Table of Contents

As filed with the Securities and Exchange Commission on June 21, 2005.

Registration No. 333-

# SECURITIES AND EXCHANGE COMMISSION

**Washington, DC 20549**

# FORM S-4
# REGISTRATION STATEMENT

*UNDER*

*THE SECURITIES ACT OF 1933*

# MAGNACHIP SEMICONDUCTOR S.A.

**(Exact name of Registrants as specified in their charter)**

| Luxembourg | 3674 | Not Applicable |
|---|---|---|
| (State or Other Jurisdiction of Incorporation or Organization) | (Primary Standard Industrial Classification Code Number) | (I.R.S. Employer Identification No.) |

**10, rue de Vianden**
**L-2680 Luxembourg**
**Grand Duchy of Luxembourg**
**(352) 45-62-62**
**(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)**

# MAGNACHIP SEMICONDUCTOR FINANCE COMPANY

| Delaware | 3674 | 84-1664144 |
|---|---|---|
| (State or Other Jurisdiction of Incorporation or Organization) | (Primary Standard Industrial Classification Code Number) | (I.R.S. Employer Identification No.) |

**c/o MagnaChip Semiconductor S.A.**
**10, rue de Vianden**
**L-2680 Luxembourg**
**Grand Duchy of Luxembourg**
**(352) 45-62-62**
**(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)**

**John T. McFarland, Esq.**
**Vice President and General Counsel**
**MagnaChip Semiconductor, Ltd.**
**1 Hyangjeong-dong, Hungduk-gu**
**Cheongju-si 361-725**
**Korea**
**82-2-3459-3691**
**(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)**

**See Table of Additional Registrants Below**

*Copies to:*
**Sang H. Park, Esq.**
**Eric S. Siegel, Esq.**
**Dechert LLP**
**30 Rockefeller Plaza**
**New York, NY 10112**
**(212) 698-3500**

**Approximate Date Of Commencement Of Proposed Sale to The Public**: As soon as practicable after this Registration Statement becomes effective.

If the securities being registered on this Form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, 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, 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(d) 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. ☐ _____

**CALCULATION OF REGISTRATION FEE**

| Title Of Each Class Of Securities To Be Registered | Amount To Be Registered | Proposed Maximum Offering Price Per Note | Proposed Maximum Aggregate Offering Price(1) | Amount Of Registration Fee |
|---|---|---|---|---|
| Floating Rate Second Priority Senior Secured Notes due 2011 | $300,000,000 | 100% | $ 300,000,000 | $ 35,310.00 |
| 6 7/8% Second Priority Senior Secured Notes due 2011 | $200,000,000 | 100% | $ 200,000,000 | $ 23,540.00 |
| 8% Senior Subordinated Notes due 2014 | $250,000,000 | 100% | $ 250,000,000 | $ 29,425.00 |
| Total | $750,000,000 | 100% | $ 750,000,000 | $ 88,275.00 |
| Guarantees | $750,000,000 | — | — | (2) |

(1) Estimated pursuant to Rule 457(f) under the Securities Act of 1933, as amended, solely for the purpose of calculating the registration fee.
(2) Pursuant to Rule 457(n) under the Securities Act of 1933, no registration fee is required with respect to the Guarantees.

---

**The registrants hereby amend this registration statement on such date or dates as may be necessary to delay its effective date until the registrants 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, as amended, or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

Table of Contents

**Table of Additional Registrants**

| Exact Name of Additional Registrants | Jurisdiction of Incorporation | I.R.S. Employer Identification Number |
|---|---|---|
| MagnaChip Semiconductor LLC | Delaware | 83-0406195 |
| MagnaChip Semiconductor B.V. | The Netherlands | Not Applicable |
| MagnaChip Semiconductor, Ltd. | Korea | Not Applicable |
| MagnaChip Semiconductor, Inc. | Delaware | 06-1732193 |
| MagnaChip Semiconductor SA Holdings LLC | Delaware | Not Applicable |
| MagnaChip Semiconductor Ltd. | United Kingdom | 98-0439386 |
| MagnaChip Semiconductor Ltd. | Taiwan | 98-0439388 |
| MagnaChip Semiconductor Ltd. | Hong Kong | 98-0439389 |
| MagnaChip Semiconductor Inc. | Japan | Not Applicable |
| ISRON Corporation | Japan | Not Applicable |
| IC Media Corporation | California | 77-0478632 |
| IC Media International Corporation | Cayman Islands | Not Applicable |
| IC Media Holding Company Limited | British Virgin Islands | Not Applicable |
| IC Media Technology Corporation | Taiwan | Not Applicable |
| IC Media International Corporation, Taiwan Branch | Taiwan | Not Applicable |

The principal executive office address for each of the additional registrants is c/o MagnaChip Semiconductor S.A., 10, rue de Vianden, L-2680 Luxembourg, Grand Duchy of Luxembourg, telephone (352) 45-62-62. The primary industrial classifications number for each of the additional registrants is 3674.

Table of Contents

**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED JUNE 21, 2005**

**PROSPECTUS**

# MagnaChip Semiconductor S.A. MagnaChip Semiconductor Finance Company

## OFFER TO EXCHANGE

**$300,000,000 Floating Rate Second Priority Senior Secured Notes due 2011 and related Guarantees for all outstanding Floating Rate Second Priority Senior Secured Notes due 2011 and related Guarantees**

**$200,000,000 6 7/8% Second Priority Senior Secured Notes due 2011 and related Guarantees for all outstanding 6 7/8% Second Priority Senior Secured Notes due 2011 and related Guarantees**

**$250,000,000 8% Senior Subordinated Notes due 2014 and related Guarantees for all outstanding 8% Senior Subordinated Notes due 2014 and related Guarantees**

---

We are offering, upon the terms and subject to the conditions set forth in this prospectus and the accompanying letter of transmittal, to exchange up to $300,000,000 aggregate principal amount of our new Floating Rate Second Priority Senior Secured Notes due 2011 that we have registered under the Securities Act of 1933 for an equal principal amount of our outstanding Floating Rate Second Priority Senior Secured Notes due 2011, up to $200,000,000 aggregate principal amount of our new 6 7/8% Second Priority Senior Secured Notes due 2011 that we have registered under the Securities Act for an equal principal amount of our outstanding 6 7/8% Second Priority Senior Secured Notes due 2011 and up to $250,000,000 aggregate principal amount of our new 8% Senior Subordinated Notes due 2014 that we have registered under the Securities Act for an equal principal amount of our outstanding 8% Senior Subordinated Notes due 2014. We refer to the new notes you will receive in this exchange offer collectively as the "new notes," and we refer to the old notes you will tender in this exchange offer collectively as the "old notes." The new notes will represent the same debt as the corresponding old notes, and we will issue the new notes under the same applicable indenture.

**The exchange offer expires at 5:00 p.m., New York City time, on , 2005, unless extended.**

**Terms of the Exchange Offer**

- We will exchange all old notes that are validly tendered and not validly withdrawn prior to the expiration of the exchange offer.
- You may withdraw tendered old notes at any time prior to the expiration of the exchange offer.
- You are required to make the representations described on page 94 to us.
- The terms of the new notes are identical in all material respects (including principal amount, interest rate, maturity and redemption rights) to the old notes for which they may be exchanged, except that the new notes generally will not be subject to transfer restrictions or be entitled to registration rights and the new notes will not contain provisions relating to increased interest rates under circumstances related to our registration obligations. The terms of the exchange offer are more fully described in this prospectus.
- We will not receive any cash proceeds from the exchange offer.
- There is no existing market for the new notes to be issued, and we do not intend to apply for their listing or quotation on any securities exchange or market.

**See " Risk Factors" beginning on page 22 for a discussion of risks that should be considered by holders prior to tendering their old notes.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

---

**The date of this prospectus is , 2005.**

## TABLE OF CONTENTS



**You should rely only on the information contained in this document and any supplement or to which we have referred you. See "Where you can find more information." We have not authorized anyone to provide you with information that is different. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted, where the person making the offer is not qualified to do so, or to any person who cannot legally be offered the securities. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus or any supplement.**

Each broker-dealer that receives new notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of new notes. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act of 1933, as amended, which we refer to as the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new notes received in exchange for old notes where the old notes were acquired by the broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of 180 days after the consummation of the exchange offer, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of distribution."

**This prospectus incorporates important business and financial information that is not included in or delivered with this document. This information is available without charge upon written or oral request.**

**See "Where you can find more information." To obtain this information in a timely fashion, you must request such information no later than five business days before , 2005, which is the date on which the exchange offer expires (unless we extend the exchange offer as described herein). See "Exchange offer—Expiration of the Exchange Offer; Extensions; Amendments."**

## INDUSTRY AND MARKET DATA

In this prospectus, we rely on and refer to information regarding the semiconductor market from Gartner, the Semiconductor Industry Association, iSuppli and other third party sources. All semiconductor market data attributed to Gartner are from "Electronic Equipment Production and Semiconductor Consumption Forecast, Worldwide 2000-2008" report published January 7, 2005 and "Semiconductor Consumption Forecast by Device, Worldwide 2000-2008" report published December 7, 2004, except for the camera-equipped mobile handset market data which are from "Market Focus: Camera Phones, Worldwide, 2002-2008" report published October 20, 2004. Although we believe that this information is reliable, we cannot guarantee the accuracy and completeness of the information and have not independently verified it. As a result, you should be aware that market and other similar data set forth herein, and estimates and beliefs based on such data, may not be reliable. We do not have any obligation to announce or otherwise make publicly available updates or revisions to these forecasts. In many cases, we have made statements in this prospectus regarding our industry and our position in the industry based on our experience in the industry and our own investigation of market conditions. We cannot assure you that any of these assumptions are accurate or that our assumptions correctly reflect our position in our industry.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements represent expectations or beliefs of ours concerning future events, and no assurance can be given that the results described in this prospectus will be achieved. These forward-looking statements can generally be identified by the use of statements that include words such as "estimate," "project," "believe," "expect," "anticipate," "intend," "plan," "foresee," "likely," "may," "will," "should" or other similar words or phrases. All forward-looking statements are based upon information available to us on the date of this prospectus.

These forward-looking statements are subject to risks, uncertainties and other factors, many of which are outside of our control, that could cause actual results to differ materially from the results discussed in the forward-looking statements, including, among other things, the matters discussed in this prospectus in the sections captioned: "Summary," "Risk factors" and "Management's discussion and analysis of financial condition and results of operations." Such factors may include:

- general economic, business and political conditions;
- industry trends;
- restrictions contained in our debt agreements;
- increased competition in the markets in which we operate;
- changes in business strategy, development plans or cost savings initiatives;
- availability, terms and deployment of capital;
- our potential need for additional capital or the need for refinancing existing indebtedness;
- our limited operating history as an independent company;
- our dependence on certain services which we obtain from third parties;
- demand for products requiring our proprietary technologies and know-how;

- our ability to protect our existing technologies, intellectual property and process know-how;
- changes or advances in technology;
- our ability to control costs;
- our ability to attract and retain skilled personnel;
- legal and regulatory proceedings and developments;
- our ability to successfully execute our business model;
- our ability to compete successfully against competitors;
- our leverage, including our ability to generate the necessary amount of cash to service our existing debt and the potential incurrence of additional indebtedness in the future;
- increases in our cost structure arising from our operation as an independent company;
- other risks associated with our structure, the notes and our indebtedness; and
- other factors over which we have limited or no control.

There may be other factors that could cause our actual results to differ materially from the results referred to in the forward-looking statements. All forward-looking statements attributable to us or persons acting on our behalf apply only as of the date of this prospectus and are expressly qualified in their entirety by the cautionary statements included in this prospectus. We undertake no obligation to publicly update or revise forward-looking statements to reflect events or circumstances after the date made or to reflect the occurrence of unanticipated events.

---



---

## Summary

*This summary highlights selected information from this prospectus. The following summary is qualified in its entirety by the information contained elsewhere in this prospectus. This summary is not complete and may not contain all of the information that you should consider before exchanging your old notes for new notes. You should read the entire prospectus carefully, including the "Risk factors" section.*

*In this prospectus, unless the context otherwise requires:*

- *"MagnaChip," "we," "us" and "our" refers to MagnaChip Semiconductor LLC, the parent company of our consolidated group, MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, the co-issuers of the notes, their respective subsidiaries on a consolidated basis and our predecessor operations;*
- *"MagnaChip LLC" refers to MagnaChip Semiconductor LLC, the parent company of our consolidated group;*
- *"MagnaChip Korea" refers to MagnaChip Semiconductor, Ltd., our principal manufacturing subsidiary;*

*Our business was acquired by Citigroup Venture Capital Equity Partners, L.P., or CVC, Francisco Partners, L.P., or Francisco Partners, and funds advised by CVC Asia Pacific Limited, or CVC Asia Pacific, along with certain members of management and other investors, on October 6, 2004. Prior to that time, our business operated as the System IC division within Hynix Semiconductor Inc., or Hynix. Accordingly, the historical financial statements and summaries appearing in this prospectus have been derived from the audited consolidated financial statements of Hynix reflecting the System IC division on a carved-out basis.*

*We refer to CVC, Francisco Partners, CVC Asia Pacific and our other equity investors, collectively, as the "equity sponsors." CVC and Asia Investors LLC, one of our equity sponsors advised by CVC Asia Pacific Limited, are affiliates of Citigroup Global Markets Inc., one of the initial purchasers of the notes, and of Citicorp North America, Inc., a lender under our senior secured credit facility.*

*For explanations of certain technical terms relating to our business described in this prospectus, see "Glossary of selected terms" which appears at page G-1.*

### OUR COMPANY

We are a leading designer, developer and manufacturer of mixed-signal and digital multimedia semiconductors addressing the convergence of consumer electronics and communications devices. We focus on CMOS image sensors and flat panel display drivers which are complex, high-performance mixed-signal semiconductors that capture images and enable and enhance the features and capabilities of both small and large flat panel displays. Our solutions are used in a wide variety of consumer and commercial mass market applications, such as mobile handsets, including camera-equipped mobile handsets, flat panel monitors and televisions, consumer home and mobile displays, portable and desktop computer displays, handheld gaming devices, personal digital assistants, or PDAs, and audio-visual equipment such as DVD players.

We serve consumer markets that we believe will have higher growth rates than that of the overall semiconductor industry.

We manufacture our products using our proprietary process technology, which we believe provides our products with significant feature and cost advantages over those of our competitors. We have approximately 12,500 registered and pending patents, which we believe is one of the largest patent portfolios in the

semiconductor industry. Our proprietary CMOS image sensor technology provides brighter, sharper, more colorful picture quality in image-capture applications such as camera-equipped mobile handsets and fingerprint sensors. Our proprietary flat panel display drivers enable our customers to deliver higher image quality, thinner and more power-efficient small panel displays for use in mobile handsets, handheld gaming devices and PDAs and large panel displays for use in portable and desktop computer monitors and televisions. We are also a leading provider of specialty foundry services whereby we leverage our specialized process technologies and low cost manufacturing facilities to produce semiconductors for third parties using their product designs. In addition, we provide application processors that have been designed into a wide variety of products in consumer applications such as remote control devices, home appliances and consumer electronics.

We own and operate five wafer fabrication facilities, or fabs, which have a combined production capacity of over 115,000 eight-inch equivalent wafers per month. Our fabs provide us with large-scale, cost-effective and flexible capacity, enabling us to rapidly scale to high volume to meet shifts in demand by our end customers. Our fabs also provide us with the ability to further develop our differentiated process technologies for our own product development and manufacturing. The location of our manufacturing sites and research and development resources in Korea and Japan provide close geographical proximity to many of our largest Asia-based customers and to the core of the worldwide consumer electronics supply chain.

We sell our solutions to leading original equipment manufacturers, or OEMs, which include major branded customers as well as contract manufacturers. Our CMOS image sensors are currently designed into products offered by leading global mobile handset manufacturers. Our flat panel display drivers are currently incorporated into products offered by LG.Philips LCD and Samsung, the top two flat panel display manufacturers.

During the year ended December 31, 2004, we sold over 1,500 products to more than 200 customers. During the nine-month period ended September 30, 2004 and the three-month period ended December 31, 2004, we generated actual net sales of $841.6 million and $243.6 million, respectively, or $1.1 billion on an aggregate basis, and during the year ended December 31, 2004, we generated pro forma net sales of $1.0 billion. We generated actual net sales of $213.4 million for the three-month period ended April 3, 2005.

We operate in several distinct, but increasingly converging, end markets. Our CMOS image sensors primarily target the worldwide market for camera-equipped mobile handsets, as well as other image-capture markets such as the fingerprint sensor and surveillance camera markets. Our flat panel display drivers broadly address the worldwide flat panel display market, including displays for mobile handsets, flat panel televisions, portable and desktop computers and multiple types of other handheld consumer devices. Our wafer manufacturing facilities serve our own internal needs and allow us to provide specialty foundry services to the worldwide specialty outsourced semiconductor foundry market. Our application processors address a large number of diverse consumer end markets.

In recent years, consumer electronics manufacturers have enhanced image capturing and display capabilities to differentiate their products in the market and we believe this trend will continue. We believe our portfolio of products is positioned to address their needs and target these growing consumer electronics markets. We provide products and services in the following four principal areas:

- *CMOS image sensors*. Our CMOS image sensors are used in image-capture applications such as camera-equipped mobile handsets, personal computer cameras, fingerprint sensors and surveillance cameras. Our highly integrated image sensors are designed to be cost-effective and to provide brighter, sharper, more colorful, and thus enhanced, image quality. We believe that the large OEMs who dominate the mobile handset industry are moving toward vertically integrated imaging suppliers for assurance of supply and the consistency that comes from process control and ownership. Our ability to leverage our large internal manufacturing capacity is a key advantage to meeting the needs of these customers, which, when coupled with our image quality, lower power consumption and ability to

integrate our solutions into our customers' modules and end systems, has helped us gain a leadership position for our VGA products. We believe these same advantages will allow us to form similar leadership positions for our megapixel products in the future. The CMOS image sensor market is primarily driven by sales of camera-equipped mobile handsets. According to Gartner, sales of camera equipped mobile handsets are predicted to grow from 158.9 million units in 2004 to 524.9 million units in 2008. This represents a compound annual growth rate of 34.9%. The CMOS image sensor market is expected to grow from $2.4 billion in 2004 to $5.1 billion in 2008, according to Gartner. This represents a compound annual growth rate of 20.2%.

- *Flat panel display drivers*. Our flat panel display drivers are used in several major types of large and small flat panel displays, including TFT-LCD, Color STN and OLED displays. Our flat panel display driver solutions are used in applications such as mobile handsets, flat panel televisions, portable and desktop computer displays, handheld gaming devices and PDAs. We produce highly integrated flat panel display driver solutions and have pioneered developments in the design and manufacturing of display drivers and embedded memory. We believe that our customers choose our flat panel display drivers for their superior performance in shaping image signals and transmitting those signals to flat panel displays. These superior technical features result in sharper, higher-quality, and brighter colored images in our customers' end products. Furthermore, we focus on easy integration as a key feature of our product designs for our customers, which we believe is an advantage for them and is a key basis for our selection as a supplier versus competing solutions. According to Gartner, the LCD driver market is anticipated to grow from approximately $6.9 billion in 2004 to $10.0 billion in 2008. This represents a compound annual growth rate of 9.9%. Total flat panel display market unit shipments are projected to grow from 3.1 billion units in 2003 to 7.5 billion units in 2008, according to Frost and Sullivan. This represents a compound annual growth rate of 19.2%.
- *Specialty foundry services*. We use our process technology and manufacturing facilities to manufacture semiconductor wafers for third parties based on their designs. Our five fabs have a combined capacity of over 115,000 eight-inch equivalent wafers per month and are located in Cheongju and Gumi, Korea. We provide unique, advanced and stable process technologies offering high yields and focused on high voltage, analog power and embedded memory applications. We believe that our customers select us for foundry services based on our expertise in these advanced semiconductor manufacturing applications and processes. Our fabs provide us with large scale, cost-effective and flexible capacity enabling us to rapidly scale to high volume to meet shifts in demand by our end customers. According to iSuppli, the worldwide foundry service market is projected to grow from $21.3 billion in 2004 to $40.0 billion in 2009. This represents a compound annual growth rate of 13.4%.
- *Application processors*. Our application processors, which are also referred to as microcontrollers, are designed into a broad range of consumer applications, such as remote control devices, home appliances and consumer electronics. Our application processors are designed for applications requiring programmability, high performance, low-power and cost-effectiveness. The microcontroller market, according to Gartner, is anticipated to grow from $14.5 billion in 2004 to $22.5 billion in 2008. This represents a compound annual growth rate of 11.7%.

**INDUSTRY OVERVIEW**

Semiconductors are the key building blocks used to create electronic products and systems. Semiconductors perform a variety of functions, such as processing data, storing information and converting or controlling signals. With advances in technology, the functionality and performance of semiconductors have increased while the size, power requirements and unit costs have decreased. The result of these advances has been to increase the proliferation of electronic content in an increasing array of products, including in a wide variety of consumer mass market products, such as automobiles, mobile handsets, digital cameras and other consumer electronic equipment.

According to the Semiconductor Industry Association, or SIA, the overall semiconductor market grew from $17.9 billion in 1983 to $213.8 billion in 2004, representing a compound annual growth rate of 12.5%. SIA expects that between 2004 and 2007, the overall semiconductor industry will grow from $213.8 billion to $259.4 billion, a compound annual growth rate of 6.7%.

We believe that we are focused on products and markets that have the potential to offer growth opportunities greater than those of the overall semiconductor market. According to Gartner, the CMOS image sensor market is forecasted to grow at a compound annual growth rate of 20.2% from 2004 to 2008. The market for LCD drivers is forecasted to grow at a compound annual growth rate of 9.9% from 2004 to 2008, according to Gartner. The foundry services market is forecasted to grow at a compound annual growth rate of 13.4% from 2004 to 2009, according to iSuppli. According to Gartner, the microcontroller market is forecasted to grow at a compound annual growth rate of 11.7% from 2004 to 2008.

**COMPETITIVE STRENGTHS**

We believe that our competitive strengths include:

- *Leading Technology and Intellectual Property.* We believe our advanced process technology and portfolio of approximately 12,500 registered and pending patents provide us with key competitive advantages in the following areas:
  - *CMOS image sensors:* Our CMOS image sensors feature low-power consumption and currently up to 2.1 megapixel resolution with auto-focus and auto-zoom options; features which provide important benefits to products incorporating our solutions, including increased battery life, enhanced image quality and ease of use.
  - *Flat panel display drivers:* We believe that our flat panel display drivers offer superior performance in shaping image signals and transmitting those signals to flat panel displays. These technical features result in sharper, brighter and higher-quality colored images in our customers' end products. Furthermore, we believe that our flat panel display drivers enable thinner and more power-efficient flat panels that are easily integrated by our customers into their products.
  - *Specialty foundry services:* We have developed high voltage, analog power and embedded memory, specialty manufacturing process technologies that enable us to manufacture differentiated, high-performance integrated semiconductor devices. For example, we developed the first high voltage, high-performance CMOS 0.18 μm process, which enables us to manufacture more integrated, and thus smaller and more cost efficient, semiconductor products. We believe that our proprietary process technology allows us to meet a wide variety of the specialty semiconductor manufacturing needs of our customers.
  - *Application processors:* We are able to leverage our system knowledge and manufacturing capabilities to provide integrated solutions in adjunct with our image-capture and display driver products. Our application processors are designed to interface with and provide intelligence to consumer electronics devices and systems.
- *Flexible In-House Manufacturing.* Our in-house wafer manufacturing capacity allows us to provide dependable delivery and quality of integrated semiconductor products to our customers. We have the ability to ramp quickly to high volumes to meet the variable needs of our customers. We have significant wafer manufacturing capacity as a result of our former parent's investments in our wafer fabrication facilities. Because we offer specialty process technologies that do not require expensive investment in leading edge technologies, we are able to keep our capital expenditures relatively low.
- *Significant Cost Advantages.* We maintain price competitiveness on our products through our low operating cost structure. The Asian location of our primary manufacturing and research and

development facilities provides us with a number of cost advantages relative to operating in other regions in the world. Additionally, we believe that our history of competing in the highly cost-sensitive markets in which we operated when we were a unit of Hynix, required us to refine our manufacturing processes for optimal cost efficiency.

