolidation, Merger or Sale of Assets

We will not consolidate or combine with or merge with or into or, directly or indirectly, sell, assign, convey, lease, transfer or otherwise dispose of all or substantially all of our properties and assets to any person or persons in a single transaction or series of transactions, unless:

we shall be the continuing person or the resulting, surviving or transferee person (the surviving entity) is a corporation or limited liability company organized and existing under the laws of the United States or any State or the District of Columbia;

the surviving entity will expressly assume all of our obligations under the debentures and the indenture, and will execute a supplemental indenture which will be delivered to the trustee and will be in form and substance reasonably satisfactory to the trustee;

immediately after giving effect to the transaction, no default shall have occurred and be continuing; and

we or the surviving entity will have delivered to the trustee an opinion of counsel stating that the transaction or series of transactions and the supplemental indenture, if any, complies with the applicable provisions of the indenture.

If any consolidation or merger or any sale, assignment, conveyance, lease, transfer or other disposition of all or substantially all of our properties and assets occurs in accordance with the indenture, the successor corporation will succeed to, and be substituted for, and may exercise every right and power we have under the indenture with the same effect as if such successor corporation had been named as AMD. Except for any lease, we will be discharged from all obligations and covenants under the indenture and the debentures.

Discharge

The indenture provides that we may terminate our obligations under the indenture at any time by delivering all outstanding debentures to the trustee for cancellation if we have paid all sums payable by us under the indenture. At any time after all of the debentures have become due and payable we may terminate our substantive obligations under the indenture, other than our obligations to pay the principal of, and interest on, the debentures, by depositing with the trustee money or U.S. Government obligations sufficient to pay all remaining indebtedness on the debentures when due.

Governing Law

The laws of the State of New York will govern the indenture and the debentures.

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Information Concerning the Trustee

We have appointed the Bank of New York, as trustee under the indenture, as paying agent, conversion agent, registrar and custodian with regard to the debentures. The trustee or its affiliates may from time to time in the future provide banking and other services to us in the ordinary course of their business.

Book-Entry System

The debentures were issued in the form of a global certificate registered in the name of the depository or its nominee.

The global certificate was deposited with, or on behalf of, the depository, a securities depository, and is registered in the name of the depository or a nominee of the depository. The depository is thus the only registered holder of the debentures.

Debentures that are issued as described below under **Certificated Debentures** will be issued in definitive form. Upon the transfer of debentures in definitive form, such debentures will, unless the global securities have previously been exchanged for debentures in definitive form, be exchanged for an interest in the global securities representing the principal amount of debentures being transferred.

Purchasers of debentures may hold interests in the global certificates through the depository if they are participants in the depository system. Purchasers may also hold interests through a securities intermediary banks, brokerage houses and other institutions that maintain securities accounts for customers that has an account with the depository. The depository will maintain accounts showing the security holdings of its participants, and these participants will in turn maintain accounts showing the security holdings of their customers. Some of these customers may themselves be securities intermediaries holding securities for their customers. Thus, each beneficial owner of a book-entry certificate will hold that certificate indirectly through a hierarchy of intermediaries, with the depository at the top and the beneficial owner's own securities intermediary at the bottom.

The debentures of each beneficial owner of a book-entry certificate are evidenced solely by entries on the books of the beneficial owner's securities intermediary. The actual purchaser of debentures is generally not considered the owner under the indenture. The book-entry system for holding securities eliminates the need for physical movement of certificates and is the system through which most publicly traded securities is held in the United States. However, the laws of some jurisdictions require some purchasers of securities to take physical delivery of their securities in definitive form. These laws may impair the ability of a beneficial owner to transfer book-entry debentures.

Investors who purchase debentures in offshore transactions in reliance on Regulation S under the Securities Act may hold their interests in the global certificate indirectly through Euroclear Bank S.A./N.V., as operator of the Euroclear System (Euroclear), and Clearstream Banking, Société Anonyme (Clearstream), if they are participants in such systems, or indirectly through organizations that are participants in such systems. Euroclear and Clearstream will hold interests in the global certificate on behalf of their participants through their respective depositories, which in turn will hold such interests in the global certificate in the depositories' names on the books of the depository.