- *Established Relationships with Key Consumer Electronics OEMs.* Asia Pacific is the core of the worldwide consumer electronics supply chain. According to Gartner, sales to Asia Pacific (excluding Japan) accounted for 46.5% of 2004 consumer electronic semiconductor sales. Our long history of operating in Asia and our proximity to leading communications and consumer OEMs including LG.Philips LCD, LG Electronics, Sharp and Samsung, facilitates our close and established customer relationships with leading innovators in the consumer electronics market. We have active local applications and engineering work support programs and collaborate closely with our customers in the design and manufacturing of their products.
- *Significant Management and Board Expertise.* Our management and board of directors have significant previous experience with advanced semiconductor companies both in Asia and worldwide. Our Chief Executive Officer, Dr. Youm Huh, was President of the System IC division of Hynix and has held management positions at Hynix and Hyundai Electronics since 1998. Prior to that, he was a Principal Researcher at Stanford Computer Systems Laboratory and Stanford University's Center for Integrated Systems and worked at Samsung Electronics. Jerry Baker, our Chairman, has extensive industry experience, including serving as the former Executive Vice President of Global Operations of Fairchild Semiconductor. Our Executive Vice President, Strategic Operations and Chief Financial Officer, Robert Krakauer, was Executive Vice President of Corporate Operations and Chief Financial Officer of ChipPAC, a leading provider of semiconductor packaging, assembly, and test services. In addition, two of our equity sponsors, CVC and Francisco Partners, have a long history of investments in semiconductor companies. We believe that their understanding of semiconductor system solutions, relationships, and credibility with key customers provides us with a key competitive advantage.

**BUSINESS STRATEGY**

Our goal is to build upon our position as a leading provider of mixed-signal and digital multimedia semiconductors addressing the convergence of consumer electronics and communications devices. Our business strategy emphasizes the following key elements:

- *Leverage Our Substantial Intellectual Property.* We intend to use our broad patent portfolio and specific end market expertise to deliver system-level products with higher levels of integration and performance to customers in our existing and new markets. In CMOS image sensors, we intend to leverage our strong pixel design and manufacturing expertise to introduce higher resolution, more integrated and cost-effective solutions for camera-equipped mobile handsets and to penetrate emerging applications for image sensors in the automotive, medical and industrial markets over time. In flat panel display drivers, we intend to leverage our broad library of circuit building blocks, our embedded memory capabilities, our understanding of the major flat panel display types and our process technology to continue to reduce time to market and introduce new products that enhance image quality and operate with greater power efficiency. Our manufacturing process expertise and related intellectual property underlies and supports many of the advances in our technology.
- *Strengthen Collaboration With Key Customers.* We intend to continue strengthening and deepening relationships with our key customers by collaborating on critical design and product development roadmaps. We believe such collaborative relationships will solidify our position with our customers, further our competitive differentiation and accelerate our drive for deeper customer and new market penetration. For example, close collaboration with our mobile handset customers has allowed us to

deliver improved interfaces between baseband and image processors, which have resulted in solutions with smaller form factor and improved image quality.

- *Increase Large Account Penetration.* We have a global customer base consisting of leading consumer electronics OEMs and contract manufacturers. Many of our customers have multiple product variations that use image-capture and processing as well as applications processing solutions. We will seek to increase our customer penetration by taking advantage of our broad product portfolio and existing relationships to cross-sell existing products to our customers and to penetrate product variations where our solutions are currently not used.
- *Broaden Our Customer Base.* We intend to expand our customer base across various applications and geographic locations by leveraging our position as a supplier to many of the largest global consumer electronics companies and delivering to potential customers proven, innovative solutions. We also believe that as consumer electronics and communications applications converge and proliferate, we will increasingly have opportunities to sell our products into new markets such as the automotive, medical and industrial markets. We also intend to expand our global sales presence to penetrate new accounts worldwide and grow existing account relationships. We will leverage our sales representatives and distributors located in Korea, Japan, China, Taiwan, Hong Kong, Germany, the United Kingdom and the United States to further these goals.
- *Develop a Platform for Ubiquitous Convergence of Consumer Electronics and Communications Applications.* In order to serve our customers' evolving needs, we intend to extend our technology leadership by developing new features and new products that are synergistic with our existing product portfolio. We are developing additional features in our applications processors, such as video processing capability that meets the MPEG-4 standard, in order to complement our image-capture and processing products and provide our customers a system-level platform solution. We believe that as consumer electronics and communications applications converge and become even more ubiquitous, customers will look to suppliers like us to provide additional system-level solutions to enable faster time to market and better integration in end products.
- *Leverage Our Capital Light Business Model.* We acquired significant proprietary process technologies and wafer manufacturing capacity from our former parent, Hynix. We intend to leverage these investments made by Hynix to drive our growth and margin improvement. Furthermore, we plan to continue to keep our capital expenditures relatively low by maintaining our focus on specialty process technologies that do not require expensive investment in leading edge technologies. If needed, we will access other foundries that provide such technology in the future. We believe this approach will lead to a higher return on invested capital.

**THE ACQUISITION**

Our business was named MagnaChip Semiconductor when it was acquired from Hynix on October 6, 2004 by CVC, Francisco Partners, CVC Asia Pacific, certain members of management and other investors, following discussions with Hynix that began in late 2001 and the execution of a definitive agreement in June 2004. Previously, we were the System IC division within Hynix which, in 1999, had been formed from the Hyundai Electronics and LG Semiconductor System IC businesses and can trace its history back to the late 1970s. Although we were previously part of Hynix, we had a history of operating autonomously within Hynix and had a separate global sales force and management structure.

In connection with the transaction, we entered into several definitive agreements with Hynix regarding key raw materials, campus facilities, research and development equipment and information technology, factory automation and wafer foundry services. We also entered into a non-exclusive cross license with Hynix which provides us with access to certain of Hynix's intellectual property for use in the manufacture and sale of non-

memory semiconductor products. We believe that these arrangements with Hynix provide significant mutual operational advantages, for example, allowing us to leverage the significant historical investments in our capital equipment, and providing for shared resources and other key benefits. All agreements with Hynix under which we obtain essential materials or services are multiyear contracts. We refer to the acquisition transaction, including the related definitive agreements with Hynix, as the "Acquisition." See "Certain relationships and related transactions—The Acquisition."

**EQUITY SPONSORS**

CVC, a private equity fund managed by Citigroup Venture Capital, is one of the world's oldest and largest private equity firms. CVC was founded in 1968 and currently manages funds in excess of $8.0 billion. CVC invests in a broad range of industries and has significant expertise in technology investments, acquired over decades of investing in growth companies.

Francisco Partners is one of the world's largest technology-focused private equity funds and currently manages $2.5 billion of committed capital. The firm was founded to pursue structured investments in technology companies undergoing strategic, technological, and operational inflection points. The principals of Francisco Partners have an extensive track record of technology investing, having invested in excess of $3.0 billion of equity capital in over 50 technology companies.

CVC and Francisco Partners are leading investors in the semiconductor industry and separately or together have served as the primary investors in industry leading semiconductor and semiconductor-related companies such as AMI Semiconductor, Inc., ChipPAC, Inc., Fairchild Semiconductor Corporation, Intersil Corporation, NPTest, Inc., Smart Modular Technologies, Inc., and Ultra Clean Technology Systems and Service, Inc.

CVC and Francisco Partners together acquired AMI Semiconductor from Japan Energy in December 2000. AMI Semiconductor completed a $200 million offering of senior subordinated notes in January 2003 and its holding company, AMIS Holdings, Inc., completed its initial public offering in September 2003. In addition, CVC acquired ChipPAC from Hyundai Electronics, the predecessor to Hynix, in March 1999. ChipPAC completed its initial public offering in August 2000 and recently completed a merger with ST Assembly Test Services Ltd. to form STATSChipPAC Ltd.

CVC Asia Pacific consists of funds established in connection with a joint venture between CVC Capital Partners and Citigroup. These funds have a leading private equity presence in the Asia Pacific region, with $2.7 billion of committed capital and investments focused on buyouts in developed economies across the region. Since 1999, CVC Asia Pacific has completed 17 transactions, including six investments in Korea.

See "Security ownership of certain beneficial owners and management" and "Certain relationships and related transactions."

**RECENT DEVELOPMENTS**

On March 7, 2005, we acquired all of the capital stock of ISRON Corporation through our wholly owned Dutch subsidiary. ISRON is based in Osaka, Japan and designs, develops, and markets mixed-signal semiconductors primarily for the display driver IC market. We expect the acquisition to add key products and technology to our portfolio in the flat panel display driver market for mobile handset applications.

On April 14, 2005, we completed our acquisition of IC Media Corporation through a reverse merger with a newly formed subsidiary. Based in Santa Clara, California, IC Media is a leading developer and supplier of small pixel geometry, high-resolution CMOS image sensors for camera-equipped mobile handsets, digital still cameras,

personal computer cameras and other mobile imaging applications. The company has offices in Arizona, Taiwan, China and Japan, which adds increased coverage to our global customers.

**ORGANIZATIONAL STRUCTURE**

The following chart shows a summary of our organizational structure as of the date of this prospectus. Our organizational structure has been designed for future financing flexibility and management of a global enterprise.

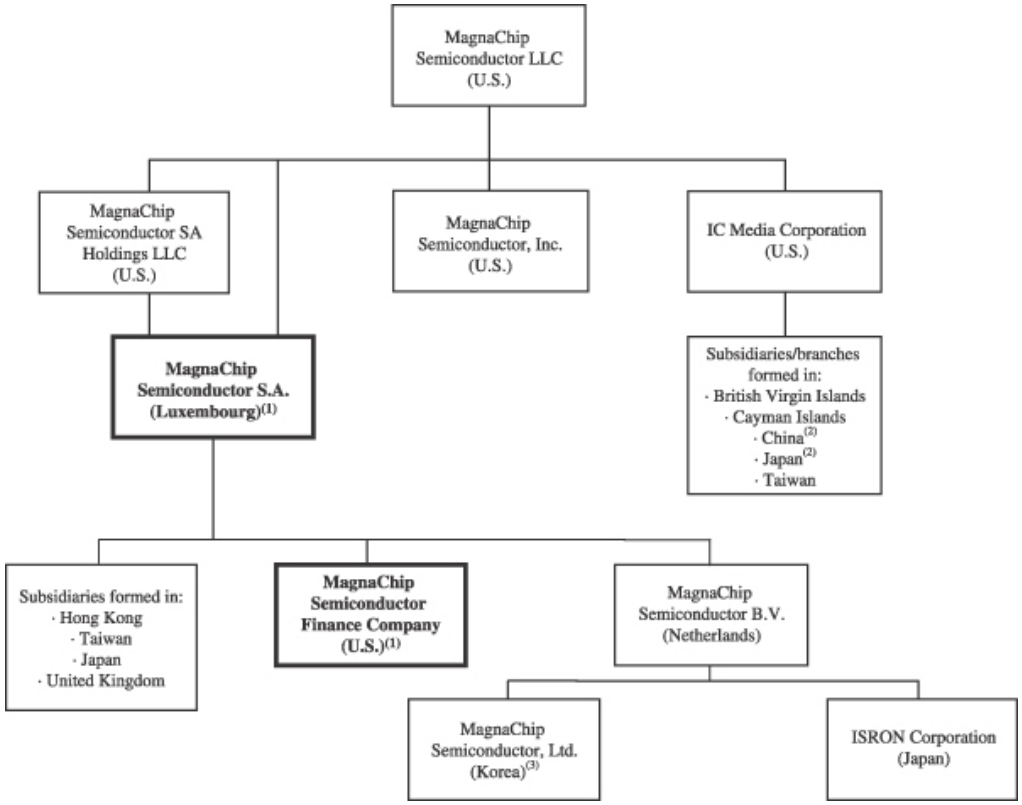
MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company are the co-issuers of the notes. MagnaChip LLC and its subsidiaries, except for IC Media Japan Kabushiki Kaisha and Shanghai Ximei Corporation, guarantee the second priority notes, and our senior secured credit facility. MagnaChip LLC and its subsidiaries, except MagnaChip Korea, our principal manufacturing subsidiary, and IC Media Japan Kabushiki Kaisha and Shanghai Ximei Corporation, guarantee the senior subordinated notes.

The ownership of MagnaChip LLC is as follows:

| | Common Units | Series B Preferred Units |
|---|---|---|
| CVC | 34% | 36% |
| Francisco Partners | 34% | 36% |
| CVC Asia Pacific | 18% | 19% |
| Other investors(1) | 14% | 9% |
| Total | 100% | 100% |

(1) Other investors, including certain members of management.

See “Capitalization” and “Security ownership of certain beneficial owners and management.”




(1) MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company are the co-issuers of the notes.
(2) Shanghai Ximei Corporation and IC Media Japan Kabushiki Kaisha, which were each acquired in the acquisition of IC Media Corporation on April 14, 2005, are not guarantors of the notes.
(3) MagnaChip Semiconductor, Ltd., our principal manufacturing subsidiary, is not a guarantor of the subordinated notes.

## THE COMPANY

MagnaChip Semiconductor LLC, which we refer to as MagnaChip LLC, is a Delaware limited liability company and parent guarantor of the notes. It functions as a holding and financing company for other Magnachip entities. On a stand-alone basis, MagnaChip LLC does not have any independent operations.

MagnaChip Semiconductor S.A., our Luxembourg subsidiary and one of the co-issuers of the notes, is a Luxembourg public limited liability company (*société anonyme*). It functions as a financing company. On a stand alone basis, MagnaChip Semiconductor S.A. does not have any independent operations.

MagnaChip Semiconductor Finance Company is a wholly-owned subsidiary of MagnaChip Semiconductor S.A., which was incorporated in Delaware for the purpose of serving as a co-issuer of the notes in order to facilitate the sale of the old notes. MagnaChip Semiconductor Finance Company does not have any independent operations or assets of any kind and will not have any revenues. You should not expect MagnaChip Semiconductor Finance Company to have the ability to service the interest and principal obligations on the notes.

Our principal executive offices are located at 1 Hyangjeong-dong, Hungduk-gu, Cheongju-si, 361-725, Korea. Our contact telephone number is 82-2-3459-3691.

**Summary terms of the exchange offer**

*On December 23, 2004, we completed the private offering of $300 million aggregate principal amount of Floating Rate Second Priority Senior Secured Notes due 2011, $200 million aggregate principal amount of 6 7/8% Second Priority Senior Secured Notes due 2011 and $250 million aggregate principal amount of 8% Senior Subordinated Notes due 2014, which we collectively refer to in this prospectus as the "old notes." We entered into registration rights agreements with the initial purchasers of the old notes in which we agreed to deliver to you this prospectus and to use all commercially reasonable efforts to complete an exchange offer within the time period specified in the registration rights agreements. Below is a summary of the exchange offer. For a more detailed description of the exchange offer, see "Exchange offer."*

| | |
|---|---|
| The Exchange Offer | We are offering to exchange:<br>• up to $300,000,000 aggregate principal amount of new Floating Rate Second Priority Senior Secured Notes due 2011 for an equal principal amount of old Floating Rate Second Priority Senior Secured Notes due 2011;<br>• up to $200,000,000 aggregate principal amount of new 6 7/8% Second Priority Senior Secured Notes due 2011 for an equal principal amount of old 6 7/8% Second Priority Senior Secured Notes due 2011; and<br>• up to $250,000,000 aggregate principal amount of new 8% Senior Subordinated Notes due 2014 for an equal principal amount of old 8% Senior Subordinated Notes due 2014.<br>The terms of the new notes and the old notes are identical in all material respects, except for transfer restrictions and registration rights relating to the old notes. Old notes may be exchanged only in integral multiples of $1,000. We intend by the issuance of the new notes to satisfy our obligations contained in the registration rights agreements. |
| Expiration of the Exchange Offer; Acceptance and Issuance of New Notes | The exchange offer will expire at 5:00 p.m., New York City time, on , 2005, or such later date and time to which we may extend it in our sole discretion. Subject to the conditions stated in "Exchange offer—Conditions," we will accept for exchange any and all outstanding old notes that are validly tendered and not validly withdrawn before the expiration of the exchange offer. The new notes will be delivered promptly after the expiration of the exchange offer. Any old notes not accepted for exchange for any reason will be returned without expense to you promptly after the expiration or termination of the exchange offer. |
| Withdrawal Rights | You may withdraw your tender of old notes in the exchange offer at any time before the expiration of the exchange offer. |
| Conditions to the Exchange Offer | The exchange offer is not conditioned upon any minimum aggregate principal amount of old notes being tendered for exchange. The |

exchange offer is subject to customary conditions, which we may waive. Please read "Exchange offer—Conditions" for more information regarding the conditions to the exchange offer.

Procedures for Tendering Notes

To tender old notes held in book-entry form through the Depository Trust Company, or DTC, you must transfer your old notes into the exchange agent's account in accordance with DTC's Automated Tender Offer Program, or ATOP, system. In lieu of delivering a letter of transmittal to the exchange agent, a computer-generated message, in which the holder of the old notes acknowledges and agrees to be bound by the terms of the letter of transmittal (an "agent's message"), must be transmitted by DTC on behalf of a holder of old notes and received by the exchange agent before 5:00 p.m., New York City time, on the expiration date. In all other cases, a letter of transmittal must be manually executed and received by the exchange agent before 5:00 p.m., New York City time, on the expiration date. By signing, or agreeing to be bound by, the letter of transmittal, you will represent to us that, among other things:

- any new notes to be received by you will be acquired in the ordinary course of your business;
- you are not engaged in, and do not intend to engage in, a distribution of the new notes, and you have no arrangement or understanding with any person to participate in a distribution of the new notes;
- you are not our "affiliate" (as defined in Rule 405 under the Securities Act) or, if you are such an affiliate, you will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable;
- if you are a broker-dealer that receives new notes for your own account in exchange for old notes that were acquired as a result of market-making activities or other trading activities, you must acknowledge that you will deliver a prospectus in connection with any resale of these new notes;
- if you are a broker-dealer, you did not purchase the old notes to be exchanged for the new notes from us in the initial offering of the old notes; and
- you are not acting on behalf of any person who could not truthfully and completely make the above representations.

Special Procedures for Beneficial Owners

If you are a beneficial owner whose old notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, and you want to tender old notes in the exchange offer, you should contact the registered holder promptly and instruct the registered holder to tender on your behalf. If you wish to tender on

| | |
|---|---|
| | your own behalf, you must, before completing and executing the letter of transmittal and delivering your old notes, either make appropriate arrangements to register ownership of the old notes in your name or obtain a properly completed bond power from the registered holder. |
| Guaranteed Delivery Procedures | If you wish to tender your old notes, and time will not permit your required documents to reach the exchange agent by the expiration date, or the procedure for book-entry transfer cannot be completed on time, you may tender your old notes under the procedures described in "Exchange offer—Guaranteed Delivery Procedures." |
| Failure to Exchange Your Old Notes | All untendered old notes will remain subject to the restrictions on transfer provided for in the old notes and in the indenture. Generally, the old notes that are not exchanged for new notes in the exchange offer will remain restricted securities, and may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws.<br><br>The old notes are currently eligible for trading in the Private Offerings, Resales and Trading through Automated Linkages (PORTAL) market. Following commencement of the exchange offer but prior to its completion, the old notes may continue to be traded in the PORTAL market. Following completion of the exchange offer, the new notes will not be eligible for PORTAL trading. See "Exchange offer—Consequences of Failure to Tender." |
| Resales | Based on interpretations by the SEC's staff in no action letters issued to third parties, we believe that new notes issued in exchange for old notes in the exchange offer may be offered for resale, resold or otherwise transferred by you after the exchange offer without further compliance with the registration and prospectus delivery requirements of the Securities Act (subject to certain representations required to be made by each holder of old notes, as set forth under "Exchange offer—Procedures for Tendering"), unless you are a broker-dealer receiving securities for your own account, so long as:<br>• you are not one of our "affiliates," which is defined in Rule 405 of the Securities Act;<br>• you acquire the new notes in the ordinary course of your business;<br>• you do not have any arrangement or understanding with any person to participate in the distribution of the new notes; and<br>• you are not engaged in, and do not intend to engage in, a distribution of the new notes. |

If you are our affiliate, or you are engaged in, intend to engage in or have any arrangement or understanding with respect to, the distribution of new notes acquired in the exchange offer, you (1) should not rely on our interpretations of the position of the SEC's staff and (2) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

If you are a broker-dealer and receive new notes for your own account in the exchange offer:

- you must represent that you do not have any arrangement with us or any of our affiliates to distribute the new notes;
- you must acknowledge that you will deliver a prospectus in connection with any resale of the new notes you receive from us in the exchange offer (the letter of transmittal states that by so acknowledging and by delivering a prospectus, you will not be deemed to admit that you are an "underwriter" within the meaning of the Securities Act); and
- you may use this prospectus, as it may be amended or supplemented from time to time, in connection with the resale of new notes received in exchange for old notes acquired by you as a result of market making or other trading activities.

For a period of up to 180 days after the consummation of the exchange offer, we will make this prospectus available to any broker-dealer for use in connection with any resale described above. See "Plan of distribution."

| | |
|---|---|
| Federal Income Tax Considerations | The exchange of notes pursuant to the exchange offer should not be a taxable event for U.S. federal income tax purposes. See "Summary of certain United States federal income tax considerations." |
| Use of Proceeds | We will not receive any proceeds from the issuance of the new notes in the exchange offer. |
| Exchange Agent | The Bank of New York is the exchange agent for the exchange offer. The address and telephone number of the exchange agent are set forth in "Exchange offer—Exchange Agent." |

**Summary terms of the new notes**

*The following summary contains basic information about the Floating Rate Second Priority Senior Secured Notes due 2011, the 6 7/8% Second Priority Senior Secured Notes due 2011 and the 8% Senior Subordinated Notes due 2014 being offered in the exchange offer, which we collectively refer to in this prospectus as the "new notes." It likely does not contain all the information that is important to you. For a more complete description of the new notes, see "Description of the new second priority notes." and "Description of the new senior subordinated notes."*

The new notes will be identical in all material respects to the old notes for which they have been exchanged, except:

- the new notes will have been registered under the Securities Act;
- the new notes generally will not be subject to the restrictions on transfer applicable to the old notes or bear restrictive legends;
- the new notes will not be entitled to registration rights; and
- the new notes will not have the right to earn additional interest under circumstances relating to our registration obligations.

**TERMS OF THE SECOND PRIORITY NOTES**

| | |
|---|---|
| Issuers | MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company. |
| Securities Offered | $300,000,000 aggregate principal amount of Floating Rate Second Priority Senior Secured Notes due 2011.<br><br>$200,000,000 aggregate principal amount of 6 7/8% Second Priority Senior Secured Notes due 2011. |
| Maturity | The second priority notes will mature on December 15, 2011. |
| Interest | Floating Rate Second Priority Notes: Interest will accrue at a rate that is reset at the beginning of each quarter to the applicable LIBOR Rate plus 3.25%. The term "LIBOR Rate" is defined in the "Description of the new second priority notes—Certain Definitions" section of this prospectus. Interest will be payable quarterly in arrears on each March 15, June 15, September 15 and December 15, commencing on March 15, 2005.<br><br>Fixed Rate Second Priority Notes: Interest will accrue at a rate of 6 7/8% per year. Interest will be payable semi-annually in arrears on each June 15 and December 15, commencing on June 15, 2005. |
| Ranking | Each series of second priority notes will be our senior secured obligations and will rank equally in right of payment with all of our existing and future senior debt. Each series of second priority notes will be effectively junior in right of payment to any indebtedness of the issuers or the guarantors that is secured by first priority liens on |

| | |
|---|---|
| | the assets securing the notes, including our senior secured credit facility, or secured by assets not securing the notes, and will be junior in right of payment to all indebtedness of any future non-guarantor subsidiaries of MagnaChip LLC. |
| Guarantees | MagnaChip LLC and its subsidiaries (other than IC Media Japan Kabushiki Kaisha and Shanghai Ximei Corporation) will jointly and severally guarantee each series of second priority notes on a senior secured basis. Under certain circumstances, the guarantees may be released. |
| Collateral | Each series of second priority notes will be secured by second priority liens on substantially all of the assets of the issuers and the other subsidiaries of MagnaChip LLC that secure our senior secured credit facility, subject to certain exceptions. The second priority notes indenture and the security documents relating to the second priority notes permit us to incur a significant amount of debt, including obligations secured (including on a first-priority basis) by the collateral, subject to compliance with certain conditions. No appraisal of any collateral has been prepared by us or on our behalf in connection with this offering. The value of the collateral at any time will depend on market and other economic conditions, including the availability of suitable buyers for the collateral. |
| Optional Redemption | At any time on or after December 15, 2005, with respect to the floating rate second priority notes, and December 15, 2008, with respect to the fixed rate second priority notes, we may redeem some or all of the applicable series of the second priority notes at the redemption prices as set forth in the "Description of new second priority notes—Optional Redemption" section of this prospectus, plus accrued and unpaid interest and liquidated damages, if any, to the redemption date.<br><br>At any time before December 15, 2005, with respect to the floating rate second priority notes, and December 15, 2008, with respect to the fixed rate second priority notes, we may redeem the applicable series of the second priority notes, in whole or in part, pursuant to a "make whole" call as specified in the "Description of the new second priority notes—Optional Redemption" section of this prospectus.<br><br>At any time before December 15, 2005, with respect to the floating rate second priority notes, and December 15, 2007, with respect to the fixed rate second priority notes, we may redeem up to 35% of the aggregate principal amount of the applicable series of the second priority notes, including all or a portion of any additional notes issued in such series, with the proceeds of certain equity offerings, so long as:<br><br>• we pay holders of the notes a redemption price equal to par plus (i) the LIBOR Rate then in effect with respect to the floating rate second priority notes plus 3.25% and (ii) 6 7/8% with respect to the fixed rate second priority notes, plus accrued and unpaid interest and liquidated damages, if any, to the redemption date; |

- with respect to each series of the second priority notes, at least 65% of the aggregate principal amount of each series of the second priority notes issued under the indenture, including the principal amount of any additional second priority notes, remains outstanding immediately after such redemption; and
- we redeem the second priority notes within 90 days of any such equity offering.

**TERMS OF THE SENIOR SUBORDINATED NOTES**

| | |
|---|---|
| Issuers | MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company. |
| Securities Offered | $250,000,000 aggregate principal amount of 8% Senior Subordinated Notes due 2014. |
| Maturity | The senior subordinated notes will mature on December 15, 2014. |
| Interest | Interest will accrue at a rate of 8% per year. Interest will be payable semi-annually in arrears on each June 15 and December 15, commencing on June 15, 2005. |
| Ranking | The senior subordinated notes will be our senior subordinated, unsecured obligations and will rank junior in right of payment with all of our existing and future senior debt, including the second priority notes and our senior secured credit facility. |
| Guarantees | MagnaChip LLC and its subsidiaries (other than MagnaChip Korea, which is our principal manufacturing subsidiary, IC Media Japan Kabushiki Kaisha and Shanghai Ximei Corporation) will jointly and severally guarantee the senior subordinated notes on an unsecured, senior subordinated basis. Under certain circumstances, the guarantees may be released. |
| Optional Redemption | At any time on or after December 15, 2009 we may redeem some or all of the senior subordinated notes at the redemption prices as set forth in the "Description of new senior subordinated notes—Optional Redemption" section of this prospectus, plus accrued and unpaid interest and liquidated damages, if any, to the redemption date.<br><br>At any time before December 15, 2009, we may redeem the senior subordinated notes, in whole or in part, pursuant to a "make whole" call as specified in the "Description of the new senior subordinated notes—Optional Redemption" section of this prospectus.<br><br>At any time before December 15, 2007, we may redeem up to 35% of the aggregate principal amount of the senior subordinated notes, including all or a portion of any additional senior subordinated notes, with the proceeds of certain equity offerings, so long as:<br>• we pay holders of the senior subordinated notes a redemption price equal to par plus 8%, plus accrued and unpaid interest and liquidated damages, if any, to the redemption date; |

- with respect to any redemption, at least 65% of the aggregate principal amount of the senior subordinated notes issued under the senior subordinated notes indenture, including the principal amount of any additional senior subordinated notes, remains outstanding immediately after each such redemption; and
- we redeem the senior subordinated notes within 90 days of any such equity offering.

**TERMS COMMON TO EACH SERIES OF THE NOTES**

| | |
|---|---|
| Change of Control | If we experience a change of control, we may be required to offer to purchase the notes at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest and liquidated damages, if any, to the repurchase date. See "Description of the new second priority notes—Repurchase at the Option of Holders—Change of Control" and "Description of the new senior subordinated notes—Repurchase at the Option of Holders—Change of Control." |
| Certain Covenants | Each indenture governing the notes contains covenants that limit the issuers' ability and the ability of MagnaChip LLC's restricted subsidiaries to, among other things:<br>• incur additional indebtedness;<br>• pay dividends or make other distributions on our capital stock or repurchase, repay or redeem our capital stock;<br>• make certain investments;<br>• incur liens;<br>• enter into certain types of transactions with affiliates;<br>• create restrictions on the payment of dividends or other amounts to the issuers by MagnaChip LLC's restricted subsidiaries; and<br>• sell all or substantially all of our assets or merge with or into other companies.<br>These covenants are subject to important exceptions and qualifications which are described under the headings "Description of the new second priority notes—Certain Covenants" and "Description of the new senior subordinated notes—Certain Covenants" in this prospectus. |
| Absence of a Public Market | There is no public trading market for the new notes, and we do not intend to apply for listing of the new notes on any national securities exchange or for quotation of the new notes on any automated dealer quotation system. See "Risk factors—Risks Related to the Exchange Offer—There is no public trading market for the new notes and an active trading market may not develop for the new notes." |

**RISK FACTORS**

See "Risk factors" for a description of certain risks you should consider before deciding to tender your old notes in the exchange offer.

**Summary pro forma and actual consolidated financial data**

The following table sets forth our summary pro forma and actual consolidated financial data as of the dates and for the periods indicated.

We have derived the summary pro forma statements of operations from the unaudited pro forma consolidated statements of operations included elsewhere in this prospectus, which give effect to the Acquisition and other related adjustments described in the "Unaudited pro forma consolidated statements of operations" section of this prospectus. The unaudited pro forma consolidated statements of operations are based on our actual consolidated financial statements included elsewhere in this prospectus, which, prior to October 1, 2004, were prepared on a carve-out basis in connection with the purchase of our business from Hynix; such carveout information is not intended to be a complete presentation of the operating results or financial position of our company on a stand-alone basis.

We have derived the actual statements of operations data for the years ended December 31, 2002, 2003, for the nine-month period ended September 30, 2004 and for the three-month period ended December 31, 2004 and the summary actual balance sheet data at December 31, 2003 and 2004 and at September 30, 2004 from our audited consolidated financial statements that are included elsewhere in this prospectus. We have derived the actual statements of operations data for the year ended December 31, 2001, and the summary actual balance sheet data at December 31, 2001, and 2002 from our audited consolidated financial statements that are not included in this prospectus. We have derived the actual statements of operations data and summary consolidated balance sheet data, as of and for each three-month period ended March 31, 2004 and April 3, 2005, from our unaudited consolidated financial statements that are included elsewhere in this prospectus.

As carve-out financial statements, the actual statements prior to October 1, 2004 include allocations of the costs of shared activities and overhead of Hynix and of intangible assets and property, plant and equipment shared with Hynix. These allocations are based upon various assumptions and estimates and actual results may differ from these allocations, assumptions and estimates. Also, as part of the Acquisition we did not acquire certain assets that were included in the carve-out financial statements and we assumed certain additional costs and obligations that are not reflected in the carve-out financial statements. Accordingly, the carveout financial statements should not be relied upon as being representative of our financial position or operating results had we operated on a stand-alone basis, nor may they be representative of our financial position or operating results following the Acquisition.

On October 6, 2004, MagnaChip Semiconductor LLC, completed its acquisition of the business from Hynix. For accounting purposes and consistent with our reporting periods, we have used October 1, as the effective date of the Acquisition since the financial results from October 1, 2004 onwards accrued to our benefit. As a result, we have reported our operating results and financial position for all periods from and after October 1, 2004, as those of the successor company. The predecessor company periods and the successor company periods have different bases of accounting and are therefore not comparable.

The pro forma statements of operations are not intended to represent what our results of operations would be after giving effect to the Acquisition, or to project our results of operations for any future period. Therefore, investors should not place undue reliance on the pro forma financial information.

For further information on the adjustments and assumptions relating to the pro forma statements of operations, see "Unaudited pro forma consolidated statements of operations."

The summary consolidated statements of operations data for the year ended December 31, 2004 and for the three-month period ended March 31, 2004, are presented:

(i) on an actual basis; and

(ii) on a pro forma basis, to give effect to the Acquisition, and related adjustments, as if it had occurred on January 1, 2004.

You should read the information contained in this table in conjunction with the "Selected financial and other data," "Management's discussion and analysis of financial condition and results of operations," "Unaudited pro forma consolidated statements of operations" and our consolidated financial statements and the accompanying notes thereto included elsewhere in this prospectus.

| | Predecessor | | | | | Successor | | | |
|---|---|---|---|---|---|---|---|---|---|
| | For the year ended December 31, | | | For the three-month period ended March 31, 2004 | For the nine-month period ended September 30, 2004 | For the three-month period ended | | For the three-month period ended March 31, 2004 | For the year ended December 31, 2004 |
| | 2001 | 2002 | 2003 | | | December 31, 2004 | April 3, 2005 | | |
| | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Pro forma | Pro forma |
| | (in millions of US dollars, except ratios and per unit data) | | | | | | | | |
| **Statement of Operations Data** | | | | | | | | | |
| Net Sales | | | | | | | | | |
| Related parties(1) | $ 396.6 | $ 306.8 | $ 260.7 | $ 62.7 | $ 163.8 | $ — | $ — | $ — | $ — |
| Others | 481.1 | 393.5 | 570.1 | 201.1 | 677.8 | 243.6 | 213.4 | 235.6 | 1,007.5 |
| | 877.7 | 700.3 | 830.8 | 263.8 | 841.6 | 243.6 | 213.4 | 235.6 | 1,007.5 |
| Cost of sales | 768.9 | 691.0 | 752.5 | 207.8 | 654.6 | 204.5 | 187.4 | 163.5 | 705.6 |
| Gross profit | 108.8 | 9.3 | 78.3 | 56.0 | 187.0 | 39.1 | 26.0 | 72.1 | 301.9 |
| Selling, general and administrative expenses | 104.8 | 61.9 | 68.7 | 19.9 | 54.0 | 29.8 | 28.5 | 27.0 | 101.1 |
| Research and development expenses | 59.6 | 87.0 | 86.6 | 23.9 | 75.7 | 22.1 | 26.1 | 22.5 | 90.8 |
| Operating income (loss) | (55.6) | (139.6) | (77.0) | 12.2 | 57.3 | (12.8) | (28.6) | 22.6 | 110.0 |
| Interest expense, net | (90.9) | (46.8) | (37.8) | (7.3) | (17.7) | (16.7) | (13.9) | (17.9) | (58.0) |
| Foreign currency gain | 19.9 | 19.1 | 9.9 | 7.9 | 12.4 | 43.3 | 22.1 | 7.9 | 55.7 |
| Foreign currency loss | (29.7) | (10.5) | (8.5) | (4.1) | (7.1) | (12.9) | (8.5) | (4.1) | (20.0) |
| Others, net | 1.4 | 1.3 | 1.1 | 0.4 | 1.1 | — | — | 0.4 | 1.1 |
| | (99.3) | (36.9) | (35.3) | (3.1) | (11.3) | 13.7 | (0.3) | (13.7) | (21.2) |
| Income (loss) before income taxes | (154.9) | (176.5) | (112.3) | 9.1 | 46.0 | 0.9 | (28.9) | 8.9 | 88.8 |
| Income tax expenses | 1.4 | 1.8 | 1.4 | 1.1 | 2.8 | 6.7 | 2.4 | 1.8 | 17.8 |
| Net income (loss) | $ (156.3) | $ (178.3) | $(113.7) | $ 8.0 | $ 43.2 | $ (5.8) | $ (31.3) | $ 7.1 | $ 71.0 |
| Dividends to preferred unitholders | N/A | N/A | N/A | N/A | N/A | $ 13.4 | $ 2.4 | $ 13.4 | $ 20.6 |
| Net income (loss) attributable to common units | N/A | N/A | N/A | N/A | N/A | $ (19.2) | $ (33.7) | $ (6.3) | $ 50.4 |
| Net income (loss) per common unit—basic and diluted | N/A | N/A | N/A | N/A | N/A | $ (0.38) | $ (0.64) | $ (0.12) | $ 0.96 |
| Weighted average number of units—basic and diluted | N/A | N/A | N/A | N/A | N/A | 50,061,910 | 52,533,003 | 52,533,003 | 52,533,003 |
| **Balance Sheet Data** | | | | | | | | | |
| Cash and cash equivalents | $ — | $ — | $ — | $ — | $ — | $ 58.4 | $ 35.7 | N/A | N/A |
| Working capital(2) | (43.7) | 3.1 | 21.7 | 49.7 | 75.9 | 129.3 | 96.6 | N/A | N/A |
| Total assets | 1,299.5 | 1,077.8 | 790.0 | 754.0 | 653.8 | 1,154.5 | 1,069.9 | N/A | N/A |
| Total indebtedness(3) | 705.2 | 631.7 | 468.1 | 413.8 | 252.6 | 750.7 | 750.0 | N/A | N/A |
| Preferred units | — | — | — | — | — | 96.5 | 98.9 | N/A | N/A |
| Owners' equity | 412.1 | 268.3 | 155.3 | 172.6 | 206.7 | N/A | N/A | N/A | N/A |
| Unitholders' equity | N/A | N/A | N/A | N/A | N/A | 55.9 | 27.0 | N/A | N/A |
| **Other Data** | | | | | | | | | |
| EBITDA(4) | $ 305.2 | $ 217.1 | $ 264.0 | $ 97.5 | $ 330.6 | $ 63.5 | $ 40.3 | $ 67.5 | $ 307.3 |
| Depreciation and amortization | 369.2 | 346.8 | 338.5 | 81.1 | 266.9 | 45.9 | 55.3 | 40.7 | 160.5 |
| Capital expenditures(5) | 51.0 | 63.5 | 25.2 | 17.2 | 86.7 | 23.5 | 13.0 | 17.2 | 110.2 |
| Ratio of EBITDA to interest expense(6) | 3.4x | 4.6x | 7.0x | 13.4x | 18.7x | 3.8x | 2.9x | 3.8x | 5.3x |
| Ratio of earnings to fixed charges(7) | — | — | — | 2.2x | 3.4x | — | — | N/A | N/A |

Footnotes:

(1) Primarily relates to the provision of wafer foundry contract manufacturing services to Hynix, Hyundai Display Technology and other related parties.

(2) Working capital is calculated as current assets less current liabilities, including the current portion of long term borrowings.

(3) Total indebtedness is calculated as long and short term borrowings.

(4) EBITDA is defined as net income (loss) plus depreciation and amortization of intangible assets, interest expense, net and provision for income taxes. EBITDA is a key financial measure but should not be construed as an alternative to operating income, cash flows from operating activities or net income, as determined in accordance with accounting principles generally accepted in the United States of America, or US GAAP. EBITDA is not a measure defined in accordance with US GAAP. We believe that EBITDA is a standard measure commonly reported and widely used by analysts and investors in our industry. However, the method of computation may or may not be comparable to other similarly titled measures of other companies. A reconciliation of net income (loss) to EBITDA is as follows:

| | Predecessor | | | | | Successor | | | |
|---|---|---|---|---|---|---|---|---|---|
| | For the year ended December 31, | | | For the three-month period ended March 31, 2004 | For the nine-month period ended September 30, 2004 | For the three-month period ended | | For the three-month period ended March 31, 2004 | For the year ended December 31, 2004 |
| | 2001 | 2002 | 2003 | | | December 31, 2004 | April 3, 2005 | | |
| | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Pro forma | Pro forma |
| | (in millions of US dollars, except ratios and per unit data) | | | | | | | | |
| Net income (loss) | $(156.3) | $(178.3) | $(113.7) | $ 8.0 | $ 43.2 | $ (5.8) | $ (31.3) | $ 7.1 | $ 71.0 |
| Depreciation and amortization | 369.2 | 346.8 | 338.5 | 81.1 | 266.9 | 45.9 | 55.3 | 40.7 | 160.5 |
| Interest expense, net | 90.9 | 46.8 | 37.8 | 7.3 | 17.7 | 16.7 | 13.9 | 17.9 | 58.0 |
| Provision for income taxes | 1.4 | 1.8 | 1.4 | 1.1 | 2.8 | 6.7 | 2.4 | 1.8 | 17.8 |
| EBITDA | $ 305.2 | $ 217.1 | $ 264.0 | $ 97.5 | $ 330.6 | $ 63.5 | $ 40.3 | $ 67.5 | $ 307.3 |

(5) Capital expenditures include purchases of intangibles, net.

(6) Ratio of EBITDA to interest expense is calculated as EBITDA divided by interest expense, net.

(7) Earnings consist of income before income taxes and fixed charges. Fixed charges consist of interest expense on debt and amortization of deferred debt issuance costs and the portion of rental expense that we believe is representative of the interest component of rental expense. Where a dash appears, our earnings were negative and were insufficient to cover fixed charges during the period. Our deficiencies to cover fixed charges in each period presented were as follows:

| | Predecessor | | | Successor | |
|---|---|---|---|---|---|
| | For the year ended December 31, | | | For the three-month period ended | |
| | 2001 | 2002 | 2003 | December 31, 2004 | April 3, 2005 |
| | Actual | Actual | Actual | Actual | Actual |
| | (in millions of US dollars) | | | | |
| Deficiencies | $154.9 | $176.5 | $112.3 | $ 12.5 | $ 31.3 |

## Risk factors

*You should carefully consider the risk factors set forth below as well as the other information contained in this prospectus before deciding whether to exchange your old notes in the exchange offer. The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to or unique to us or that we currently deem to be immaterial may also materially and adversely affect our business operations. Any of the following risks could materially adversely affect our business, financial condition or results of operations. In such case, there could be a material adverse effect on our ability to satisfy our obligations under the new notes and you may lose all or part of your original investment.*

### RISKS RELATED TO THE EXCHANGE OFFER

**Failure to tender your old notes for new notes could limit your ability to resell the old notes.**

The old notes were not registered under the Securities Act or under the securities laws of any state and may not be resold, offered for resale or otherwise transferred unless they are subsequently registered or resold under an exemption from the registration requirements of the Securities Act and applicable state securities laws. If you do not exchange your old notes for new notes under the exchange offer, you will not be able to resell, offer to resell or otherwise transfer the old notes unless they are registered under the Securities Act or unless you resell them, offer to resell or otherwise transfer them under an exemption from the registration requirements of, or in a transaction not subject to, the Securities Act. In addition, we will no longer be under an obligation to register the old notes under the Securities Act except in the limited circumstances provided under the registration rights agreements. In addition, if you want to exchange your old notes in the exchange offer for the purpose of participating in a distribution of the new notes, you may be deemed to have received restricted securities, and, if so, will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

To the extent that old notes are tendered for exchange and accepted in the exchange offer, the trading market for the untendered and tendered but unaccepted old notes could be adversely affected.

**There is no public trading market for the new notes and an active trading market may not develop for the new notes.**

The old notes are currently eligible for trading in the PORTAL Market, a screen-based market operated by the National Association of Securities Dealers. The PORTAL Market is limited to qualified institutional buyers as defined by Rule 144A of the Securities Act. The new notes are new securities for which there is no established trading market. We do not intend to apply for listing or quotation of the notes on any securities exchange or stock market. UBS Securities LLC, J.P. Morgan Securities Inc. and Deutche Bank Securities Inc., which acted as initial purchasers in connection with the offer and sale of the old notes, have informed us that they intend to make a market in the new notes. However, the initial purchasers are not obligated to do so and they may cease their market-making at any time. In addition, the liquidity of the trading market in the new notes, and the market price quoted for the new notes, may be adversely affected by changes in the overall market for high yield securities and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. As a result, we cannot assure you that an active trading market will develop for the new notes.

**You must comply with the exchange offer procedures in order to receive new notes.**

The new notes will be issued in exchange for the old notes only after timely receipt by the exchange agent of the old notes or a book-entry confirmation related thereto, a properly completed and executed letter of transmittal or an agent's message and all other required documentation. If you want to tender your old notes in exchange for new notes, you should allow sufficient time to ensure timely delivery. Neither we nor the exchange agent are under any duty to give you notification of defects or irregularities with respect to tenders of old notes for exchange. Old notes that are not tendered or are tendered but not accepted will, following the exchange offer,

continue to be subject to the existing transfer restrictions. In addition, if you tender the old notes in the exchange offer to participate in a distribution of the new notes, you will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. For additional information, please refer to the sections entitled "Exchange offer" and "Plan of distribution" in this prospectus.

**RISKS RELATED TO EACH SERIES OF NEW NOTES**

**Our level of indebtedness could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry and prevent us from meeting our obligations under the notes.**

As of April 3, 2005, our total indebtedness was $750 million. See "Capitalization" for additional information.

Our substantial debt could have important consequences for you, including:

- making it more difficult for us to make payments on the notes;
- increasing our vulnerability to general economic and industry conditions;
- requiring a substantial portion of our cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;
- exposing us to the risk of increased interest rates because certain of our borrowings, including the floating second priority rate notes and borrowings under our senior secured credit facility, are at variable rates of interest;
- limiting our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes; and
- limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors who have less debt.

Our senior secured credit facility provides for a commitment for up to $100 million of revolving credit borrowings. We may be able to incur substantial additional indebtedness in the future, including secured debt, subject to the restrictions contained in the credit agreement governing our senior secured credit facility and the indentures relating to the notes. See "Description of the new second priority notes," "Description of the new senior subordinated notes" and "Description of other indebtedness." If new debt is added to our current debt levels, the related risks that we now face could intensify.

**We may not be able to generate sufficient cash to service all of our indebtedness, including the notes, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.**

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We cannot assure you that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, including the notes.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance our indebtedness, including the notes. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our

debt service and other obligations. The credit agreement governing our senior secured credit facility and the indentures governing the notes restrict our ability to dispose of assets and use the proceeds from the disposition. We may not be able to consummate those dispositions or be able to obtain the proceeds which we could realize from them and these proceeds may not be adequate to meet any debt service obligations then due.

**If we default on our obligations to pay our indebtedness, we may not be able to make payments on the notes.**

Any default under the agreements governing our indebtedness, including a default under our senior secured credit facility that is not waived by the required lenders under the senior secured credit facility, and the remedies sought by the holders of such indebtedness could preclude us from paying principal, premium, if any, and interest on the notes and substantially decrease the market value of the notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness (including covenants in the credit agreement governing our senior secured credit facility and each indenture), we could be in default under the terms of the agreements governing such indebtedness, including our credit agreement and the indentures. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under the credit agreement that governs our senior secured credit facility could elect to terminate their commitments thereunder, cease making further loans and institute foreclosure proceedings against our assets that are pledged as collateral to support our obligations under the credit agreement governing our senior secured credit facility, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to obtain waivers from the required lenders under our senior secured credit facility to avoid being in default. If we breach our covenants under the credit agreement governing our senior secured credit facility and seek a waiver, we may not be able to obtain a waiver from the required lenders thereunder. If this occurs, we would be in default under our credit agreement, the lenders could exercise their rights, as described above, and we could be forced into bankruptcy or liquidation.

**We may be unable to purchase the notes upon a change of control.**

Upon the occurrence of certain "change of control" events you may require us to purchase your notes at 101% of their principal amount, plus accrued and unpaid interest and liquidated damages, if any. The terms of our senior secured credit facility limit our ability to purchase any series of notes in those circumstances and the terms of the second priority notes indentures limit our ability to purchase the senior subordinated notes. Any of our future debt agreements may contain similar restrictions and provisions. Accordingly, we may not be able to satisfy our obligations to purchase your notes unless we are able to refinance or obtain waivers under the senior secured credit facility and other indebtedness with similar restrictions. In addition, we cannot assure you that we will have the financial resources to purchase your notes, particularly if that change of control event triggers a similar repurchase requirement for, or results in the acceleration of, other indebtedness. Our senior secured credit facility provides that certain change of control events will constitute a default and could result in the acceleration of our indebtedness thereunder.