Transfers between participants in Euroclear and Clearstream are effected in the ordinary way in accordance with their respective rules and operating procedures. If a holder requires physical delivery of a definitive certificate for any reason, including to sell certificates to persons in jurisdictions that require such delivery of such certificates or to pledge such certificates, such holder must transfer its interest in the global certificate in accordance with the normal procedures of the depository and the procedures set forth in the indenture.

Cross-market transfers between the depository, on the one hand, and directly or indirectly through Euroclear or Clearstream participants, on the other, are effected in the depository in accordance with the depository rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depository; however, such cross-market transactions require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (Brussels time). Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the global certificate in the depository, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to the depository. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

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Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in the global certificate from a depositary participant is credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream, as the case may be) immediately following the depositary settlement date and such credit or any interests in the global certificate settled during such processing day is reported to the relevant Euroclear or Clearstream participant on such day. Cash received in Euroclear or Clearstream as a result of sales of interests in the global certificate by or through a Euroclear or Clearstream participant to a depositary participant is received with value on the depositary settlement date, but is available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in the depositary.

A beneficial owner of book-entry debentures represented by a global certificate may exchange the shares for definitive, certified debentures only if the conditions for such an exchange, as described under "Certificated Debentures" are met.

In this prospectus, references to actions taken by holder of debentures mean actions taken by the depositary upon instructions from its participants, and references to payments and notices of redemption to holders of debentures mean payments and notices of redemption to the depositary as the registered holder of the debentures for distribution to participants in accordance with the depositary's procedures.

In order to ensure that the depositary's nominee timely exercises a right conferred by the debentures, the beneficial owner of that debenture must instruct the broker or other direct or indirect participant through which it holds an interest in that debenture to notify the depositary of its desire to exercise that right. Different firms have different deadlines for accepting instructions from their customers. Each beneficial owner should consult the broker or other direct or indirect participant through which it holds an interest in the debentures in order to ascertain the deadline for ensuring that timely notice will be delivered to the depositary.

The depositary is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered under Section 17A of the Exchange Act. The rules applicable to the depositary and its participants are on file with the SEC.

We will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the book-entry securities or for maintaining, supervising or reviewing any records relating to beneficial ownership interests.

The depositary may discontinue providing its services as securities depositary at any time by giving reasonable notice. Under those circumstances, in the event that a successor securities depositary is not appointed, definitive certificates are required to be printed and delivered.

The information in this section concerning the depositary and the depositary's book-entry system has been obtained from third-party sources that we believe to be reliable.

Certificated Debentures

The debentures represented by the global securities are exchangeable for certificated debentures in definitive form of like tenor as such debentures if:

the depositary notifies us that it is unwilling or unable to continue as depositary for the global securities or if at any time the depositary ceases to be a clearing agency registered under the Exchange Act and, in either case, a successor depositary is not appointed by us within 90 days after the date of such notice; or

an event of default has occurred and is continuing with respect to the global securities and the debentures have become due and payable and the trustee requests certificated debentures.

Any debentures that are exchangeable pursuant to the preceding sentence are exchangeable for certificated debentures issuable in authorized denominations and registered in such names as the depositary shall direct. Subject to the foregoing, the global securities are not exchangeable, except for global securities of the same aggregate principal amount to be registered in the name of the depositary or its nominee. In addition, such certificates will bear an appropriate legend.

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DESCRIPTION OF CAPITAL STOCK

Our authorized capital stock consists of 750,000,000 shares of common stock, par value \$0.01 per share, and 1,000,000 shares of preferred stock, \$0.01 par value per share. As of November 15, 2002, approximately 344,502,581 shares of common stock were issued and outstanding. As of November 15, 2002, there were no shares of preferred stock issued and outstanding.

Common Stock

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

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

Preferred Stock

The board of directors has the authority, without action by the stockholders, to designate and issue preferred stock in one or more series and to designate the rights, preferences and privileges of each series, which may be greater than the rights of the common stock. It is not possible to state the actual effect of the issuance of any shares of preferred stock upon the rights of holders of the common stock until the board of directors determines the specific rights of the holders of such preferred stock. However, the effects might include, among other things:

restricting dividends on the common stock;

diluting the voting power of the common stock;

impairing the liquidation rights of the common stock; or

delaying or preventing a change of control of AMD without further action by the stockholders.

Transfer Agent

The transfer agent and registrar for our common stock is Equiserve Trust Company, N.A., and its telephone number is (781) 575-2000.