**Fraudulent conveyance and similar laws may adversely affect the validity and enforceability of the guarantees. The guarantors will guarantee the payment of the notes.**

Although laws differ among various jurisdictions, in general, under fraudulent conveyance laws, a court could subordinate or void any guarantee if it found that:

- the guarantee was incurred with actual intent to hinder, delay or defraud creditors or shareholders of the company; or
- the guarantee was incurred voluntarily and all parties to the guarantee knew or should have known that the transaction would unfairly prejudice other creditors; or

- the guarantor did not receive fair consideration or reasonably equivalent value for the guarantee and the guarantor was any of the following:
  - insolvent or was rendered insolvent because of the guarantee;
  - engaged in a business or transaction for which its remaining assets constituted unreasonably small capital; or
  - intended to incur, or believed that it would incur, debts beyond its ability to pay at maturity; or the guarantee was held not to be in the best interests or for the corporate benefit of the company.

The measure of insolvency for purposes of fraudulent transfer laws varies depending on the law applied.

Generally, however, a guarantor would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all of its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

On the basis of historical financial information, recent operating history and other factors, we believe that at the time the guarantees of the new notes will be issued, each guarantor will not be insolvent, will not have unreasonably small capital for the business in which it engages, and (in part because of the payment limitations contained in such guarantees) will not have incurred debts beyond its ability to pay such debts as they mature. In addition, the boards of directors, general partners or managers, as the case may be, of certain guarantors have passed resolutions confirming that the entry into the guarantee is in the best interest of such guarantor and for its corporate benefit. We can give no assurance, however, that a court would agree with our conclusions in this regard or that such conclusions will be applicable to the guarantors in the future.

If a court voided any guarantee as a result of a fraudulent conveyance or similar laws, or held it unenforceable for any other reason, you would cease to have any claim in respect of such guarantee and would be the creditor of the issuers and the remaining guarantors.

*Korea*

MagnaChip Korea, a limited liability company *(yuhan hoesa)* and indirect wholly-owned subsidiary of MagnaChip LLC, will guarantee each series of new second priority notes on a senior secured basis. While the Corporate Reorganization Act of Korea does not currently apply to limited liability companies such as MagnaChip Korea, Korea's new insolvency law, the Debtor Rehabilitation and Insolvency Law will replace the Corporate Reorganization Act as of April 1, 2006.

The New Insolvency Law will have preference avoidance provisions similar to the current provisions of the Corporate Reorganization Act. Under Korea's Corporate Reorganization Act, certain acts occurring during the period between a "suspension of payment" and prior to an application for a reorganization proceeding under the Corporate Reorganization Act (which period may in no event exceed one year) are subject to avoidance as being preferential. The collateral in Korea will be held by one collateral trustee on behalf of the secured noteholders and the senior credit facility lenders, and one such act that could be subject to avoidance is a payment made to the Korean collateral trustee pursuant to the guarantee granted by MagnaChip Korea to the collateral agent. Payment received from the disposition of Korean collateral during this period could also potentially be avoided. If such an avoidance claim is successful, any payment received by the Korean collateral trustee pursuant to the guarantee would have to be disgorged to the trustee overseeing the reorganization proceeding. This may have the effect of reducing the total recovery obtained from the guarantee for the benefit of the second priority notes.

**You may be unable to enforce judgments obtained in U.S. courts against MagnaChip Semiconductor S.A. or our subsidiary guarantors organized in jurisdictions other than the United States.**

MagnaChip Semiconductor S.A. and all but four of the guarantors are organized or incorporated outside of the United States, and most of the assets of these companies are located outside of the United States. As a consequence, you may not be able to effect service of process on these non-U.S. entities in the United States or to enforce judgments against them outside of the United States. There is also uncertainty about the enforceability in the courts of certain jurisdictions of judgments obtained in the United States against MagnaChip Semiconductor S.A. and certain of the guarantors.

**Restrictions on MagnaChip Korea's ability to make payments on its intercompany loans from MagnaChip Semiconductor B.V., or on its ability to pay dividends in excess of statutory limitations, could hinder our ability to make payments on the notes.**

Under the Korean Foreign Exchange Transactions Law (the FETL) payments in a foreign currency denominated loan, where the borrower is a "resident" of Korea and the lender is an offshore "nonresident" entity, requires prior approval of the Korean Ministry of Finance and Economy in the event (i) the average period of such loan is less than 12 months or (ii) repayment or prepayment of such loan within a 12-month period from the initial drawdown date (when aggregated with all other repayments or prepayments made during such 12 month period) is equal or greater to 20% of the original aggregate principal amount of such loan. MagnaChip Korea may not receive the Korean Ministry of Finance's prior approval to prepay more than 20% of the intercompany loans between it and MagnaChip Semiconductor B.V. in the event that we have to redeem the notes within 12 months of the issue date.

In addition, under the Korean Commercial Code (the KCC) a company is permitted to make a dividend payment up to twice a year out of retained earnings (as determined in accordance with generally accepted accounting principles in Korea). Under the KCC, a limited liability company is permitted to make dividend payments to its unitholders at a ratio disproportionate to the ratio of their equity contribution. It is possible that we would not have sufficient funds to make payments on the notes if MagnaChip Korea has an insufficient amount of retained earnings under the KCC to make dividend payments to MagnaChip Semiconductor B.V. to allow us to make payments on the notes which could cause a default under the terms of the relevant indenture.

**RISKS RELATED TO THE SECOND PRIORITY NOTES**

**If there is a default, proceeds from sales of the collateral will be applied first to satisfy amounts owed under our senior secured credit facility, and the value of the collateral may not be sufficient to repay the holders of the second priority notes.**

Our obligations under the second priority notes and related guarantees are secured by a second priority lien on certain assets that are also pledged on a first-priority basis to the lenders under our senior secured credit facility. As a result, upon any foreclosure on the collateral, proceeds will be applied first to repay amounts owed under our senior secured credit facility, and only then to satisfy amounts owed to holders of the second priority notes. The value of the second priority notes in the event of a liquidation will depend on market and economic conditions, the availability of buyers and similar factors. You should not rely upon the book value of the assets underlying the collateral as a measure of realizable value for such assets. By its nature, some or all the collateral may be illiquid and may have no readily ascertainable market value. Likewise, there is no assurance that the assets underlying the collateral will be saleable or, if saleable, that there will not be substantial delays in its liquidation. Accordingly, there can be no assurance that the proceeds of any sale of the collateral following any acceleration of the maturity of the second priority notes would be sufficient to satisfy, or would not be substantially less than, amounts due on the second priority notes after satisfying the obligations secured by the first priority liens.

If the proceeds of any sale of the assets underlying the collateral are insufficient to repay all amounts due on the second priority notes, the holders of the second priority notes (to the extent the second priority notes are not

repaid from the proceeds of the sale of the collateral) would have only an unsecured claim against our remaining assets, which claim will rank equal in priority to the unsecured claims of any unsatisfied portion of the obligations secured by the first-priority liens and our other unsecured senior indebtedness.

**Your interest in the collateral may be adversely affected by the failure to record and/or perfect security interests in certain collateral.**

The security interests in the collateral securing the second priority notes and our senior secured credit facility includes a second lien on substantially all of our assets, whether now owned or acquired or arising in the future. Applicable law requires that certain property and rights acquired after the grant of a general security interest can only be perfected at the time such property and rights are acquired and identified. Due to the number of individual mortgages and other security interests that were scheduled to be recorded in the various countries in which our assets are located, there was a time gap between the issuance of the old notes and the making of any loans under our senior secured credit facility and the recordation of the mortgages and other security interests. As a result, and even though it may have constituted an event of default under the indentures, a third party creditor of us may have gained priority over the lien of one or more of the mortgages and other security interests through the recordation of an intervening lien or liens. Although the indenture for the second priority notes contains customary further assurances covenants, the trustee under such indenture and the collateral trustee and collateral agents will not monitor the future acquisition of property and rights that constitute collateral, or take any action to perfect the security interest in such acquired collateral.

**Insolvency and examinership laws could limit your ability to enforce your rights under the notes and the guarantees.**

Any insolvency proceedings with regard to the issuers of the notes or any guarantor would most likely be based on and governed by the insolvency laws of the jurisdiction under which the relevant entity is organized. As a result, in the event of insolvency with regard to any of these entities, the claims of holders of the notes against the issuers or a guarantor may be subject to the insolvency laws of its jurisdiction of organization. The provisions of such insolvency laws differ substantially from each other including with regard to rights of creditors, priority claims and procedure and may contain provisions that are unfavorable to holders of notes. In addition, there can be no assurance as to how the insolvency laws of these jurisdictions will be applied in insolvency proceedings relating to several jurisdictions.

The lenders under our senior secured credit facility have first-ranking security over the majority of the tangible and intangible assets of the issuers and guarantors. In some jurisdictions after the occurrence of, among other things, an insolvency event, secured lenders have additional rights with respect to insolvency proceedings, including among other things, the right to direct the disposition of any security. As a result, your ability to realize claims against us with respect to your notes if the issuers, or any guarantor, become insolvent may be limited.

Under applicable insolvency laws, the issuers' or any guarantor's liabilities in respect of the notes may, in the event of insolvency or similar proceeding, rank junior to some of the issuers' or any guarantor's debts that are entitled to priority under such law of such jurisdiction. For example, debts entitled to priority may include (a) amounts owed in respect of occupational pension schemes, (b) certain amounts owed to employees, (c) amounts owed to governmental agencies and (d) expenses of an insolvency practitioner. In addition, in some jurisdictions, the examiner or administrator or similar party may be legally required to consider the interest of third parties (including, for example, employees) in connection with the proceedings.

In certain cases, under insolvency and examinership, your ability to collect interest accruing on the notes in respect of any period after the commencement of liquidation proceedings and your rights under the guarantees may be limited.

**The second priority notes and the related guarantees are effectively subordinated to other debt.**

The second priority notes effectively rank junior to all amounts owed under our senior secured credit facility, to the extent of the value of the collateral, as the senior secured credit facility lenders have a first-priority lien on the collateral pledged for the benefit of the second priority notes. In addition, the senior secured credit facility is secured by liens on certain other collateral not pledged for the benefit of the holders of the second priority notes, including a pledge of the stock of our subsidiaries. As a result, the lenders under the senior secured credit facility will be paid in full from the proceeds of the collateral pledged to them before holders of second priority notes are paid from any remaining proceeds from the second lien collateral. In addition, subject to the restrictions contained in the indenture governing the second priority notes, we may incur additional debt that is secured by first-priority liens on the collateral or by liens on assets that are not pledged to the holders of second priority notes, all of which would effectively rank senior to the second priority notes to the extent of the value of the assets securing such debt. At April 3, 2005, the second priority notes and the related guarantees effectively ranked junior to $100 million of secured indebtedness secured on a first-priority basis by the collateral.

**We may incur additional indebtedness ranking equal to the second priority notes or the related guarantees.**

The indenture governing the second priority notes permits us to issue additional debt secured on an equal and ratable basis with the second priority notes, subject to satisfaction of a debt incurrence covenant. If we incur any additional debt that is secured on an equal and ratable basis with the second priority notes, the holders of that debt will be entitled to share ratably with the holders of the second priority notes in any proceeds distributed in connection with any foreclosure upon the collateral or an insolvency, liquidation, reorganization, dissolution or other winding-up of MagnaChip. This may have the effect of reducing the amount of proceeds paid to you.

**RISKS RELATED TO THE SENIOR SUBORDINATED NOTES**

**The notes and the guarantees are effectively subordinated to other debt.**

The senior subordinated notes and the related guarantees are subordinated to our senior indebtedness. The senior subordinated notes rank junior to all of our existing and future senior indebtedness, including all indebtedness under our senior secured credit facility and the second priority notes. As a result of the subordination of the senior subordinated notes, if we become insolvent or enter into a bankruptcy or similar proceeding, then the holders of our senior indebtedness must be paid in full before subordinated noteholders are paid. In addition, we cannot make any cash payments to subordinated noteholders if we have failed to make payments to holders of designated senior indebtedness. Under certain circumstances, we will be prohibited from making any payments to subordinated noteholders for a period of up to 179 days if we default, other than a payment default, under certain covenants of our designated senior indebtedness. The senior subordinated guarantees rank junior to all senior indebtedness of the guarantors, including their guarantees of our senior secured credit facility and second priority notes, to the same extent that the senior subordinated notes are subordinated to our senior indebtedness.

At April 3, 2005, the senior subordinated notes and the related guarantees ranked junior in right of payment to the full amount of the $100 million of commitments available under our senior secured credit facility and the second priority notes.

**The senior subordinated notes are structurally subordinated to the creditors of our principal manufacturing subsidiary, MagnaChip Korea, which has accounted for a majority of our net sales and substantially all of our assets, and is not a guarantor of the senior subordinated notes.**

Our principal manufacturing subsidiary, MagnaChip Korea, is not a guarantor of the senior subordinated notes. MagnaChip Korea has accounted for a majority of our net sales and substantially all of our assets.

The senior subordinated notes are structurally subordinated to the obligations of MagnaChip Korea. Generally, claims of creditors of MagnaChip Korea, including trade creditors, will have priority with respect to the assets and earnings of MagnaChip Korea over claims of creditors of its parent entity. In the event of an insolvency, liquidation or other reorganization of MagnaChip Korea, holders of its debt and its trade creditors will typically be entitled to payment of its claims from the assets of MagnaChip Korea before any assets are made available for distribution to the issuers or any guarantor of the senior subordinated notes.

As of April 3, 2005, MagnaChip Korea had $841.5 million of liabilities, including the second priority notes, together with $63.2 million of trade payables outstanding. All of these liabilities and trade payables ranked effectively senior to the senior subordinated notes. The indenture governing the senior subordinated notes permits us and our restricted subsidiaries, including MagnaChip Korea, to incur additional debt in the future.

**RISKS RELATING TO OUR BUSINESS**

**The cyclical nature of the semiconductor industry may limit our ability to maintain or increase net sales and profit levels during industry downturns.**

The semiconductor industry is highly cyclical and periodically experiences significant economic downturns characterized by diminished product demand, production overcapacity and excess inventory, which can result in rapid erosion of average selling prices. The industry has experienced significant downturns, often in connection with, or in anticipation of, maturing product cycles of both semiconductor companies' and their customers' products and declines in general economic conditions.

We have experienced these conditions in our business in the past and may experience renewed, and possibly more severe and prolonged, downturns in the future as a result of such cyclical changes, which may reduce our profitability and the value of our business.

**Customer demand is difficult to accurately forecast.**

We make significant decisions, including determining the levels of business that we will seek and accept, production schedules, component procurement commitments, personnel needs and other resource requirements, based on our estimates of customer requirements. The short-term nature of commitments by many of our customers and the possibility of rapid changes in demand for their products reduces our ability to accurately estimate future customer requirements. On occasion, customers may require rapid increases in production, which can challenge our resources and reduce margins. We may not have sufficient capacity at any given time to meet our customers' demands. Conversely, downturns in the semiconductor industry may cause and have caused our customers to significantly reduce the amount of products ordered from us. Because many of our costs and operating expenses are relatively fixed, a reduction in customer demand may decrease our gross margins and operating income.

**Our customers may cancel their orders, change production quantities or delay production.**

We generally do not obtain firm, long-term purchase commitments from our customers. Customers may cancel their orders, change production quantities or delay production for a number of reasons. Cancellations, reductions or delays by a significant customer or by a group of customers, which we have experienced as a result of the recent downturn in the semiconductor industry, have adversely affected and may continue to adversely affect our results of operations. In addition, while we do not obtain long-term purchase commitments, we generally agree to the pricing of a particular product for the entire lifecycle of the product, which can extend over a number of years. If we underestimate our costs when determining the pricing, our margins and results of operations would be adversely affected.

**A significant portion of our sales comes from a relatively limited number of customers.**

If we lose key customers or if customers cease to place orders for our high volume devices, our financial results will be adversely affected. While we served more than 200 customers in the year ended December 31, 2004, net sales to our 10 largest customers represented approximately 62.4% of our net revenue in the year ended December 31, 2004. In the year ended December 31, 2004, except for Hynix Semiconductor, Inc., our two largest customers, LG.Philips LCD and Sharp, represented 9.8% and 9.3% of our net sales, respectively. Significant reductions in sales to any of these customers, the loss of major customers or the curtailment of orders for our high-volume devices within a short period of time would adversely affect our business. See "Business—Customers."

**Our industry is highly competitive.**

The semiconductor industry is highly competitive and includes hundreds of companies, a number of which have achieved substantial market share. Current and prospective customers for our products evaluate our capabilities against the merits of our direct competitors. Some of our competitors are well-established as independent companies and have substantially greater market share and manufacturing, financial, research and development and marketing resources than we do. We also compete with emerging companies that are attempting to sell their products in specialized markets, and with the internal capabilities of many of our significant customers. We expect to experience continuing competitive pressures in our markets from existing competitors and new entrants. Any consolidation among our competitors could enhance their product offerings and financial resources, further enhancing their competitive position. Our ability to compete successfully depends on a number of factors, including the following: our ability to offer cost effective products on a timely basis using our technologies; our ability to accurately identify and respond to emerging technological trends and demand for product features and performance characteristics; product introductions by our competitors; our ability to adopt or adapt to emerging industry standards; and the number and nature of our competitors in a given market. Many of these factors are outside of our control. In the future, our competitors may capture our existing or potential customers and our customers may satisfy more of their requirements internally. As a result, we may experience declining revenues and profits.

**A decline in average selling prices could decrease our profits.**

In the past, our industry has experienced a decline in average selling prices. A decline in average selling prices for our products, if not offset by reductions in the costs of producing such products, would decrease our gross profits and could have a material adverse effect on our business, financial condition and results of operations.

**Growth in the consumer electronics and other end markets for our products is an important component in our success.**

Our continued success will depend in part on the growth of various consumer electronics markets and other end markets that use our semiconductors and on general economic growth. To the extent that we cannot offset recessionary periods or periods of reduced growth that may occur in these markets through greater penetration of these markets, our sales may decline and our business, financial condition and results of operations may suffer as a result.

**We may not be successful in establishing a brand identity.**

Our business was historically conducted under the Hynix brand name and we are now marketing our products under the new MagnaChip brand name. We may need to devote considerable resources to establish the MagnaChip brand name for our business in the marketplace. This effort may not succeed, and our business, financial condition and results of operations may suffer as a result.

**We depend on successful technological advances for growth.**

Our industry is subject to rapid technological change and product obsolescence as customers and competitors create new and innovative products and technologies. Products or technologies developed by other companies may render our products or technologies obsolete or noncompetitive and we may not be able to access leading edge process technologies or to license or otherwise obtain essential intellectual property required by our customers. Our inability to continue identifying new product opportunities, or manufacturing technologically advanced products on a cost-effective basis, may result in decreased revenues and a loss of market share to our competitors.

**We may not be able to attract or retain the technical or management employees necessary to remain competitive in our industry.**

We depend on our ability to attract and retain skilled technical and managerial personnel. Generally, with the exception of certain key executives, our employees are not bound by employment or noncompetition agreements. We could lose the services of, or fail to recruit, skilled personnel, which could hinder our research and product development programs or otherwise have a material adverse effect on our business.

**If we encounter future labor problems, we may fail to deliver our products in a timely manner which could adversely affect our revenues and profitability.**

As of May 31, 2005, approximately 60% of our employees were represented by the MagnaChip Semiconductor Labor Union, which is a member of the Federation of Korean Metal Workers Trade Unions. We cannot assure you that issues with the labor union and other employees will be resolved favorably for us in the future, that we will not experience significant work stoppages in future years or that we will not record significant charges related to those work stoppages.

Currently, the Korean Federation of Trade Unions, representing the employees of three of our subcontractors that also support Hynix, has and may continue to demonstrate at our joint campus in Cheongju, Korea. It is requesting that MagnaChip directly hire approximately 70 employees of the subcontractor. These demonstrations have required additional interim expenses and may have a continuing negative impact on our operations in the future.

**We may incur costs to engage in future business combinations or strategic investments and the anticipated benefits of those transactions may never be realized.**

As part of our business strategy, we may seek to enter into business combinations, investments, joint ventures and other strategic alliances with other companies in order to maintain and grow revenue and market presence as well as to provide us with access to technology, products and services. Those transactions would be accompanied by risks that may harm our business, such as difficulties in assimilating the operations, personnel and products of an acquired business or in realizing the projected benefits; disruption of our ongoing business; potential increases in our indebtedness and contingent liabilities; and charges if the acquired company or assets are later worth less than the amount paid for them in the acquisition. In addition, our senior secured credit facility and the indentures governing the notes may prohibit us from making acquisitions that we may otherwise wish to pursue.

**We depend on high utilization of our manufacturing capacity.**

As many of our costs are fixed, a reduction in capacity utilization, together with other factors such as yield and product mix, could reduce our profit margins and adversely affect our operating results. A number of factors and circumstances may reduce utilization rates, including periods of industry overcapacity, low levels of customer orders, operating inefficiencies, mechanical failures and disruption of operations due to expansion or relocation of operations, power interruptions, fire, flood or other natural disasters or calamities.

**The failure to achieve acceptable manufacturing yields could adversely affect our business.**

The manufacture of semiconductors requires precision, a highly-regulated and sterile environment and expensive equipment. We may have difficulty achieving acceptable yields in the manufacture of our products. Slight impurities or defects in the masks used to print circuits on a wafer or other factors can cause significant difficulties, particularly in connection with the production of a new product, the adoption of a new manufacturing process or any expansion of our manufacturing capacity and related transitions.

**We rely on packaging subcontractors.**

The majority of our net sales are derived from semiconductor devices assembled in advanced packages. The packaging of semiconductors is a complex process requiring, among other things, a high degree of technical skill and advanced equipment. We outsource our semiconductor packaging to subcontractors, most of which are located in Korea and Southeast Asia. We rely on these subcontractors to package our devices with acceptable quality and yield levels. If our semiconductor packagers experience problems in packaging our semiconductor devices or experience prolonged quality or yield problems, our operating results could be adversely affected.

**We depend on successful parts and materials procurement for our manufacturing processes.**

We use a wide range of parts and materials in the production of our semiconductors, including silicon, processing chemicals, processing gases, precious metals and electronic and mechanical components. We procure materials and electronic and mechanical components from domestic and foreign sources and original equipment manufacturers. As a division of Hynix, we were able to take advantage of Hynix's size and purchasing power in procuring parts and materials. As an independent company, we are smaller and less diversified than Hynix, and we may be unable to obtain parts and materials at prices and on terms as favorable as those available to us prior to the separation from Hynix in October 2004. If we cannot obtain adequate materials in a timely manner or on favorable terms for the manufacture of our products, either or both of our revenues or profits will decline.

**We face product liability risks and the risk of negative publicity if our products fail.**

Our semiconductors are incorporated into a number of end products, and our business is exposed to product liability risk and the risk of negative publicity if our products fail. Although we maintain insurance for product liability claims, the amount and scope of our insurance may not be adequate to cover a product liability claim that is asserted against us. In addition, product liability insurance could become more expensive and difficult to maintain and, in the future, may not be available on commercially reasonable terms or at all.

In addition, we are exposed to the product liability risk and the risk of negative publicity affecting our customers and suppliers. Our sales may decline if any of our customers are sued on a product liability claim. We may also suffer a decline in sales from the negative publicity associated with such a lawsuit or with adverse public perceptions in general regarding our customers' products.

**Our ability to compete successfully and achieve future growth will depend, in part, on our ability to protect our proprietary technology, as well as our ability to operate without infringing the proprietary rights of others.**

We seek to protect our proprietary technologies and know-how through the use of patents, trade secrets, confidentiality agreements and other security measures. The process of seeking patent protection takes a long time and is expensive. We cannot assure you that patents will issue from pending or future applications or that, if patents issue, they will not be challenged, invalidated or circumvented, or that the rights granted under the patents will provide us with meaningful protection or any commercial advantage. Some of our technologies are not covered by any patent or patent application. The confidentiality agreements on which we rely may be breached and may not be adequate to protect our proprietary technologies. We cannot assure you that other

countries in which we market our services will protect our intellectual property rights to the same extent as the United States.

Our ability to compete successfully depends on our ability to operate without infringing the proprietary rights of others. We have no means of knowing what patent applications have been filed in the United States until they are published. In addition, the semiconductor industry is characterized by frequent litigation regarding patent and other intellectual property rights. Although we have never received any notices of infringement of a third-party patent, to our knowledge Hynix has received five notices of infringement from third parties regarding various technology transferred to us in the Acquisition. We cannot assure you that these or other third parties will not tender notices of patent infringement or assert infringement claims against us in the future. Litigation, which could result in substantial costs to us and diversion of our resources, may also be necessary to enforce our patents or other intellectual property rights or to defend against claimed infringement of the rights of others. In the event of an adverse outcome in any such litigation, we may be required to pay substantial damages, indemnify customers for damages they may suffer if the products they purchase from us violate the intellectual property rights of others, stop our manufacture, use, sale or importation of infringing products, expend significant resources to develop or acquire non-infringing technologies, discontinue processes or obtain licenses to the intellectual property we are found to have infringed. We cannot assure you that we would be successful in such development or acquisition or that such licenses would be available under reasonable terms, or at all.

As a business segment of Hynix, we were the beneficiary of some of Hynix's intellectual property arrangements, including cross-licensing arrangements with other leading semiconductor companies and licenses from third parties of technology incorporated in our products and used to operate our business. We are no longer a beneficiary under some of these agreements and arrangements. There may be third parties who had refrained from asserting intellectual property infringement claims against our products or processes while we were a business segment of Hynix that elect to pursue such claims against us now that we are an independent company. In addition, some of our technologies have been sublicensed from Hynix on a non-exclusive basis and Hynix may sublicense such technologies to others. We have cross-licensed most of our technologies to Hynix. This cross-license is subject to the non-competition provision of the Hynix business transfer agreement. See "Certain relationships and related transactions—The Acquisition." Our competitors may develop, patent or gain access to similar know-how and technology. Failure to protect our existing intellectual property rights may result in the loss of valuable technologies or having to pay other companies for infringing on their intellectual property rights.

**We are subject to many environmental laws and regulations that could affect our operations or result in significant expenses.**

We are subject to requirements of environmental, health and safety laws and regulations in each of the jurisdictions in which we operate, governing, among other things, air emissions, wastewater discharges, the generation, use, handling, storage and disposal of, and exposure to, hazardous substances (including asbestos) and wastes, soil and groundwater contamination and employee health and safety. These laws and regulations are complex, constantly changing and have tended to become more stringent over time. We cannot assure you that we have been, or will be at all times, in complete compliance with all these laws and regulations or that we will not incur material costs or liabilities in connection with these laws and regulations in the future. The adoption of new environmental, health and safety laws, the failure to comply with new or existing laws, or issues relating to hazardous substances could subject us to material liability (including substantial fines or penalties), impose the need for additional capital equipment or other process requirements upon us, curtail our operations, or restrict our ability to expand operations.

**We could suffer adverse tax and other financial consequences as a result of changes in, or differences in the interpretation of, applicable tax laws.**

Our company organizational structure is based, in part, on assumptions about the various tax laws, including withholding tax, and other laws of applicable non-U.S. jurisdictions. In addition, MagnaChip Korea was granted

a limited tax-holiday under Korean law in October 2004, which provides for certain tax exemptions for corporate taxes, withholding taxes, acquisition taxes, property and land taxes and other taxes for varying number of years. Our interpretations and conclusions are not binding on any taxing authority, and, if our assumptions about tax and other laws are incorrect, if the authorities were to change or modify the relevant laws or if MagnaChip Korea were to lose its tax holiday, we could suffer adverse tax and other financial consequences or have the anticipated benefits of our company organizational structure materially impaired.

**A limited number of persons indirectly control us and may exercise their control in a manner adverse to your interests.**

CVC, Francisco Partners, and CVC Asia Pacific, own approximately 34%, 34% and 18%, respectively, of the outstanding voting interests in MagnaChip LLC. By virtue of their ownership of these voting interests, and the securityholders' agreement among MagnaChip LLC and its securityholders, these entities have significant influence over our management and will be able to determine the outcome of all matters required to be submitted to the securityholders for approval, including the election of a majority of our directors and the approval of mergers, consolidations and the sale of all or substantially all of our assets. The interests of CVC, Francisco Partners and CVC Asia Pacific as equity owners of ours may differ from your interests, and, as such, they may take actions which may not be in your interest. See "Security ownership of certain beneficial owners and management," "Management—Board Composition" and "Certain relationships and related transactions."

**We may need additional capital in the future and it may not be available on acceptable terms or at all.**

We may require more capital in the future to fund our operations, finance investments in equipment and infrastructure, and respond to competitive pressures and potential strategic opportunities. Additional capital may not be available when needed or, if available, may not be available on satisfactory terms. If we are unable to obtain capital on favorable terms, or if we are unable to obtain capital at all, we may have to reduce our operations or forego opportunities and it may have a material adverse effect on our business, financial condition and results of operations.

**Our international operations are subject to various risks that may lead to decreases in financial results.**

We face risks inherent in international operations, such as unexpected changes in regulatory requirements, tariffs and other market barriers, political, social and economic instability, adverse tax consequences, war, civil disturbances and acts of terrorism, difficulties in accounts receivables collection, extended payment terms and differing labor standards, enforcement of contractual obligations and protection of intellectual property. These risks may lead to increased costs or decreased revenue growth, or both.

**We are subject to risks associated with currency fluctuations.**

Our revenues are denominated in various currencies, specifically, the Korean Won, Japanese Yen, Euro and U.S. dollar. As a result, changes in the exchange rates of these currencies or any other applicable currencies to the U.S. dollar will affect the translated price of products and therefore operating margins and could result in exchange losses.

The majority of our costs are denominated in Korean Won and to a lesser extent in Japanese Yen, U.S. dollar and Euro. Therefore, changes in the exchange rates of these currencies or any other applicable currencies to the U.S. dollar will affect cost of goods sold and operating margins and could result in exchange losses.

We cannot fully predict the impact of future exchange rate fluctuations on our profitability. From time to time, we may have engaged in, and may continue to engage in, exchange rate hedging activities in an effort to mitigate the impact of exchange rate fluctuations. However, we cannot assure you that any hedging technique we implement will be effective. If it is not effective, we may experience reduced operating margins.

**Our historical and pro forma financial information may not be representative of our results as a separate company.**

We have limited operating history as a stand-alone company due to our recent acquisition by the equity sponsors in October 2004. Prior to the Acquisition, we operated as a division of Hynix. Historical financial information we have included in this prospectus prior to September 30, 2004 has been derived from Hynix's consolidated financial statements, is presented on a carve-out basis and does not necessarily reflect what our financial position, results of operations or cash flows would have been had we been a separate, stand-alone company during the periods presented. As carve-out financial statements, the financial statements include allocations of the costs of shared activities and overhead of Hynix and of intangible assets and property, plant and equipment shared with Hynix. These allocations are based upon various assumptions and estimates, some of which are subjective. Actual results of our operations had we operated on a stand-alone basis, may differ from those allocations and estimates. Also, as part of the Acquisition we did not acquire certain assets that were included in the carve-out financial statements and we assumed certain additional costs and obligations that are not reflected in the carve-out financial statements. Accordingly, the carve-out financial statements should not be relied upon as being representative of our financial position or operating results had we operated on a stand-alone basis, nor may they be representative of our financial position or operating results following the Acquisition. In addition, the pro forma statements of operations for the year ended December 31, 2004 and for the three-month period ended March 31, 2004 are not intended to represent what our results of operations would be after giving effect to the Acquisition and related adjustments, or to project our results of operations for any future period. Therefore, investors should not place undue reliance on the pro forma statements of operations. See "Unaudited pro forma consolidated statements of operations," "Selected financial and other data" and "Management's discussion and analysis of financial condition and results of operations" and our historical financial statements and the notes to those statements included elsewhere in this prospectus.

**We depend on Hynix for services and our business and results of operations could be adversely affected if Hynix were unwilling or unable to provide such services or terminated the relationship.**

Pursuant to agreements we entered into at the time we acquired our business, a number of services that are essential to our business are provided to us by or through Hynix. Some of these services include electricity, bulk gasses and de-ionized water, campus facilities, wastewater and sewage management and environmental safety and facility monitoring services. If any of our agreements with Hynix were terminated or if Hynix were unwilling or unable to fulfill its obligations to us under the terms of these agreements, we may experience a material decrease in our production capabilities and increase in our expenses.

In addition, we lease building and warehouse space from Hynix in Cheongju, Korea and Ichon, Korea and lease to Hynix some of the space we own in Cheongju, Korea. If Hynix were to become insolvent, we could lose our leases on some of our building and warehouse space.

**Third parties may seek to hold us responsible for liabilities of Hynix that we did not assume in connection with the acquisition of our business from Hynix.**

Third parties may seek to hold us responsible for Hynix's retained liabilities. Under our agreements with Hynix, Hynix has agreed to indemnify us for claims and losses relating to such retained liabilities. However, if such liabilities are significant and we are ultimately held liable for them, we cannot assure you that we will be able to recover the full amount of our losses from Hynix.

**Research and development investments may not yield profitable and commercially viable products and thus will not necessarily result in increases in revenues for us.**

We invest significant resources in our research and development. However, research and development efforts may not yield commercially viable products. During each stage of research and development there is a

substantial risk that we will have to abandon a potential product which is no longer marketable and in which we have invested significant resources. In the event we are able to develop viable new products, a significant amount of time will have elapsed between our investment in the necessary research and development effort and the receipt of any related revenues.

**Investor confidence and the price of the notes may be adversely impacted if we are unable to comply with Section 404 of the Sarbanes-Oxley Act of 2002.**

Following the exchange offer, we will become an SEC reporting company. As a reporting company, we will be subject to rules adopted by the SEC pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, which require us to include in our annual report on Form 10-K our management's report on, and assessment of the effectiveness of, our internal controls over financial reporting. In addition, our independent auditors must attest to and report on management's assessment of the effectiveness of our internal controls over financial reporting. If we fail to achieve and maintain the adequacy of our internal controls, there is a risk that we will not comply with all of the requirements imposed by Section 404. Moreover, effective internal controls, particularly those related to revenue recognition, are necessary for us to produce reliable financial reports and are important to helping prevent financial fraud. Any of these possible outcomes could result in an adverse reaction in the financial marketplace due to a loss of investor confidence in the reliability of our financial statements, which ultimately could harm our business and could negatively impact the market price of our securities.

## Use of proceeds

The exchange offer is intended to satisfy our obligations under the registration rights agreements we entered into with the initial purchasers of the old notes. We will not receive any proceeds from the exchange offer. In consideration for issuing the new notes, we will receive old notes of like principal amount, the terms of which are identical in all material respects to the new notes. We will retire and cancel all of the old notes tendered in the exchange offer. Accordingly, issuance of the new notes will not result in any increase in our indebtedness. We have agreed to bear the expenses of the exchange offer.

## Capitalization

The following table sets forth our capitalization as of April 3, 2005. This table should be read in conjunction with "Use of proceeds," "Unaudited pro forma consolidated statements of operations," "Management's discussion and analysis of financial condition and results of operations," "Description of other obligations," "Description of the new second priority notes," "Description of the new senior subordinated notes" and our consolidated financial statements included elsewhere in this prospectus.

| | As of April 3, 2005 |
|---|---|
| | (in millions of US dollars) |
| Debt | |
| Senior secured revolving credit facility(1) | $ — |
| Floating rate second priority senior secured notes | 300.0 |
| 6 7/8% second priority senior secured notes | 200.0 |
| 8% senior subordinated notes | 250.0 |
| **Total debt** | $ 750.0 |
| Series B redeemable convertible preferred units; 550,000 units authorized, 450,693 units issued and 93,997 units outstanding | $ 99.0 |
| **Unitholders' equity** | |
| Common units; 65,000,000 units authorized, 52,533,003 units issued and outstanding | $ 52.5 |
| Additional paid-in-capital—warrants | 2.1 |
| Accumulated deficit | (52.9) |
| Accumulated other comprehensive income | 25.3 |
| Total unitholders' equity | $ 27.0 |
| Total capitalization | $ 875.9 |

Footnotes:
(1) Our total borrowing capacity under the senior secured credit facility is $100 million.

**Unaudited pro forma consolidated statements of operations**

On October 6, 2004, MagnaChip LLC and its subsidiaries completed their purchase of the non-memory business of Hynix, as outlined in the Business Transfer Agreement, or BTA. We refer to the acquisition transaction, including the related definitive agreements with Hynix, as the "Acquisition."

The following table sets forth our unaudited pro forma and actual consolidated statements of operations for the periods indicated. We have derived the actual statement of operations data for the nine-month period ended September 30, 2004 and for the three-month period ended December 31, 2004 from our audited consolidated financial statements, and we have derived the actual statement of operations data for the three-month period ended March 31, 2004 from our unaudited consolidated financial statements, all included elsewhere in this prospectus.

The unaudited pro forma consolidated statements of operations are based on our actual consolidated financial statements included elsewhere in this prospectus, which, prior to October 1, 2004 were prepared on a carve-out basis in connection with the purchase of our business from Hynix; such carve-out information is not intended to be a complete presentation of the operating results or financial position of our company on a stand-alone basis.

The carve-out financial statements include allocations of the costs of shared activities and overhead of Hynix and of intangible assets and property, plant and equipment shared with Hynix. These allocations are based upon various assumptions and estimates and actual results may differ from these allocations, assumptions and estimates. Also, as part of the Acquisition we did not acquire certain assets that were included in the carve-out financial statements and we assumed certain additional costs and obligations that are not reflected in the carve-out financial statements. Accordingly, the carve-out financial statements should not be relied upon as being representative of our financial position or operating results had we operated on a stand-alone basis, nor may they be representative of our financial position or operating results following the Acquisition.

The pro forma financial information is not intended to represent what our results of operations would be after giving effect to the Acquisition, or to project our results of operations for any future period. Therefore, investors should not place undue reliance on the pro forma statements of operations.

The accompanying consolidated statements of operations for the year ended December 31, 2004 and for the three-month period ended March 31, 2004, are presented:

(i) on an actual basis; and

(ii) on a pro forma basis, to give effect to the Acquisition, and related adjustments, as if it had occurred on January 1, 2004.

These unaudited pro forma consolidated statements of operations should be read with the other information contained under the captions "Capitalization," "Selected financial data and other data," "Management's discussion and analysis of financial condition and results of operations" and with the audited and unaudited consolidated financial statements, all included elsewhere in this prospectus.

**Unaudited Pro Forma Consolidated Statement of Operations (in millions of US dollars, except unit data)**
**For the three-month period ended March 31, 2004**

| | Actual | Pro Forma Adjustments | Pro Forma |
|---|---|---|---|
| Net sales | $263.8 | (29.6)(f) | $ 235.6 |
| | | 1.4 (h) | |
| Cost of sales | 207.8 | (45.4)(a) | 163.5 |
| | | (1.5)(g) | |
| | | 1.2 (h) | |
| | | 1.4 (j) | |
| Gross profit | 56.0 | | 72.1 |
| Selling, general and administrative | 19.9 | 5.9 (a) | 27.0 |
| | | 0.9 (b) | |
| | | 0.1 (h) | |
| | | 0.2 (j) | |
| Research and development | 23.9 | (0.9)(a) | 22.5 |
| | | 0.4 (h) | |
| | | 0.0 (j) | |
| | | (0.9)(k) | |
| Operating income | 12.2 | | 22.6 |
| Other income (expenses) | | | |
| Interest expense, net | (7.3) | (6.8)(c) | (17.9) |
| | | (4.3)(c) | |
| | | 0.5 (d) | |
| Foreign currency gain | 7.9 | | 7.9 |
| Foreign currency loss | (4.1) | | (4.1) |
| Others, net | 0.4 | | 0.4 |
| | (3.1) | | (13.7) |
| Income before income taxes | 9.1 | | 8.9 |
| Income tax expenses | 1.1 | 0.7 (i) | 1.8 |
| Net income | $ 8.0 | | $ 7.1 |
| Dividends to preferred unitholders | | 13.4 (e) | $ 13.4 |
| Net loss attributable to common units | | | $ (6.3) |
| Net loss per common unit—basic and diluted | | (l) | $ (0.12) |
| Weighted average number of units—basic and diluted | | (l) | 52,533,003 |

**Unaudited Pro Forma Consolidated Statement of Operations (in millions of US dollars, except unit data)**
**For the year ended December 31, 2004**

| | Actual | Actual | | |
|---|---|---|---|---|
| | For the nine-month period ended September 30, 2004 | For the three-month period ended December 31, 2004 | Pro Forma Adjustments | Pro Forma |
| Net sales | $ 841.6 | $ 243.6 | (81.9)(f)<br>4.2 (h) | $ 1,007.5 |
| Cost of sales | 654.6 | 204.5 | (160.6)(a)<br>(1.7)(g)<br>3.7 (h)<br>5.1 (j) | 705.6 |
| Gross profit | 187.0 | 39.1 | | 301.9 |
| Selling, general and administrative | 54.0 | 29.8 | 13.7 (a)<br>2.8 (b)<br>0.2 (h)<br>0.6 (j) | 101.1 |
| Research and development | 75.7 | 22.1 | (5.4)(a)<br>1.1 (h)<br>0.1 (j)<br>(2.8)(k) | 90.8 |
| Operating income | 57.3 | (12.8) | | 110.0 |
| Other income (expenses) | | | | |
| Interest expense, net | (17.7) | (16.7) | (22.6)(c)<br>(2.6)(c)<br>1.6 (d) | (58.0) |
| Foreign currency gain | 12.4 | 43.3 | | 55.7 |
| Foreign currency loss | (7.1) | (12.9) | | (20.0) |
| Others, net | 1.1 | | | 1.1 |
| | (11.3) | 13.7 | | (21.2) |
| Income before income taxes | 46.0 | 0.9 | | 88.8 |
| Income tax expenses | 2.8 | 6.7 | 8.3 (i) | 17.8 |
| Net income (loss) | $ 43.2 | $ (5.8) | | $ 71.0 |
| Dividends to preferred unitholders | | $ 13.4 | 7.2 (e) | $ 20.6 |
| Net income (loss) attributable to common units | | $ (19.2) | | $ 50.4 |
| Net loss per common unit—basic and diluted | | | (l) | $ 0.96 |
| Weighted average number of units—basic and diluted | | | (l) | 52,533,003 |

**Notes to Unaudited Pro Forma Consolidated Statements of Operations**

a. At the date of the Acquisition, based on an independent valuation, MagnaChip recorded a fair value adjustment to increase the carrying value of property, plant and equipment and record acquired intangibles, at September 30, 2004. At that date, MagnaChip also re-assessed the remaining useful lives of the acquired property, plant and equipment, and commenced depreciation on a straight-line basis, using the remaining useful lives of the acquired property, plant and equipment and acquired intangibles. Adjustment to decrease (increase) depreciation and amortization for the year ended December 31, 2004 and for the three-month period ended March 31, 2004, is allocated to cost of goods sold, selling, general and administrative, and research and development expenses, based on the location, use and categorization of the underlying assets, as follows:

| | For the year ended December 31, 2004 | For the three-month period ended March 31, 2004 |
|---|---|---|
| | (in millions of US dollars) | |
| Cost of goods sold | $ 160.6 | $ 45.4 |
| Selling, general and administrative expenses | (13.7) | (5.9) |
| Research and development expenses | 5.4 | 0.9 |
| | $ 152.3 | $ 40.4 |

The fair value adjustment of property, plant and equipment acquired, the addition of acquired intangibles, and the change in their estimated useful lives will have the effect of decreasing operating income in each of the years ended December 31, 2005 to 2009 as follows:

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| | (in millions of US dollars) | | | | |
| Decrease in operating income | $76.1 | $122.2 | $26.3 | $14.9 | $9.1 |

b. For certain financial advisory and consulting services to us, parties related to CVC and Francisco Partners are each paid the greater of $1.4 million or 0.15% of annual consolidated revenue, and a party related to CVC Asia Pacific is paid the greater of $0.7 million or 0.08% of annual consolidated revenue. The accompanying pro forma consolidated statements of operations for the year ended December 31, 2004 and for the three-month period ended March 31, 2004 have been adjusted to reflect these additional costs of $2.8 million, and $0.9 million, respectively.

c. For the pro forma statement of operations for the year ended December 31, 2004, to remove the interest expense allocated to the accompanying historical US GAAP carve-out consolidated statement of operations for the nine-month period ended September 30, 2004, and replace with the interest expense, which would have been incurred if the $200 million Second Priority Senior Secured Notes, the $300 million Floating Rate Second Priority Senior Secured Notes and the $250 million Senior Subordinated Notes, had been in place from January 1, 2004 through September 30, 2004. For the pro forma statement of operations for the three-month period ended March 31, 2004, to remove the interest expense allocated to the accompanying historical US GAAP carve-out consolidated statement of operations for the nine-month period ended September 30, 2004, and replace with the interest expense which was incurred in the period from October 1, 2004 through December 31, 2004. The resulting impact is an increase to interest expenses of $22.6 million, and $6.8 million, for the year ended December 31, 2004 and for the three-month period ended March 31, 2004, respectively. The weighted average interest rate on the debt included in the accompanying pro forma consolidated statements of operations for the year ended December 31, 2004 and for the three-month period ended March 31, 2004 was 6.7% and 6.2%, respectively. In addition, to increase the amortization of capitalized debt issuance costs by $2.6 million, and $4.3 million, in the accompanying pro forma statements of operations for the year ended December 31, 2004 and for the three-month period ended March 31, 2004, respectively.

d. In connection with the Acquisition, MagnaChip did not assume certain capital leases which were included in the historical US GAAP carve-out consolidated financial statements for the nine-month period ended

September 30, 2004. Adjustment to record the reduction in interest expenses of $1.6 million and $0.5 million for the year ended December 31, 2004 and for the three-month period ended March 31, 2004, respectively.

e. Adjustment to record additional dividends of $7.2 million for the year ended December 31, 2004, on Series B redeemable convertible preferred units, which were issued and outstanding after the refinancing on December 23, 2004, as if they had been outstanding from January 1, 2004, to September 30, 2004. Adjustment to record additional dividends of $13.4 for the three-month period ended March 31, 2004, to reflect the Series A and Series B redeemable convertible preferred units, which were issued and outstanding for the first quarter after the Acquisition.

f. The accompanying historical US GAAP carve-out consolidated statement of operations for the nine-month period ended September 30, 2004 includes net sales at cost plus a historical margin, from the contract manufacturing services related to the wafer foundry service for Hynix. In accordance with the BTA, and following the Acquisition, these sales are being made at cost. Accordingly an adjustment is made to eliminate this historical margin of $81.9 million, and $29.6 million, for the year ended December 31, 2004 and for the three-month period ended March 31, 2004, respectively.

g. The accompanying historical US GAAP carve-out consolidated statement of operations for the nine- month period ended September 30, 2004 includes cost of sales, at an amount of cost plus historical margin, from the Hynix' contract manufacturing services related to the wafer foundry service for MagnaChip. In accordance with the BTA, and following the Acquisition, these purchases from Hynix are being made at Hynix's cost. Accordingly an adjustment is made to eliminate this historical margin of $1.7 million, and $1.5 million, for the year ended December 31, 2004 and for the three-month period ended March 31, 2004, respectively.

h. In accordance with the BTA, MagnaChip has entered into a series of service agreements with Hynix for its use of certain Hynix facilities and services at costs different than those which have been assumed in the accompanying historical US GAAP carve-out consolidated statement of operations for the nine-month period ended September 30, 2004. The primary service agreements include the provision of utilities at the manufacturing facilities. In addition, in accordance with the BTA, MagnaChip has entered into agreements to provide Hynix use of its own facilities, and charges them a rental fee accordingly. The revenue and costs in the accompanying pro forma consolidated statements of operations for the year ended December 31, 2004 and for the three-month period ended March 31, 2004, have been increased as follows:

| | For the year ended December 31, 2004 | For the three-month period ended March 31, 2004 |
|---|---|---|
| | (in millions of US Dollars) | |
| Revenue | $ 4.2 | $ 1.4 |
| Cost of goods sold | $ 3.7 | $ 1.2 |
| Selling general and administrative expenses | 0.2 | 0.1 |
| Research and development expenses | 1.1 | 0.4 |
| | $ 5.0 | $ 1.7 |

i. To reflect an adjustment for an estimated income tax provision as if MagnaChip LLC and its subsidiaries had operated as a stand alone corporate entity, at a pro forma tax rate of 20%. Pro forma as adjusted income tax expenses totaled $17.8 million, and $1.8 million, for the year ended December 31, 2004 and for the three-month period ended March 31, 2004, respectively.

j. In accordance with the BTA, MagnaChip, entered into a contract with Hynix to obtain water services at an incremental cost than previously obtained from Hynix as follows:

| | For the year ended December 31, 2004 | For the three-month period ended March 31, 2004 |
|---|---|---|
| | (in millions of US dollars) | |
| Cost of sales | $ 5.1 | $ 1.4 |
| Selling, general and administrative expenses | 0.6 | 0.2 |
| Research and development expenses | 0.1 | 0.0 |
| | $ 5.8 | $ 1.6 |

k. Following the Acquisition, MagnaChip has entered into agreements to license certain intellectual property rights, previously shared with Hynix. The accompanying pro forma consolidated statements of operations for the year ended December 31, 2004 and for the three-month period ended March 31, 2004 have been adjusted to reflect a reduction in related costs of $2.8 million, and $0.9 million, respectively.

l. Pro forma earnings per unit for the year ended December 31, 2004 and for the three-month period ended March 31, 2004 are based on the assumption that units and unit equivalents outstanding as of December 31, 2004 were outstanding throughout the year. The weighted average units outstanding, basic and diluted were calculated based on:

| | For the year ended December 31, 2004 | | For the three-month period ended March 31, 2004 | |
|---|---|---|---|---|
| | Basic | Diluted | Basic | Diluted |
| Units | | | | |
| Common units | 52,533,003 | 52,533,003 | 52,533,003 | 52,533,003 |
| Series A redeemable convertible preferred units | — | — | — | — |
| Series B redeemable convertible preferred units | — | 93,997 | — | 93,997 |
| Options | — | 1,146,178 | — | 1,146,178 |
| Warrants | — | 5,079,254 | — | 5,079,254 |
| Weighted average units outstanding | 52,533,003 | 58,852,432 | 52,533,003 | 58,852,432 |

The following sets forth the computation of pro forma basic income (loss) per unit:

| | For the year ended December 31, 2004 | For the three-month period ended March 31, 2004 |
|---|---|---|
| | (in millions of US dollars, except unit data) | |
| Net income | $ 71.0 | $ 7.1 |
| Dividends to preferred unitholders | 20.6 | 13.4 |
| Net income (loss) attributable to common units | $ 50.4 | $ (6.3) |
| Weighted average common units outstanding | 52,533,003 | 52,533,003 |
| Net income (loss) per unit—basic | $ 0.96 | $ (0.12) |

The effects of the Series B redeemable preferred units, options and warrants are excluded from the calculation of pro forma diluted earnings per unit for the year ended December 31, 2004 and for the three-month period ended March 31, 2004, as their effects are anti-dilutive.