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The debentures were originally issued by us and sold by the initial purchasers of the debentures (1) in a transaction exempt from the registration requirements of the Securities Act to persons reasonably believed by the initial purchasers to be qualified institutional buyers in reliance on Rule 144A under the Securities Act and (2) outside the United States pursuant to Regulation S of the Securities Act. Selling securityholders, including their transferees, pledgees or donees or their successors, may from time to time offer and sell pursuant to this prospectus any or all of the debentures and shares of common stock issuable upon conversion of the debentures.

The following table sets forth information, as of December 13, 2002, with respect to the selling securityholders and the principal amounts of debentures beneficially owned by each selling securityholder that may be offered pursuant to this prospectus. The information is based on information provided by or on behalf of the selling securityholders. The selling securityholders may offer all, some or none of the debentures or the common stock issuable upon conversion of the debentures. Because the selling securityholders may offer all or some portion of the debentures or the common stock, we cannot estimate the amount of the debentures or the common stock that will be held by the selling securityholders upon termination of any of these sales. In addition, the selling securityholders identified below may have sold, transferred or otherwise disposed of all or a portion of their debentures since the date on which they provided the information regarding their debentures in transactions exempt from the registration requirements of the Securities Act. The percentage of debentures outstanding beneficially owned by each selling securityholder is based on \$500 million aggregate principal amount of debentures outstanding. The number of shares of common stock owned prior to the offering includes shares of common stock issuable upon conversion of the debentures. The percentage of common stock outstanding beneficially owned by each selling securityholder is based on 344,502,581 shares of common stock outstanding on November 15, 2002. The number of shares of common stock issuable upon conversion of the debentures offered hereby is based on a conversion price of \$23.38 per share and a cash payment in lieu of any fractional share.

Name (1)	Principal Amount of Debentures Beneficially Owned and Offered Hereby	Percentage of Debentures Outstanding	Shares of Common Stock Owned Prior to the Offering (2)	Percentage of Common Stock Outstanding (3)	Conversion Shares Offered Hereby (4)
Aegon/Transamerica Series Fund, Inc., on behalf of its Federated Growth and Income Fund	\$ 3,200,000	*	136,869	*	136,869
Alpha U.S. Sub Fund VIII, LLC	400,000	*	17,108	*	17,108
Alpine Associates	12,200,000	2.44%	521,813	*	521,813
Alpine Partners, L.P.	1,650,000	*	70,573	*	70,573
Alta Partners Discount Convertible Arbitrage Holdings LTD.	4,500,000	*	192,472	*	192,472
Alta Partners Holdings, LDC	45,000,000	9.00%	1,924,721	*	1,924,721
Arbitex Master Fund, L.P.	17,500,000	3.50%	748,502	*	748,502
Banc of America Securities LLC	500,000	*	21,385	*	21,385
Bear Sterns & Co. Inc.	4,000,000	*	171,086	*	171,086
BNP Paribas Securities Corp.	7,000,000	1.40%	299,401	*	299,401
The Class IC Company	2,000,000	*	85,543	*	85,543
Clinton Convertible Managed Trading Account I Limited	1,700,000	*	72,711	*	72,711
Clinton Multistrategy Master Fund, Ltd.	8,200,000	1.64%	350,727	*	350,727
Clinton Riverside Convertible Portfolio Fund Limited	8,200,000	1.64%	350,727	*	350,727
Cobra Fund U.S.A. LP	138,000	*	5,902	*	5,902
Cobra Master Fund Ltd.	1,362,000	*	58,254	*	58,254
Conseco Fund Group	250,000	*	10,692	*	10,692
Convertible Monde	100,000	*	4,277	*	4,277
Credit Suisse First Boston Corporation (5)	24,550,000	4.91%	1,050,042	*	1,050,042
DeAm Convertible Arbitrage Fund Ltd.	9,000,000	1.80%	384,944	*	384,944
Deephaven Domestic Convertible Trading Ltd.	7,600,000	1.52%	325,064	*	325,064
Deutsche Bank Securities Inc.	27,400,000	5.48%	1,171,941	*	1,171,941