## Selected financial and other data

The following table sets forth our selected actual financial and other data as of the dates and for the periods indicated. We have derived the statement of operations data for the years ending December 31, 2002, 2003 and for the nine-month period ended September 30, 2004, and for the three-month period ended December 31, 2004 and the balance sheet data as of December 31, 2003 and 2004, and at September 30, 2004 from our audited consolidated financial statements and related notes that are included elsewhere in this prospectus. We have derived the statement of operations data for the year ended December 31, 2001, and the balance sheet data as of December 31, 2001, and 2002 from our audited consolidated financial statements and related notes that are not included in this prospectus. We have derived the actual statements of operations data and summary consolidated balance sheet data, as of and for each three-month period ended March 31, 2004 and April 3, 2005, from our unaudited consolidated financial statements that are included elsewhere in this prospectus. These audited and unaudited financial statements and the related notes thereto have been prepared in accordance with accounting principles generally accepted in the United States of America. The information set forth below is not necessarily indicative of results that should be expected for future periods.

On October 6, 2004, MagnaChip Semiconductor LLC, completed its acquisition of the business from Hynix. For accounting purposes and consistent with our reporting periods, we have used October 1, as the effective date of the Acquisition since the financial results from October 1, 2004 onwards accrued to our benefit. As a result, we have reported our operating results and financial position for all periods from and after October 1, 2004, as those of the successor company. The predecessor company periods and the successor company periods have different bases of accounting and are therefore not comparable.

You should read the information contained in this table in conjunction with "Management's discussion and analysis of financial condition and results of operations" and our historical financial statements and the accompanying notes thereto included elsewhere in this prospectus.

| | Predecessor | | | | | Successor | |
|---|---|---|---|---|---|---|---|
| | For the year ended December 31, | | | For the three-month period ended March 31, 2004 | For the nine-month period ended September 30, 2004 | For the three-month period ended | |
| | 2001 | 2002 | 2003 | | | December 31, 2004 | April 3, 2005 |
| | Actual | Actual | Actual | Actual | Actual | Actual | Actual |
| | (in millions of US dollars, except ratios and unit data) | | | | | | |
| **Statement of Operations Data** | | | | | | | |
| Net Sales | | | | | | | |
| Related parties(1) | $ 396.6 | $ 306.8 | $ 260.7 | $ 62.7 | $ 163.8 | $ — | $ — |
| Others | 481.1 | 393.5 | 570.1 | 201.1 | 677.8 | 243.6 | 213.4 |
| | 877.7 | 700.3 | 830.8 | 263.8 | 841.6 | 243.6 | 213.4 |
| Cost of sales | 768.9 | 691.0 | 752.5 | 207.8 | 654.6 | 204.5 | 187.4 |
| Gross profit | 108.8 | 9.3 | 78.3 | 56.0 | 187.0 | 39.1 | 26.0 |
| Selling, general and administrative | 104.8 | 61.9 | 68.7 | 19.9 | 54.0 | 29.8 | 28.5 |
| Research and development | 59.6 | 87.0 | 86.6 | 23.9 | 75.7 | 22.1 | 26.1 |
| Operating income (loss) | (55.6) | (139.6) | (77.0) | 12.2 | 57.3 | (12.8) | (28.6) |
| Interest expense, net | (90.9) | (46.8) | (37.8) | (7.3) | (17.7) | (16.7) | (13.9) |
| Foreign currency gain | 19.9 | 19.1 | 9.9 | 7.9 | 12.4 | 43.3 | 22.1 |
| Foreign currency loss | (29.7) | (10.5) | (8.5) | (4.1) | (7.1) | (12.9) | (8.5) |
| Others, net | 1.4 | 1.3 | 1.1 | 0.4 | 1.1 | — | — |
| Other income (expenses) | (99.3) | (36.9) | (35.3) | (3.1) | (11.3) | 13.7 | (0.3) |
| Income (loss before income taxes) | (154.9) | (176.5) | (112.3) | 9.1 | 46.0 | 0.9 | (28.9) |
| Income tax expenses | 1.4 | 1.8 | 1.4 | 1.1 | 2.8 | 6.7 | 2.4 |
| Net income (loss) | $ (156.3) | $ (178.3) | $(113.7) | $ 8.0 | $ 43.2 | $ (5.8) | $ (31.3) |
| Dividends to preferred unitholders | N/A | N/A | N/A | N/A | N/A | $ 13.4 | $ 2.4 |
| Net loss attributable to common units | N/A | N/A | N/A | N/A | N/A | $ (19.2) | $ (33.7) |
| Net income (loss) per common unit—basic and diluted | N/A | N/A | N/A | N/A | N/A | $ (0.38) | $ (0.64) |
| Weighted average number of units—basic and diluted | N/A | N/A | N/A | N/A | N/A | 50,061,910 | 52,533,003 |
| **Balance Sheet Data** | | | | | | | |
| Cash and cash equivalents | $ — | $ — | $ — | $ — | $ — | $ 58.4 | $ 35.7 |
| Working capital(2) | (43.7) | 3.1 | 21.7 | 49.7 | 75.9 | 129.3 | 96.6 |
| Total assets | 1,299.5 | 1,077.8 | 790.0 | 754.0 | 653.8 | 1,154.5 | 1,069.9 |
| Total indebtedness(3) | 705.2 | 631.7 | 468.1 | 413.8 | 252.6 | 750.7 | 750.0 |
| Preferred units | — | — | — | — | — | 96.5 | 98.9 |
| Owners' equity | 412.1 | 268.3 | 155.3 | 172.6 | 206.7 | N/A | N/A |
| Unitholders' equity | N/A | N/A | N/A | N/A | N/A | 55.9 | 27.0 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Other Data** | | | | | | | |
| EBITDA(4) | $ 305.2 | $ 217.1 | $ 264.0 | $ 97.5 | $ 330.6 | $ 63.5 | $ 40.3 |
| Depreciation and amortization | 369.2 | 346.8 | 338.5 | 81.1 | 266.9 | 45.9 | 55.3 |
| Capital expenditures(5) | 51.0 | 63.5 | 25.2 | 17.2 | 86.7 | 23.5 | 13.0 |
| Ratio of EBITDA to interest expenses(6) | 3.4x | 4.6x | 7.0x | 13.4x | 18.7x | 3.8x | 2.9x |
| Ratio of earnings to fixed charges(7) | — | — | — | 2.2x | 3.4x | — | — |

Footnotes:

(1) Primarily relates to the provision of wafer foundry contract manufacturing services to Hynix Semiconductor, Inc., Hynix Display Technology and other related parties.

(2) Working capital is calculated as current assets less current liabilities.

(3) Total indebtedness is calculated as long and short term borrowings, including the current portion of long term borrowings.

(4) EBITDA is defined as net income (loss) plus depreciation and amortization of intangible assets, interest expense, net and provision for income taxes. EBITDA is a key financial measure but should not be construed as an alternative to operating income, cash flows from operating activities or net income, as determined in accordance with accounting principles generally accepted in the United States of America, or US GAAP. EBITDA is not a measure defined in accordance with US GAAP. We believe that EBITDA is a standard measure commonly reported and widely used by analysts and investors in our industry. However, the method of computation may or may not be comparable to other similarly titled measures of other companies. A reconciliation of net income (loss) to EBITDA is as follows:

| | Predecessor | | | | | Successor | |
|---|---|---|---|---|---|---|---|
| | For the year ended December 31, | | | For the three-month period ended March 31, 2004 | For the nine-month period ended September 30, 2004 | For the three-month period ended | |
| | 2001 | 2002 | 2003 | | | December 31, 2004 | April 3, 2005 |
| | Actual | Actual | Actual | Actual | Actual | Actual | Actual |
| | (in millions of US dollars) | | | | | | |
| **Net income (loss)** | $(156.3) | $(178.3) | $(113.7) | $ 8.0 | $ 43.2 | $ (5.8) | $ (31.3) |
| Depreciation and amortization | 369.2 | 346.8 | 338.5 | 81.1 | 266.9 | 45.9 | 55.3 |
| Interest expense, net | 90.9 | 46.8 | 37.8 | 7.3 | 17.7 | 16.7 | 13.9 |
| Provision for income taxes | 1.4 | 1.8 | 1.4 | 1.1 | 2.8 | 6.7 | 2.4 |
| **EBITDA** | $ 305.2 | $ 217.1 | $ 264.0 | $ 97.5 | $ 330.6 | $ 63.5 | $ 40.3 |

(5) Capital expenditures include purchases of intangibles, net.

(6) Ratio of EBITDA to interest expense is calculated as EBITDA divided by interest expense, net.

(7) Earnings consist of income before income taxes and fixed charges. Fixed charges consist of interest expense on debt and amortization of deferred debt issuance costs and the portion of rental expense that we believe is representative of the interest component of rental expense. Where a dash appears, our earnings were negative and were insufficient to cover fixed charges during the period. Our deficiencies to cover fixed charges in each period presented were as follows:

| | Predecessor | | | Successor | |
|---|---|---|---|---|---|
| | For the year ended December 31, | | | For the three-month period ended | |
| | 2001 | 2002 | 2003 | December 31, 2004 | April 3, 2005 |
| | Actual | Actual | Actual | Actual | Actual |
| | | | (in millions of US dollars) | | |
| Deficiencies | $154.9 | $176.5 | $112.3 | $ 12.5 | $ 31.3 |

**Management's discussion and analysis of financial condition and results of operations**

The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, "Unaudited pro forma consolidated statements of operations" and our consolidated financial statements and related notes included elsewhere in this prospectus. The discussions in this section contain forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those discussed below. See "Risk factors" for a discussion of some of the risks that could affect us in the future. Our consolidated financial statements have been prepared in accordance with United States GAAP.

**Overview**

We are a leading designer, developer and manufacturer of mixed-signal and digital multimedia semiconductors addressing the convergence of consumer electronics and communications devices. We focus on CMOS image sensors and flat panel display drivers, which are complex, high-performance mixed-signal semiconductors that capture images and enable and enhance the features and capabilities of both small and large flat panel displays. Our solutions are used in a wide variety of consumer and commercial mass market applications, such as mobile handsets, including camera-equipped mobile handsets, flat panel monitors and televisions, consumer home and mobile displays, portable and desktop computer displays, handheld gaming devices, PDAs and audio-visual equipment such as DVD players.

We derive our net sales from products and services in four principal areas: CMOS image sensors, flat panel display drivers, application processors and specialty foundry services.

- *CMOS image sensors:* Our CMOS image sensor solutions are used in image-capture applications such as camera-equipped mobile handsets, personal computer cameras, fingerprint sensors and surveillance cameras. Our highly integrated image sensors are designed to be cost-effective and to provide brighter, sharper, more colorful, and thus enhanced, image quality.
- *Flat panel display drivers:* Our flat panel display drivers are used in several major types of large and small flat panel displays, including TFT-LCD, Color-STN and OLED displays. Our flat panel display driver solutions are used in applications such as mobile handsets, flat panel televisions, displays for portable and desktop computers, handheld gaming devices and PDAs. We produce highly integrated flat panel display driver solutions and have pioneered developments in embedded memory and in the design and manufacturing of display drivers, enabling our customers to provide improved picture quality through thinner, smaller, more power efficient displays.
- *Specialty foundry services:* We use our process technology and manufacturing facilities to manufacture semiconductor wafers for third parties based on their designs. Our five fabs have a combined capacity of over 115,000 eight-inch equivalent wafers per month and are located in Cheongju and Gumi, Korea. Our fabs provide us with large scale, cost-effective and flexible capacity enabling us to rapidly scale to high volume to meet shifts in demand by our end customers.
- *Application processor solutions:* Our application processors, which are also referred to as microcontrollers, are designed into a broad range of consumer applications, such as remote control devices, home appliances, and consumer electronics. Our application processors are designed for applications requiring programmability, high-performance, low-power and cost-effectiveness.

Our business was named MagnaChip Semiconductor when it was acquired from Hynix on October 6, 2004 by CVC, Francisco Partners, CVC Asia Pacific, certain members of management and other investors, following discussions with Hynix that began in late 2001 and the execution of a definitive agreement in June 2004. Previously, we were the System IC division within Hynix which, in 1999, had been formed from the Hyundai Electronics and LG Semiconductor System IC businesses and can trace its history back to the late 1970s. Although we were previously part of Hynix, we had a history of operating autonomously within Hynix and had a separate global sales force and management structure.

In connection with the transaction, we entered into several definitive agreements with Hynix regarding key raw materials, campus facilities, research and development equipment, information technology, factory automation and wafer foundry services. We also entered into a non-exclusive cross license with Hynix which provides us with intellectual property for use in the manufacture and sale of non-memory semiconductor products. We believe that these arrangements with Hynix provide significant mutual advantages, for example, allowing us to leverage the significant historical investments in our capital equipment and shared resources. All agreements with Hynix under which we obtain essential materials or services are multiyear contracts. See "Certain relationships and related transactions—the Acquisition."

**Basis of Presentation**

Prior to October 1, 2004, our consolidated financial statements were prepared on a carve-out basis from the consolidated financial statements and accounting records of Hynix using the actual results of operations and actual basis of assets and liabilities of our business. The consolidated statements of operations include allocations of certain raw materials, other assets and accounts payable which our business has historically shared with Hynix, and allocations of certain manufacturing costs, general and administrative, sales and marketing, and other expenses. These allocations were made on a specifically identifiable basis or using the relative percentages, as compared to Hynix's other businesses, of sales, headcount, raw material consumption or other reasonable methods. We and Hynix considered these allocations to be a reasonable reflection of the utilization of services provided. Our expenses as a separate, stand alone company may be higher or lower than the amounts reflected in the consolidated statements of operations.

We believe the assumptions underlying the consolidated financial statements are reasonable. However, the consolidated financial statements may not necessarily reflect our results of operations, financial position and cash flows in the future or what our results of operations, financial position and cash flows would have been had we been a separate, stand-alone company during the periods presented.

As part of the Acquisition, we did not acquire certain assets that were included in the carve-out financial statements and we assumed certain additional obligations that are not reflected in the carve-out financial statements. Accordingly, the carve-out financial statements should not be relied upon as being representative of our financial position or operating results had we operated on a stand alone basis, nor may they be representative of our financial position or operating results following the Acquisition.

**State of the Semiconductor Industry**

The semiconductor industry experienced a significant downturn beginning in late 2000 that lasted through early 2003. According to the Semiconductor Industry Association, total semiconductor revenues declined from $204.3 billion in 2000 to $166.4 billion in 2003. As a result of this industry downturn, our net sales declined during the period. In the second half of 2003, the semiconductor industry began to recover and we experienced an improvement in our net sales as well. As a result of the downturn in the semiconductor market between 2000 and 2003, we began implementing a strategy aimed at achieving improvements in future profitability and cash flow performance by:

- Exiting product areas where we did not have, or did not believe that we would have, a leading market position, and product areas that we did not believe would offer meaningful growth opportunities; specifically, we made a strategic decision to begin to exit the optical storage semiconductor market;
- Expanding our product offerings in markets with growth rates that are expected to be higher than those of the overall semiconductor industry such as the CMOS image sensor market and the flat panel display driver market;
- Leveraging further the significant capital investments made by our former parent in our wafer manufacturing facilities that reduced our capital expenditure requirements while at the same time increased our manufacturing capacity.

Through these actions, since 2002, we have seen an improvement in our financial performance as net sales increased from $700.3 million to $1.1 billion from 2002 to 2004, on an aggregate basis, and our gross margin increased from 1.3% to 20.8% over the same period.

**Net Sales**

Our sales are derived from the sale of semiconductor products designed by us in three key areas: CMOS image sensors, flat panel display drivers, and application processors, as well as the manufacture of semiconductor wafers for third parties. We sell our products worldwide through a direct sales force and a network of sales representatives to original equipment manufacturers, or OEMs, and indirectly through distributors. Our sales offices are located in Hong Kong, Japan, Korea, Taiwan, the United Kingdom and the United States. We have several design centers in Korea, Japan and the United States strategically located to support customers in the earliest stages of product definition and design.

**Key Factors Impacting Our Cost Structure**

Utilization rate at our wafer fabrication facilities is based on the capacity of our installed equipment. As our utilization rate increases, there is significant operating leverage in our business as our fixed manufacturing costs are spread over increased output. We believe that our optimal utilization level is when utilization is above 85%. Given our expectations for long term growth in the large volume consumer end markets in which we participate, we believe that we will be able to achieve and maintain our target utilization levels.

Yield per wafer is the ratio of the number of functional dies on a wafer to the maximum number of dies that can be produced on that wafer. Improved yields result in reduced costs, which permits average selling price reductions. This in turn may enable us to achieve higher demand elasticity while maintaining our gross margin percentage. To the degree that yields increase or decrease, our contribution margins are either positively or negatively impacted. Our product design is highly integrated into our process technology, which we believe helps to improve yield rates to higher levels, earlier in a product's lifestyle.

Depreciation is a key component of our cost structure and is included in cost of sales, selling, general and administrative expenses and research and development expenses. The actual depreciation on a carved-out basis reflects the actual cost of assets. The Acquisition was accounted for using purchase accounting which required the valuation of assets at fair value, which were then reduced through the allocation of significant negative goodwill. Due to the net increase in the carrying value of our depreciable assets as a result of purchase accounting adjustments associated with the Acquisition, depreciation for the historical periods presented on a carved-out basis may not be representative of our future depreciation expense.

The rapid technological change and product obsolescence that characterize our industry requires us to make regular investments in research and development. Product development time frames vary, but in general we incur research and development costs one to three years before generating sales from new products.

We conduct our semiconductor design and development activities primarily in Korea, the United States and Japan. This allows us to have a close proximity to our customers and work interactively for improved end system performance. We have over 600 research and development personnel, with more than half holding advanced degrees as of April 3, 2005. Going forward, we expect to expand our research and development headcount and make investments in advanced software and hardware design tools that increase our design engineer productivity. We plan on adding additional design centers in other key geographic locations near strategic customers globally.

Going forward, our business will be highly dependent on key consumer markets, including mobile handsets, electronic products with flat panel displays, handheld gaming devices, PDAs, laptop and desktop computers, flat panel televisions and other electronic devices. In addition, we operate in an industry that is highly cyclical and

subject to constant and rapid technological change, product obsolescence, price erosion, evolving standards, short product life-cycles and fluctuations in product supply and demand. Through our balanced portfolio of products and the improvement in the utilization of our fixed cost structure through provision of semiconductor manufacturing services, we believe that we are better equipped to respond to changes in market conditions and improve our financial performance.

## CRITICAL ACCOUNTING POLICIES

### Revenue Recognition and Valuation

Our revenue is derived from the sale of semiconductor products we design and the manufacture of semiconductor wafers for third parties. We recognize revenue primarily upon shipment, when persuasive evidence of a sales arrangement exists, the price is fixed or determinable, title has transferred and collection of resulting receivables is reasonably assured or probable. For certain distributors, standard products are sold to the distributors without rights to return products or stock rotation or price protection rights. Generally we recognize revenue on shipment to the distributor or drop shipment to the end customer. Specialty foundry services are performed pursuant to manufacturing agreements and purchase orders. Standard products are shipped and sold based upon purchase orders from customers. All amounts billed to a customer related to shipping and handling are classified as sales, while all costs incurred by us for shipping and handling are classified as expenses. We currently manufacture a substantial portion of our products internally at our five wafer fabrication facilities. In the future, we expect to rely, to some extent, on outside wafer foundries for additional capacity and advanced technologies.

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make payment. If the financial condition of our customers were to deteriorate, additional allowances may be required. The establishment of reserves for sales discounts is based on management judgment that requires significant estimates of a variety of factors, including forecasted demand, returns and industry pricing assumptions. We record warranty liabilities for the estimated costs that may be incurred under our limited warranty. This warranty covers product defects based on compliance to our specifications and is normally applicable for twelve months from the date of purchase. These liabilities are accrued when revenues are recognized. Warranty costs include the costs to replace the defective product. Factors that affect our warranty liability include historical and anticipated rate of warranty claims on those repairs and cost per claim to satisfy our warranty obligation. As these factors are impacted by actual experience and future expectations, we periodically assess the adequacy of our recorded warranty liabilities and adjust the amounts as necessary.

### Allowance for Inventory Valuation

Inventories are stated at the lower of cost or market, using the average method, which approximates the first in, first out method. If net realizable value is less than cost at the balance sheet date, the carrying amount is reduced to the realizable value, and the difference is recognized as a loss on valuation of inventories. We estimate the net realizable value for such finished goods and work-in-progress based primarily upon the latest invoice prices and current market conditions. Inventory reserves are established when conditions indicate that the net realizable value is less than cost due to physical deterioration, obsolescence, changes in price levels, or other causes. Reserves are also established for excess inventory based on inventory levels in excess of six months of demand, as judged by management, for each specific product.

As of year end 2002, 2003 and 2004 and as of April 3, 2005, we carried such reserves of $31.8 million, $6.7 million, $6.3 million and $17.4 million, respectively.

| | December 31, | | | April 3, |
|---|---|---|---|---|
| | 2002 | 2003 | 2004 | 2005 |
| | (in millions of US dollars) | | | |
| Reserves | $31.8 | $6.7 | $6.3 | $ 17.4 |

As described above, in connection with the Acquisition and the application of purchase accounting, on October 1, 2004, we made adjustments to inventory to reflect fair value. As a result, the inventory and related reserves for historical periods presented on a carved-out basis, prior to October 1, 2004, are not representative of future levels of inventory and related reserves, after October 1, 2004.

**Useful Lives of Tangible and Intangible Assets**

We review property, plant and equipment and other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability is measured by comparison of its carrying amount with the future net cash flows the assets are expected to generate. If such assets are considered to be impaired, the impaired amount is measured as the amount by which the carrying amount of the asset exceeds the present value of the future net cash flows generated by the respective long-lived assets. Our intellectual property assets represent rights under patents, trademarks and property use rights and are amortized over the periods of benefit, ranging up to 10 years, on a straight-line basis.

**Intellectual Property**

Our success and future sales growth will depend, in part, on our ability to protect our intellectual property. We rely on a combination of patent, copyright, trademark and trade secret laws, as well as nondisclosure agreements and other methods to protect our proprietary technologies. We have approximately 12,500 registered and pending patents. However, we cannot assure you that any patent will be issued as a result of any applications or, if issued, that any claims allowed will be sufficiently broad to protect our technology. In addition, it is possible that existing or future patents may be challenged, invalidated or circumvented.

**RESULTS OF OPERATIONS**

The following table shows information derived from our consolidated statements of income expressed as a percentage of net sales for the periods presented.

| | Predecessor | | | | Successor | |
|---|---|---|---|---|---|---|
| | Year Ended December 31, | | | | | |
| | 2002 | 2003 | Nine-month period ended September 30, 2004 | Three-month period ended March 31, 2004 | Three-month period ended December 31, 2004 | Three-month period ended April 3, 2005 |
| Net sales: | | | | | | |
| Related parties | 43.8% | 31.4% | 19.5% | 23.8% | 0.0% | 0.0% |
| Others | 56.2 | 68.6 | 80.5 | 76.2 | 100.0 | 100.0 |
| | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Cost of sales | 98.7 | 90.6 | 77.8 | 78.8 | 83.9 | 87.8 |
| Gross profit | 1.3 | 9.4 | 22.2 | 21.2 | 16.1 | 12.2 |
| Selling, general and administrative | 8.8 | 8.3 | 6.4 | 7.5 | 12.2 | 13.4 |
| Research and development | 12.4 | 10.4 | 9.0 | 9.1 | 9.1 | 12.2 |
| Operating income (loss) | (19.9) | (9.3) | 6.8 | 4.6 | (5.2) | (13.4) |
| Total other income (expense) | (5.3) | (4.2) | (1.3) | (1.2) | 5.6 | (0.1) |
| Income (loss) before income taxes | (25.2) | (13.5) | 5.5 | 3.4 | 0.4 | (13.5) |
| Income tax expenses | 0.3 | 0.2 | 0.3 | 0.4 | 2.8 | 1.1 |
| Net income (loss) | (25.5)% | (13.7)% | 5.2% | 3.0% | (2.4)% | (14.6)% |
| Dividends to preferred unitholders | N/A | N/A | N/A | N/A | 5.5% | 1.1% |
| Net income (loss) attributable to common units | N/A | N/A | N/A | N/A | (7.9)% | (15.7)% |

**Comparison of Three-Month Periods Ended April 3, 2005 and March 31, 2004**

*Net Sales.* Net sales for the three-month period ended April 3, 2005 were $213.4 million, a $50.4 million or 19.1% decrease from $263.8 million for the three-month period ended March 31, 2004. The significant reduction

in year over year performance is primarily due to the reduction in DRAM foundry business with Hynix which declined by $41.1 million. Additionally, our Application Processor revenue decreased 46.3% as we have repositioned this product portfolio to de-emphasize optical storage device products and focus on consumer appliance and mobile application areas. Revenue from display driver IC's was down year over year due to inventory adjustments in the supply chain. These declines were partially offset with 23% growth in revenue for CMOS Image Sensors.

Net sales to related parties for the three-month period ended April 3, 2005 decreased by $62.7 million from the prior year. Subsequent to the the Acquisition date, all sales made to Hynix were treated as sales to others. Net sales to others were $213.4 million for the three-month period ended April 3, 2005, a $12.3 million or 6.1% increase from the prior year.

*Cost of Sales*. Cost of sales were $187.4 million for the three-month period ended April 3, 2005, a $20.4 million or 9.8% decrease from $207.8 million for the three-month period ended March 31,2004. The decrease was due to reduced variable spending on lower revenue and lower depreciation. Included in cost of sales in the three months ended April 3, 2005 was $4.5 million in amortization of the fair market value of inventory in conjunction with the valuation of assets in purchase accounting for the period ended April 3, 2005. Cost of sales as a percentage of net sales increased to 87.8% in the three-month period ended April 3, 2005 compared to 78.8% in the prior year period due to lower average selling prices and factory utilization, partially offset by a reduction in total input costs.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses were $28.5 million or 13.4% of net sales in the three-month period ended April 3, 2005, a $8.6 million or 43.2% increase from selling, general and administrative expenses of $19.9 million or 7.5% of net sales in the three-month period ended March 31, 2004. The increase in selling, general and administrative expense was primarily attributable to higher amortization of intangible assets due to purchase accounting and increased professional consulting and audit fees, partially offset by lower options expenses.

*Research and Development Expenses.* Research and development expenses were $26.1 million in the three-month period ended April, 2005, a $2.2 million or 9.2% increase from research and development expenses of $23.9 million in the quarter ended March 31, 2004. As a percentage of net sales, research and development expense increased to 12.2% in 2005 from 9.1% in 2004. The absolute dollar increase in research and development expenses was primarily attributable to our investment in improved development tools and platforms and associated maintenance contracts at our research and development centers as well as new product and process development to support next generation products.

*Operating Income (loss).* Operating loss for the three-month period ended April 3, 2005 was $28.6 million, a $40.8 million decrease from the operating income of $12.2 million for the three-month period ended March 31, 2004. Operating loss as a percentage of net sales was 13.4% in 2005 compared to operating income as a percentage of net sale of 4.6% in 2004. The operating loss for the current year quarter was primarily due to a decrease in average selling prices on reduced volume from customers who were reducing their own inventory levels. The resulting under-utilization of our manufacturing facilities resulted in lower coverage of fixed costs and with increased operating expenses the operating loss expanded to 13.5% of revenue.

*Net Interest Expense.* Net interest expense was $13.9 million during the three-month period ended April 3, 2005, a $6.6 million or 90.4% increase from $7.3 million for the three-month period ended March 31, 2004. The increase in net interest expense was primarily due to the resulting interest expense from having outstanding debt of $750 million in the current year quarter versus $413.8 million in debt on a carve out basis at March 31, 2004.

*Income Tax Expense*. Income tax expense was $2.4 million in 2005, a $1.3 million increase from 2004 income tax expense of $1.1 million. This increase was principally attributable to the effect of the Korean withholding tax on the interest income paid to our Korean company's Dutch parent company. Due to the uncertainty of utilization for foreign tax credits, the Korean withholding tax was treated as a current tax expense to the company. The income tax expense represents current income tax liability and the deferred income tax was not recorded due to uncertainty of realization.

*Foreign Currency Gains and Losses*. Foreign currency gains were $13.6 million during the three-month period ended April 3, 2005, a $9.8 million or 257.9% increase from gains of $3.8 million during the three-month period ended March 31, 2004 due to favorable currency fluctuation primarily between the Korean Won and the U.S. dollar.

*Net Loss.* Net loss was $31.3 million for the three-month period ended April 3, 2005 compared to a net income of $8.0 million for the three-month period ended March 31, 2004. This net loss was primarily due to reduced net sales and gross profit as well as increased operating expenses. Net loss as a percentage of net sales was 14.6% in 2005 compared to net income as a percentage of net sales of 3.0% in 2004.

*Net Income (Loss) Attributable to Common Units*. Net loss attributable to common units for the three months ended April 3, 2005 was $33.7 million or 15.8% of net sales reflecting $2.4 million of dividends payable to preferred unitholders. These dividends payable were accrued for the Series B redeemable convertible preferred units, which were outstanding during the current quarter. MagnaChip LLC issued Series A and B redeemable convertible preferred units during the quarter ended December 31, 2004. All of the Series A units were redeemed and most of the Series B units were redeemed during the same period.

**Comparison of Years Ended December 31, 2004 and December 31, 2003**

*Net Sales.* Net sales were $841.6 million for nine-month period ended September 30, 2004 and $243.6 million for the three-month period ended December 31, 2004, which on an aggregate basis totals $1,085.2 million in 2004, a $254.4 million or 30.6% increase compared to $830.8 million in 2003. This increase in net sales was primarily attributable to expansion of the camera-equipped mobile handset market and the increased demand for flat panel displays.

Revenue from CMOS image sensors and display driver IC's grew 193.2% and 39.2%, respectively, in the current year period versus the prior year. Specialty foundry services also grew by 69%. Growth in our three largest product groups were offset by declining revenue in application processors and DRAM foundry revenue.

Net sales to related parties were $163.8 million for the year ended December 31, 2004, a $96.9 million or 37.2% decrease from the prior year sale of $260.7 million. This decrease was largely the result of executing our strategic plan to reduce our memory wafer production and realign capacity to address more profitable business opportunities.

Net sales to others were $677.8 million for the nine-month period ended September 30, 2004 and $243.6 million for the three-month period ended December 31, 2004, which on an aggregate basis totals $921.4 million for the year ended December 31, 2004, a $351.3 million or 61.6% increase from the prior year net sales to others of $570.1 million. This increase was largely attributable to increased demand for camera-equipped mobile handsets and an increase in flat panel display market share.

*Cost of Sales.* Cost of sales were $654.6 million for the nine-month period ended September 30, 2004 and $204.5 million for the three-month period ended December 31, 2004, which on an aggregate basis totals $859.1 million for the year ended December 31, 2004, a $106.6 million or 14.2% increase from the prior year cost of sales of $752.5 million. Cost of sales as a percentage of net sales decreased to 79.2% for the year ended December 31, 2004 compared to 90.6% for the year ended December 31, 2003. The decrease in cost of sales as a percentage of net revenue was primarily attributable to increased volume and factory utilization, as well as improved product yields, that drove improved per unit costs. Depreciation costs were reduced for the three-month period ended December 31, 2004 as a result of the valuation of assets in purchase accounting. Improvements in the cost of procuring raw materials were partially offset by increases in labor and outsourcing costs.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses were $54.0 million for the nine-month period ended September 30, 2004 and $29.8 million for the three-month period ended December 31, 2004, which on an aggregate basis totals $83.8 million for the year ended December 31, 2004, a $15.1 million or 22.0% increase from the prior year selling, general and administrative expenses of $68.7 million or 8.3% of net sales in the year ended December 31, 2003. The increase in SG&A expenses for the year ended December 31, 2004 was primarily attributable to increases in payroll and bonus expenses, infrastructure costs, professional fees, option expenses and amortization of intangible assets due to purchase accounting.

*Research and Development Expenses.* Research and development expenses were $75.7 million for the nine-month period ended September 30, 2004 and $22.1 million for the three-month period ended December 31, 2004, which on an aggregate basis totals $97.8 million for the year ended December 31, 2004, a $11.2 million or 12.9% increase compared to $86.6 million in 2003. This increase in research and development expenses was primarily attributable to the increase in labor costs, development tools and maintenance contracts. Research and development expenses as a percentage of net sales decreased to 9.0% in 2004 from 10.4% in 2003.

*Operating Income (Loss).* Aggregate operating income of $44.5 million for the year ended December 31, 2004 consisted of operating income of $57.3 million for the nine-month period ended September 30, 2004 and operating loss of $12.8 million for the three-month period ended December 31, 2004, a $121.5 million or 157.8% increase compared to $77.0 million operating loss in 2003. Operating income as a percentage of net sales increased to 4.1% for the year ended December 31, 2004 from (9.3)% for the year ended December 31, 2003. The increase in operating income and operating income as a percentage of net sales was principally due to improved net sales that helped absorb fixed costs and improvements in gross profit.

*Net Interest Expense.* Net interest expense was $17.7 million for the nine-month period ended September 30, 2004 and $16.7 million for the three-month period ended December 31, 2004, which on an aggregate basis totals $34.4 million for the year ended December 31, 2004, a $3.4 million or 9.0% decrease compared to $37.8 million in 2003. Net interest expense for the year ended December 31, 2004 included the allocation of debt and related expense of $17.7 million on a carve-out basis as well as the interest expense on the bank loan and others of $16.2 million plus interest incurred on $750 million debt of $1.3 million.

*Income Tax Expense.* Income tax expense was $2.8 million for the nine-month period ended September 30, 2004 and $6.7 million for the three-month period ended December 31, 2004, which on an aggregate basis totals $9.5 million for the year ended December 31, 2004, a $8.1 million increase from the year ended December 31, 2003 income tax expense of $1.4 million . The increase was principally attributable to the effect of the business transfer that occurred in the fourth quarter of fiscal year 2004. The Company decided not to recognize deferred

tax assets for its temporary tax differences due to its uncertainty of realization, and this has led to higher income tax expense in the fiscal year.

*Net Income (Loss).* Aggregate net income for the year ended December 31, 2004 consisted of net income of $43.2 million for the nine-month period ended September 30, 2004 and net loss of $5.8 million for the three-month period ended December 31, 2004, a $151.1 million increase over a net loss of $113.7 million for the year ended December 31, 2003. Net income as a percentage of net sales increased to 3.4% for the year ended December 31, 2004 from net loss as a percentage of net sales of 13.7% for the year ended December 31, 2003. This increase was primarily a result of improved net sales and gross profit.

*Net Income (Loss) Attributable to Common Units*. On an actual basis, net loss attributable to common units for the year ended December 31, 2004 was $24.0 million or 2.2% of net sales reflecting $13.4 million of dividends payable to preferred unit holders. The dividends payable were accrued for the Series A and B redeemable convertible preferred units outstanding during the period. All of the Series A units and most of the Series B units were redeemed during the quarter ended December 31, 2004.

**Comparison of Years Ended December 31, 2003 and December 31, 2002**

*Net Sales.* Net sales were $830.8 million in 2003, a $130.5 million or 18.6% increase from 2002 net sales of $700.3 million. The increase in net sales was primarily attributable to the growth of camera equipped mobile handsets with growth of over 300% in this product group. Display driver IC growth of 34.1% was due to LCD television and flat panel monitor end market growth, the expansion of our product portfolio and the resulting increase in our sales of small display drivers for mobile handsets, portable game devices and other portable computing devices. Specialty foundry services increased 34.7% due to increased demand for our specialty manufacturing processes and capacity.

Net sales to related parties were $260.7 million for the year ended December 31, 2003, a $46.1 million or 15.0% decrease from the prior year.

Net sales to others were $570.1 million for the year ended December 31, 2003, a $176.6 million or 44.9% increase from the prior year.

*Cost of Sales.* Cost of sales were $752.5 million in 2003, a $61.5 million or 8.9% increase from the prior year at $691.0 million. Cost of sales as a percentage of net sales decreased to 90.6% in 2003 compared to 98.7% in 2002, due to improved factory utilization. The average production cost per wafer in 2003 decreased over the previous year, principally due to an increase in production of our eight-inch equivalent wafers of approximately 22.4% versus the prior year while fixed costs remained relatively stable.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses were $68.7 million or 8.3% of net sales in 2003, a $6.8 million or 11.0% increase from selling, general and administrative expenses of $61.9 million or 8.8% of net sales in 2002. The increase in SG&A expenses was primarily attributable to an increase in variable costs, such as increases in royalty payments and sales commissions.

*Research and Development.* Research and development expenses were $86.6 million or 10.4% of net sales in 2003, a $0.4 million or 0.5% decrease from research and development expenses of $87.0 million or 12.4% of net sales in 2002. This decrease in research and development expenses was primarily attributable to the expiration of royalty contracts with Motorola and Toshiba.

*Operating Income (loss).* Operating loss was $77.0 million in 2003, a $62.6 million or 44.8% decrease from the prior year operating loss of $139.6 million. Operating loss as a percentage of net sales decreased to 9.3% in 2003 from 19.9% in 2002. The decrease in operating loss as a percentage of net sales was primarily due to an increase in unit sales prices and a decrease in research and development costs.

*Net Interest Expense.* Net interest expense was $37.8 million in 2003, a $9.0 million or 19.2% decrease from 2002 net interest expense of $46.8 million. The decrease in net interest expense was primarily due to a decrease in outstanding debt on a carve out basis to $468.1 million at December 31, 2003 compared to $631.7 million at December 31, 2002.

*Income Tax Expense.* Income tax expense was $1.4 million in 2003, a $0.4 million or 22.2% decrease from 2002 income tax expense of $1.8 million. The decrease in income tax expense was principally due to a decrease in foreign subsidiaries' taxable income. The income tax expense was all current income tax expense for overseas sales subsidiaries and the deferred income tax was eliminated due to realizability.

*Net loss*. Net loss was $113.7 million in 2003, a $64.6 million or 36.2% decrease over a 2002 net loss of $178.3 million. Net loss as a percentage of net sales decreased to 13.7% in 2003 from 25.5% in 2002. This decrease was primarily a result of an increase in unit sales price and an increase in operating margin and an associated decrease in income taxes.

**Liquidity and Capital Resources**

Our principal capital requirements are to fund working capital needs, meet required debt payments, including debt service payments on the notes and, if drawn upon, the senior credit facility, to invest in research and development and fund capital expenditures. We anticipate that operating cash flow, together with available borrowing capacity under our senior credit facility, will be sufficient to meet our working capital needs, fund our research and development and capital expenditures and service requirements on our debt obligations for the foreseeable future. As of April 3, 2005 we had total long-term debt outstanding of $750 million.

We generated cash from operating activities of $10.9 million and $86.1 million for the three-month periods ended April 3, 2005 and March 31, 2004, respectively. The decrease in cash from operating activities between the two periods was due to 19.1% lower sales coupled with a 53.6% decrease in margin and increased accounts receivable. For the year ended December 31, 2004, total cash from operating activities were $329.5 million which included $312.2 million for the nine-month period ended September 30, 2004 and $17.3 million for the three-month period ended December 31, 2004, compared to $182.1 million in 2003. The significant increase was primarily attributable to the 30.6% increase in net sales and 188.8% increase in gross profit. For the years ended December 31, 2003 and 2002, the cash generated from operating activities were $182.1 million and 187.1 million, respectively. The $5.0 million decrease in 2003 was primarily due to an increase in the accounts receivable balance.

We had working capital balance of $96.6 million at April 3, 2005 and $129.3 million at December 31, 2004. The decrease of working capital balance was due to higher cash balance and inventory at December 31, 2004. As of December 31, 2003 and 2002, the working capital balances were $21.7 million and $3.1 million, respectively. The increase in 2003 was mainly due to higher accounts receivables as collection days increased from 27 to 40 days combined with a decrease in account payable days from 41 to 32 days.

For investing activities, we used cash of approximately $21.7 million for the three-month period ended April 4, 2005 and $611.3 million for the year ended December 2004 which consisted of $85.3 million for the nine months and $526.0 million for the three months. For years 2003 and 2002, the cash outflows from investing activities amounted to $21.5 million and $51.8 million, respectively.

There were cash outflows from financing activities for the preceding period the impact of carve-out accounting, which assumes that cash flows from all other activities were used to repay any outstanding borrowings. We used $13.9 million during the three-month period ended April 3, 2005 and $216.8 million in the year ended December 31, 2004 from financing activities. The $216.8 was composed of $226.8 million for the nine months and $10.0 million for the three months. For fiscal years 2003 and 2002, the cash outflows from financing activities were $160.6 million and $135.3 million, respectively.

On a historical basis, a portion of Hynix's consolidated debt was allocated to MagnaChip ("Corporate Borrowings") in addition to other short-term and long-term borrowings that were directly assignable.

The allocation of the Corporate Borrowings was estimated using our anticipated debt requirements in connection with the Acquisition, and this amount was applied as of December 31, 2003. The significant decrease in the total debt as of September 30, 2004 reflects the substantial cash flows generated during the period, much of which was assumed to have been applied toward the repayment of the outstanding debt.

In connection with the Acquisition, we assumed a total of $329.3 million in senior secured term loan facilities, which were repaid in connection with the offering of the old notes.

*Capital Expenditures.* Capital expenditures vary depending on the prevailing business factors, including current and anticipated market conditions. Capital expenditures in recent years have remained at relatively nominal levels in comparison to the operating cash flows generated during corresponding periods. We believe that this trend will continue given our existing facilities and investment plans, and our product portfolio and anticipated market conditions going forward. For the three-month period ended April 3, 2005, capital expenditures totaled $13.0 million. For the year ended December 31, 2004, capital expenditures consisted of $86.7 million for nine months and $23.5 million for three months, for an aggregate total of $110.2 million. For the years 2003 and 2002, capital expenditures totaled $25.2 million and $63.5 million, respectively. The increase in 2004 was primarily due procurement of equipment to support a turnaround in business conditions beginning in the second half of 2004. Unfavorable market conditions in 2002 and into 2003 had led to reduced capital expenditures in 2003. Consistent with previous spending patterns, future capital expenditures will focus on product line conversions, fab upgrades and continued investments in significant research and development activities.

*Future Financing Activities.* Our primary future capital requirements on a recurring basis will be funding working capital needs, meeting required debt payments and funding research and development and capital expenditures. Specifically, going forward, we expect to expand our research and development headcount and make investments in advanced software and hardware design tools that increase our design engineer productivity. In addition, we plan to add design centers in key geographical locations near our strategic customers. We anticipate that operating cash flows, together with available borrowings under our senior credit facility, will be sufficient to meet these capital requirements for the foreseeable future. We may from time to time incur additional debt.

We may need to incur additional debt or issue equity to make strategic acquisitions of investments. We cannot assure you that such financing will be available to us on acceptable terms or that such financing will be available at all.

**Contractual Obligations**

Summarized in the table below are our obligations and commitments to make future payments under debt obligations and minimum lease payment obligations as of December 31, 2004.

| | Payments Due by Period | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | 2005 | 2006 | 2007 | 2008 | 2009 | Thereafter | Interest expense |
| | (in millions of US Dollars) | | | | | | | |
| Revolving credit facility | 0.7 | 0.7 | | | | | | |
| Secured notes and subordinated note | 750.0 | | | | | | 750.0 | |
| Operating lease | 17.2 | 4.7 | 4.2 | 3.7 | 2.3 | 2.3 | | |
| Royalties payable | 3.9 | 1.5 | 1.5 | 1.5 | | | | (0.6) |
| Government grants payable(*) | 0.7 | | | | | | 0.7 | |

(*) The maturity of the government grant is not specified in the underlying agreements. However, for the purposes of this table its maturity was assumed to be greater than five years.

**Unit/Stock-based Compensation Expense**

For options granted to employees on or after October 6, 2004, we record a compensation charge equal to the excess, if any, of the deemed fair value of the stock at the measurement date over the option exercise price, in accordance with Accounting Principles Board Opinion No. 25. For all of our grants during this period, the exercise price equaled the fair value, therefore, no compensation expense resulted from these grants.

Options were previously granted by Hynix to our employees and the related compensation costs are reflected in the historical financials. For the year ended December 31 2003 and for the nine-month period ended September 30, 2004, we recorded costs of $0.2 million and $3.3 million, respectively. However, none of these options were transferred as part of the Acquisition, and therefore, no additional future charges will be taken relating to these previous option grants. On the other hand, we have established a new employee option plan and intend to make grants in the future.

**Recent accounting pronouncements**

In December 2004, FASB issued FAS 123(R), *Share-Based Payment (revised 2004)*. This revision effects current practice in a number of ways, including the elimination of the alternative to use the intrinsic value method of accounting from Accounting Principles Board ("APB") Opinion No. 25 that was provided in FASB Statement No. 123 as originally issued. This statement will be effective for us on January 1, 2006, and we are evaluating the impacts of this proposed FASB Statement on its financial statements.