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Name (1)	Principal Amount of Debentures Beneficially Owned and Offered Hereby	Percentage of Debentures Outstanding	Shares of Common Stock Owned Prior to the Offering (2)	Percentage of Common Stock Outstanding (3)	Conversion Shares Offered Hereby (4)
Dodeca Fund, L.P.	1,000,000	*	65,771	*	42,771
FCF Franklin Income Fund (4309)	60,000,000	12.00%	2,566,295	*	2,566,295
Federated Equity Funds, on behalf of its Federated Market Opportunity Fund	3,600,000	*	153,977	*	153,977
Federated Equity Income Fund, Inc.	20,000,000	4.00%	855,431	*	855,431
Federated Insurance Series, on behalf of its Federated Equity Income Fund II	830,000	*	35,500	*	35,500
Fidelity Financial Trust: Fidelity Convertible Securities Fund	3,800,000	*	162,532	*	162,532
FIST Franklin Convertible Securities Fund (4337)	6,000,000	1.20%	256,629	*	256,629
FIST Franklin Equity Income Fund (4339)	5,900,000	1.18%	252,352	*	252,352
FTVIPT Franklin Growth & Income Securities Fund (4822)	6,100,000	1.22%	260,906	*	260,906
Global Bermuda Limited Partnership	1,300,000	*	55,603	*	55,603
Goldman Sachs and Company	1,065,000	*	45,551	*	45,551
Grace Brothers Management L.L.C.	2,500,000	*	106,928	*	106,928
Highbridge International LLC	41,000,000	8.20%	1,753,635	*	1,753,635
J.P. Morgan Securities Inc.	24,000,000	4.80%	1,111,883	*	1,026,518
Kallista Master Fund Limited	1,500,000	*	94,082	*	64,157
Lakeshore International, Ltd.	5,200,000	1.04%	222,412	*	222,412
Lancer Securities Cayman	600,000	*	25,662	*	25,662
LDG Limited	1,000,000	*	42,771	*	42,771
Lehman Brothers Inc.	11,000,000	2.20%	470,487	*	470,487
Massachusetts Mutual Life Insurance Company	2,025,000	*	86,612	*	86,612
MassMutual Corporate Investors	500,000	*	21,385	*	21,385
MassMutual Participation Investors	250,000	*	10,692	*	10,692
MassMutual High Yield Partners II LLC	1,100,000	*	47,048	*	47,048
Marlin Fund LP	3,200,000	*	136,869	*	136,869
Marlin Fund II LP	400,000	*	17,108	*	17,108
Marlin Fund Offshore	6,400,000	1.28%	273,738	*	273,738
McMahan Securities Co. L.P.	470,000	*	20,102	*	20,102
Merrill Lynch, Pierce, Fenner & Smith Inc.	2,300,000	*	98,374	*	98,374
Natexis Banques Poplaires	4,000,000	*	171,086	*	171,086
Newton CDO Ltd.	1,000,000	*	42,771	*	42,771
Nomura Securities International Inc.	2,500,000	*	337,555	*	106,928
Ohio National Fund, Inc. on behalf of its Equity Income Portfolio	100,000	*	4,277	*	4,277
Oppenheimer Convertible Securities Fund	4,000,000	*	171,086	*	171,086
Pacific Life Insurance	1,000,000	*	42,771	*	42,771
Palladin Securities LLC	400,000	*	17,108	*	17,108
Royal Bank of Canada	2,500,000	*	322,540	*	106,928
Sagamore Hill Hub Fund	10,000,000	2.00%	427,715	*	427,715
Sage Capital	4,550,000	*	194,610	*	194,610
Salomon Smith Barney Inc. (5)	17,594,000	3.51%	752,523	*	752,523
SG Cowen Securities Corp.	1,500,000	*	64,157	*	64,157
TD Securities (USA) Inc.	3,000,000	*	128,314	*	128,314
Teachers Insurance and Annuity Association	15,000,000	3.00%	641,573	*	641,573
Tempo Master Fund LP	2,500,000	*	106,928	*	106,928
TQA Master Fund, Ltd.	5,527,000	1.10%	236,398	*	236,398
TQA Master Plus Fund, Ltd.	5,973,000	1.19%	255,474	*	255,474
UBS Warburg LLC	30,000	*	1,283	*	1,283
Wachovia Securities Inc.	25,650,000	5.13%	1,097,091	*	1,097,091

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White River Securities LLC	<u>6,000,000</u>	<u>1.20%</u>	<u>256,629</u>	<u>*</u>	<u>256,629</u>
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