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs* an amendment of ARB No. 43, Chapter 4. This Statement amends the guidance in Accounting Research Bulletin ("ARB") No. 43, Chapter 4, *Inventory Pricing*, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage), and requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. This statement is effective date for us on January 1, 2005, and we are evaluating the impacts of this proposed FASB Statement on its financial statements.

In May 2005, the FASB issued SFAS 154, *Accounting Changes and Error Corrections – a replacement of APB Opinion No. 20 and FASB Statement No. 3*. This Statement replaces APB Opinion No. 20, Accounting Changes, and FASB Statement No. 3, *Reporting Accounting Changes in Interim Financial Statements,* and changes the requirements for the accounting for and reporting of a change in accounting principle. This Statement requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. This standard is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of this standard will have no effect on our financial position and results of operations as no accounting changes or errors have occurred in the current period.

**Quantitative and Qualitative Disclosures about Market Risk**

Market risk is the risk that the value of a financial instrument will fluctuate due to changes in market conditions, including changes in interest rates and foreign exchange rates. In the normal course of our business, we are subject to market risk associated with interest rate movements and currency movements on our assets and liabilities.

*Foreign Currency Risk.* We have exposure to some foreign currency exchange-rate fluctuations on net income from our subsidiaries denominated in currencies other than U.S. dollars. We have foreign subsidiaries in Korea, Taiwan, Japan and Hong Kong. From time to time these subsidiaries have cash and financial instruments in local currency. The amounts held in Japan and Taiwan are not material in regards to foreign currency movements. However, based on the cash and financial instruments balance at December 31, 2004 for our Korean subsidiary, a 10% devaluation of the Korean Won against the U.S. dollar would have resulted in a decrease of $2.2 million in our U.S. dollar and financial instruments cash balance.

*Interest Rate Risk.* The $200 million 6 7/8% Second Priority Senior Secured Notes due 2011 and the $250 million 8% Senior Subordinated Notes due 2014 are subject to changes in fair value due to interest rate changes. If the market interest rate had decreased by 10% and all other variables were held constant from their levels at December 31, 2004, we estimate that we would have additional interest expense cost over market rate of $0.6 million (90 days basis). Our net loss for three-month period ended December 31, 2004 would have increased by 11.0% (90 days basis). The fair value on these fixed rate notes would have decreased by $12.3 million or increased by $11.7 million with a 10% increase or decrease in the interest rate, respectively.

*Cash Flow Interest Rate Risk.* We have cash flow interest rate risk related to our $300 million Floating Rate Second Priority Senior Secured Notes due 2011 as interest expense is subject to prevailing market interest rates at each balance sheet date. If the market interest rate had increased by 10% and all other variables were held constant from their levels at December 31, 2004, we estimate that we would have additional interest expense of $0.2 million (90 days basis) for these floating rate notes and our net loss for three-month period ended December 31, 2004 would have increased by 3.2% (90 days basis).

## Industry overview

Semiconductors, or "chips," are the key building blocks used to create electronic products and systems. Semiconductors perform a variety of functions, such as processing data, storing information and converting or controlling signals. With advances in technology, the functionality and performance of semiconductors have increased while the size, power requirements and unit costs have decreased. The result of these advances has been to increase the proliferation of electronic content in an increasing array of products, including in a wide variety of consumer mass products, such as automobiles, mobile handsets, digital cameras, and other consumer electronic equipment.

According to the Semiconductor Industry Association, or SIA, the overall semiconductor market grew from $17.9 billion in 1983 to $213.8 billion in 2004, representing a compound annual growth rate of 12.5%. SIA expects that between 2004 and 2007, the overall semiconductor market will grow from $213.8 billion to $259.4 billion, a compound annual growth rate of 6.7%.

### Classifications of Semiconductors

Semiconductors vary significantly depending upon the specific function or application of the end product in which the semiconductor is embedded. We view the semiconductor industry to be comprised of three broad product segments, as follows:

- Logic devices process data and range from complex semiconductors such as microprocessors to digital signal processors to application specific and standard logic products. These represent approximately 58.2% of 2004 total industry sales data (using the Gartner data for microcomponents, logic IC, and application specific semiconductors);
- Analog and mixed-signal devices interface with real world signals such as light and heat, or which process electronic signals and control electrical power. Mixed-signal products also process real-world signals but they contain some digital circuitry, although they contain more than 50% analog content. These represent 19.9% of 2004 total industry sales data (using the Gartner data for analog IC, discrete, optical and non-optical sensors), and
- Memory devices to store data. According to Gartner, memory devices represented 21.9% of total semiconductor consumption in 2004.

Our products generally fit within the first two categories above. Our CMOS image sensor products and our flat panel display drivers are mixed-signal devices, while our application processors are logic devices. Our specialty foundry services segment produces all three types of semiconductors.

Within these classifications, semiconductors vary significantly depending upon a number of technical characteristics. Examples of these characteristics include:

*Level of Integration.* "Integration" refers to the extent to which different functional elements are combined onto a single chip. Customers today are increasingly demanding higher degrees of integration from their semiconductor suppliers in order to reduce the size and cost of the semiconductors incorporated into the end product. This drive to greater integration has resulted in more semiconductor products that combine analog, digital, and memory circuitry onto a single chip. These types of semiconductors are often referred to as systems-on-a-chip.

*Customization.* "Customization" refers to the extent to which a semiconductor has been customized for a specific customer or application. Standard products are semiconductors that are not customized and can be used by a large number of customers for numerous applications. In addition, some standard products, such as microcontrollers, can be customized by using software rather than by changing device hardware. Changing the device hardware can be a time-intensive and costly process. Customized semiconductors, also referred to as application specific integrated circuits, are made to perform specific functions in specific applications, sometimes for a specific customer.

*Process Technology.* Semiconductors are manufactured by using different process technologies, which can be likened to "recipes." The process technology utilized during manufacturing impacts a semiconductor's performance for a given application. Since the 1970s, the two most common process technologies used were BiCMOS and CMOS. While BiCMOS and CMOS processes continue to be used today, new process technologies and new materials have also been introduced as semiconductor technology has advanced.

**Our Markets**

We operate in several distinct, but increasingly related, end markets which we believe have the potential to offer growth opportunities higher than the overall semiconductor market. According to the SIA, the overall semiconductor market is expected to have a compound annual growth rate of 6.7% between 2004 and 2007.

Much of the growth in the markets that we serve can be attributed to the rapid adoption and convergence of consumer electronics and communication devices such as mobile handsets, including camera-equipped mobile handsets, handheld gaming devices, PDAs, flat panel monitors and televisions, consumer home and mobile displays, and portable and desktop computers equipped with advanced displays. In addition, technological advances are driving down the cost of these products and expanding their functionality, which further accelerates their proliferation.

According to Gartner, the CMOS image sensor market is forecasted to grow at a compound annual growth rate of 20.2% from 2004 to 2008. We believe this is driven in large part by advances in CMOS image sensor technology which have enabled CMOS image sensors to provide solutions that combine high-image quality, low power consumption, small size and low cost for consumer mass market applications such as camera-equipped mobile handsets.

According to Gartner, the market for flat panel display drivers is forecasted to grow at a compound annual growth rate of 18.5% between 2004 and 2008. This growth can be attributed to the availability of advanced mobile devices that permit feature-rich applications requiring more advanced display technologies than have previously been available. For example, while early mobile handsets were used primarily for voice communication, today their uses include visually-oriented data and content-driven applications such as internet access, gaming and streaming video. Similarly, until 2001, the market for larger flat panel display drivers depended primarily on end-product demand in the laptop computer market. However, today, the mainstream market for large-size displays has expanded from a notebook computer market to include desktop monitors and televisions. With improvements in product technology and display performance, products incorporating advanced flat panel technologies such as TFT-LCD have become a popular replacement to displays and monitors based on older cathode ray tube, or CRT, technology and have further driven growth in flat panel display driver solutions.

Our application processors are also referred to as microcontrollers. According to Gartner, the microcontroller market is forecasted to grow at a compound annual growth rate of 11.7% from 2004 to 2008. The market for application processors is largely driven by competitive pressures requiring manufacturers of a wide variety of products to expand product functionality and provide differentiation while maintaining or reducing the cost of their products. These products include remote control devices, handheld tools, home appliances, mobile handsets and consumer electronics, among many others.

Application processors meet the needs of electronics manufacturers by providing advanced control functions to their product offerings. The increasing demand for application processors that provide advanced control features has made the market for application processors one of the largest segments of the semiconductor industry.

The outsourced semiconductor manufacturing, or foundry, market is also expected to grow at a higher rate than that of the overall semiconductor market. According to iSuppli, the foundry market is forecasted to grow at a compound annual growth rate of 13.4% between 2004 and 2009. Much of this growth can be attributed to the growth of fabless semiconductor companies which are semiconductor companies that focus solely on the design, marketing and sale of semiconductors without internal wafer fabrication facilities. Fabless semiconductor companies opt to have their products manufactured by third parties. Similarly, many semiconductor companies that do own their own fabrication facilities (integrated device manufacturers, or IDMs) have chosen to outsource some of their fabrication requirements for complex and high-performance semiconductor devices in order to supplement their own capabilities and become more cost-competitive. In recent years, increasing competition, shortening of product lifecycles and pricing pressures have resulted in the need for fabless companies and IDMs to offer products that provide higher performance and greater functionality which often requires outsourcing to manufacturers with advanced design capabilities and manufacturing processes.

# Business

## OVERVIEW

We are a leading designer, developer and manufacturer of mixed-signal and digital multimedia semiconductors addressing the convergence of consumer electronics and communications devices. We focus on CMOS image sensors and flat panel display drivers which are complex, high-performance mixed-signal semiconductors that capture images and enable and enhance the features and capabilities of both small and large flat panel displays. Our solutions are used in a wide variety of consumer and commercial mass market applications, such as mobile handsets, including camera-equipped mobile handsets, flat panel monitors and televisions, consumer home and mobile displays, portable and desktop computer displays, handheld gaming devices, PDAs and audio-visual equipment such as DVD players. We serve consumer markets that we believe will have higher growth rates than those of the overall semiconductor industry.

We manufacture our products using our proprietary process technology, which we believe provides our products with significant feature and cost advantages over those of our competitors. We have approximately 12,500 registered and pending patents, which we believe is one of the largest patent portfolios in the semiconductor industry. Our proprietary CMOS image sensor technology provides brighter, sharper, more colorful picture quality in image-capture applications such as camera-equipped mobile handsets and fingerprint sensors. Our proprietary flat panel display drivers enable our customers to deliver higher image quality, thinner and more power-efficient small panel displays for use in mobile handsets, handheld gaming devices and PDAs and large panel displays for use in portable and desktop computer monitors and televisions. We are also a leading provider of specialty foundry services whereby we leverage our specialized process technologies and low cost manufacturing facilities to produce semiconductors for third parties using their product designs. In addition, we provide application processors that have been designed into a wide variety of products in consumer applications such as remote control devices, home appliances and consumer electronics.

We own and operate five wafer fabrication facilities, or fabs, which have a combined production capacity of over 115,000 eight-inch equivalent wafers per month. Our fabs provide us with large-scale, cost-effective and flexible capacity, enabling us to rapidly scale to high volume to meet shifts in demand by our end customers. Our fabs also provide us with the ability to further develop our differentiated process technologies for our own product development and manufacturing. The location of our manufacturing sites and research and development resources in Korea and Japan provide close geographical proximity to many of our largest Asia-based customers and to the core of the worldwide consumer electronics supply chain.

We sell our solutions to leading original equipment manufacturers, or OEMs, which include major branded customers as well as contract manufacturers. Our CMOS image sensors are currently designed into products offered by leading global mobile handset manufacturers. Our flat panel display drivers are currently incorporated into products offered by LG.Philips LCD and Samsung, the top two flat panel display manufacturers.

During the year ended December 31, 2004, we sold over 1,500 products to more than 200 customers. During the nine-month period ended September 30, 2004 and the three-month period ended December 31, 2004, we generated actual net sales of $841.6 million and $243.6 million, respectively, or $1.1 billion on an aggregate basis, and during the year ended December 31, 2004, we generated pro forma net sales of $1.0 billion. We generated actual net sales of $213.4 million for the three-month period ended April 3, 2005.

## THE ACQUISITION

Our business was named MagnaChip Semiconductor when it was acquired from Hynix on October 6, 2004 by CVC, Francisco Partners, CVC Asia Pacific, certain members of management and other investors, following discussions with Hynix that began in late 2001 and the execution of a definitive agreement in June 2004. Previously, we were the System IC division within Hynix which, in 1999, had been formed from the Hyundai Electronics and LG Semiconductor System IC businesses and can trace its history back to the late 1970s.

Although we were previously part of Hynix, we had a history of operating autonomously within Hynix and had a separate global sales force and management structure.

In connection with the transaction, we entered into several definitive agreements with Hynix regarding key raw materials, campus facilities, research and development equipment and information technology and factory automation and wafer foundry services. We also entered into a non-exclusive cross license with Hynix which provides us with access to certain of Hynix's intellectual property for use in the manufacture and sale of non-memory semiconductor products. We believe that these arrangements with Hynix provide significant mutual operational advantages, for example, allowing us to leverage the significant historical investments in our capital equipment and providing for shared resources and other key benefits. All agreements with Hynix under which we obtain essential materials or services are multiyear contracts. We refer to the acquisition transaction, including the related definitive agreements with Hynix, as the "Acquisition." See "Certain relationships and related transactions—the Acquisition."

**RECENT DEVELOPMENTS**

On March 7, 2005, we acquired all of the capital stock of ISRON Corporation through our wholly owned Dutch subsidiary. ISRON is based in Osaka, Japan and designs, develops, and markets mixed-signal semiconductors primarily for the display driver IC market. We expect the acquisition to add key products and technology to our portfolio in the flat panel display driver market for mobile handset applications.

On April 14, 2005, we completed our acquisition of IC Media Corporation through a reverse merger with a newly formed subsidiary. Based in Santa Clara, California, IC Media is a leading developer and supplier of small pixel geometry, high-resolution CMOS image sensors for camera-equipped mobile handsets, digital still cameras, personal computer cameras and other mobile imaging applications. The company has offices in Arizona, Taiwan, China and Japan, which adds increased coverage to our global customers.

**COMPETITIVE STRENGTHS**

We believe that our competitive strengths include:

- *Leading Technology and Intellectual Property.* We believe our advanced process technology and portfolio of approximately 12,500 registered and pending patents provide us with key competitive advantages in the following areas:
  - *CMOS image sensors:* Our CMOS image sensors feature low power consumption and currently up to 2.1 megapixel resolution with auto-focus and auto-zoom options; features which provide important benefits to products incorporating our solutions, including increased battery life, enhanced image quality and ease of use.
  - *Flat panel display drivers:* We believe that our flat panel display drivers offer superior performance in shaping image signals and transmitting those signals to flat panel displays. These technical features result in sharper, brighter and higher-quality colored images in our customers' end products. Furthermore, we believe that our flat panel display drivers enable thinner and more power-efficient flat panels that are easily integrated by our customers into their products.
  - *Specialty foundry services:* We have developed high-voltage, analog power and embedded memory specialty manufacturing process technologies that enable us to manufacture differentiated, high performance integrated semiconductor devices. For example, we developed the first high-voltage, high-performance CMOS 0.18 μm process, which enables us to manufacture more integrated, and thus smaller and more cost-efficient, semiconductor products. We believe that our proprietary process technology allows us to meet a wide variety of the specialty semiconductor manufacturing needs of our customers.

- *Application processors:* We are able to leverage our system knowledge and manufacturing capabilities to provide integrated solutions in adjunct with our image-capture and display driver products. Our application processors are designed to interface with and provide intelligence to consumer electronics devices and systems. We focus on providing short turn around time for our customers in their development of specially designed products.

- *Flexible In-House Manufacturing.* Our in-house wafer manufacturing capacity allows us to provide dependable delivery and quality of integrated semiconductor products to our customers. We have the ability to ramp quickly to high volumes to meet the variable needs of our customers. We have significant wafer manufacturing capacity as a result of our former parent's investments in our wafer fabrication facilities. Because we offer specialty process technologies that do not require expensive investment in leading edge technologies, we are able to keep our capital expenditures relatively low.

- *Significant Cost Advantages.* We maintain price competitiveness on our products through our low cost operating structure. The Asian location of our primary manufacturing and research and development facilities provides us with a number of cost advantages relative to operating in other regions in the world. Additionally, we believe that our history of competing in the highly cost-sensitive markets in which we operated when we were a unit of Hynix, required us to refine our manufacturing processes for optimal cost efficiency.

- *Established Relationships with Key Consumer Electronics OEMs.* Asia Pacific is the core of the worldwide consumer electronics supply chain. According to Gartner, sales to Asia Pacific (excluding Japan) accounted for 46.5% of 2004 consumer electronic semiconductor sales. Our long history of operating in Asia and our proximity to leading communications and consumer OEMs including LG.Philips LCD, LG Electronics, Sharp and Samsung facilitates our close and established customer relationships with leading innovators in the consumer electronics market. We have active local applications and engineering work support programs and collaborate closely with our customers in the design and manufacturing of their products.

- *Significant Management and Board Expertise.* Our management and board of directors have significant previous experience with advanced semiconductor companies both in Asia and worldwide. Our Chief Executive Officer, Dr. Youm Huh, was President of the System IC division of Hynix and has held management positions at Hynix and Hyundai Electronics since 1998. Prior to that, he was a Principal Researcher at Stanford Computer Systems Laboratory and Stanford University's Center for Integrated Systems and worked at Samsung Electronics. Jerry Baker, our Chairman, has extensive industry experience, including serving as the former Executive Vice President of Global Operations of Fairchild Semiconductor. Our Executive Vice President, Strategic Operations and Chief Financial Officer, Robert Krakauer, was Executive Vice President of Corporate Operations and Chief Financial Officer of ChipPAC, a leading provider of semiconductor packaging, assembly, and test services. In addition, two of our equity sponsors, CVC and Francisco Partners, have a long history of investments in semiconductor companies. We believe that their understanding of semiconductor system solutions, relationships, and credibility with key customers provides us with a key competitive advantage.

**BUSINESS STRATEGY**

Our goal is to build upon our position as a leading provider of mixed-signal and digital multimedia semiconductors addressing the convergence of consumer electronics and communications devices. Our business strategy emphasizes the following key elements:

- *Leverage Our Substantial Intellectual Property.* We intend to use our broad patent portfolio and specific end market expertise to deliver system-level products with higher levels of integration and performance to customers in our existing and new markets. In CMOS image sensors, we intend to leverage our strong pixel design and manufacturing expertise to introduce higher resolution, more integrated and cost-effective solutions for camera-equipped mobile handsets and to penetrate emerging applications for image sensors in the automotive, medical and industrial markets over time. In flat panel display drivers,

we intend to leverage our broad library of circuit building blocks, our embedded memory capabilities, our understanding of the major flat panel display types and our process technology to continue to reduce time to market and introduce new products that enhance image quality and operate with greater power efficiency. Our manufacturing process expertise and related intellectual property underlies and supports many of the advances in our technology.

- *Strengthen Collaboration With Key Customers.* We intend to continue strengthening and deepening relationships with our key customers by collaborating on critical design and product development roadmaps. We believe such collaborative relationships will solidify our position with our customers, further our competitive differentiation and accelerate our drive for deeper customer and new market penetration. For example, close collaboration with our mobile handset customers has allowed us to deliver improved interfaces between baseband and image processors, which have resulted in solutions with smaller form factor and improved image quality.
- *Increase Large Account Penetration.* We have a global customer base consisting of leading consumer electronics OEMs and contract manufacturers. Many of our customers have multiple product variations that use image-capture and processing as well as applications processing solutions. We will seek to increase our customer penetration by taking advantage of our broad product portfolio and existing relationships to cross-sell existing products to our customers and to penetrate product variations where our solutions are currently not used.
- *Broaden Our Customer Base.* We intend to expand our customer base across various applications and geographic locations by leveraging our position as a supplier to many of the largest global consumer electronics companies and delivering to potential customers proven, innovative solutions. We also believe that as consumer electronics and communications applications converge and proliferate, we will increasingly have opportunities to sell our products into new markets such as the automotive, medical and industrial markets. We also intend to expand our global sales presence to penetrate new accounts worldwide and grow existing account relationships. We will leverage our sales representatives and distributors located in Korea, Japan, China, Taiwan, Hong Kong, Germany, the United Kingdom and the United States to further these goals.
- *Develop a Platform for Ubiquitous Convergence of Consumer Electronics and Communications Applications.* In order to serve our customers' evolving needs, we intend to extend our technology leadership by developing new features and new products that are synergistic with our existing product portfolio. We are developing additional features in our applications processors, such as video processing capability that meets the MPEG-4 standard, in order to complement our image-capture and processing products and provide our customers a system-level platform solution. We believe that as consumer electronics and communications applications converge and become even more ubiquitous, customers will look to suppliers like us to provide additional system-level solutions to enable faster time to market and better integration in end products.
- *Leverage Our Capital Light Business Model.* We acquired significant proprietary process technologies and wafer manufacturing capacity from our former parent, Hynix. We intend to leverage these investments made by Hynix to drive our growth and margin improvement. Furthermore, we plan to continue to keep our capital expenditures relatively low by maintaining our focus on specialty process technologies that do not require expensive investment in leading edge technologies. If needed, we will access other foundries that provide such technology in the future. We believe this approach will lead to a higher return on invested capital.

**PRODUCTS AND SERVICES**

We are a leading designer, developer and manufacturer of mixed-signal and digital multimedia semiconductors addressing the convergence of consumer electronics and communications devices. We focus on CMOS image sensors and flat panel display drivers which are complex, high-performance mixed-signal semiconductors that capture images and enable and enhance the features and capabilities of both small and large

flat panel displays. Our solutions are used in a wide variety of consumer and commercial mass market applications, such as mobile handsets, including camera-equipped mobile handsets, flat panel monitors and televisions, consumer home and mobile displays, portable and desktop computer displays, handheld gaming devices, PDAs and audio-visual equipment such as DVD players. We serve consumer market segments that we believe will have higher growth rates than those of the overall semiconductor industry.

We sell our solutions to leading original equipment manufacturers, or OEMs, which include major branded customers as well as contract manufacturers. Our CMOS image sensors are currently designed into products offered by leading global mobile handset manufacturers. Our flat panel display drivers are currently incorporated into products offered by LG.Philips LCD and Samsung, the top two flat panel display manufacturers. During the year ended December 31, 2004, we sold over 1,500 products to more than 200 customers.

We have a balanced portfolio of products that address many of the most rapidly growing consumer electronics markets. We provide products and services in the following four principal areas: CMOS image sensors, flat panel display drivers, semiconductor manufacturing services and application processors.

***CMOS Image Sensors***. Our highly integrated image sensors are designed to be cost effective and to provide brighter, sharper, more colorful and, thus enhanced, image quality for use primarily in applications that require small form factors, low power consumption, effective heat dissipation and high reliability. Our image sensors fully satisfy these key criteria and are used in image capture applications such as camera-equipped mobile handsets, personal computer cameras and fingerprint sensors. Our in-house manufacturing capabilities enable us to continuously fine tune our CMOS process technology to deliver improved image-capture sensitivity and accuracy.

CMOS image sensors are typically less expensive to produce and consume less power than other types of image sensors. Historically, CMOS image sensors were primarily used for low-cost applications for which high-image quality was not a priority. Recently, advances in semiconductor manufacturing processes and design techniques have led to improvements in CMOS image sensor performance and quality. As a result, CMOS image sensors have become useful, relatively low-cost solutions for use in applications such as camera-equipped mobile handsets and PDAs, where high-image quality, low power consumption, small size and low-cost are important considerations.

The CMOS image sensor market is primarily driven by sales of camera-equipped mobile handsets. According to Gartner, sales of camera equipped mobile handsets are predicted to grow from 158.9 million units in 2004 to 524.9 million units in 2008. This is a compound annual growth rate of 34.9%. The CMOS image sensor market is expected to grow from $2.4 billion in 2004 to $5.1 billion in 2008, according to Gartner. This represents a compound annual growth rate of 20.2%. Other markets for CMOS image sensors include industrial electronics, and data processing electronics. Industrial Electronics CMOS image sensors are forecasted by Gartner to grow from $188 million in 2004 to $841.0 million in 2008. This is a compound annual growth rate of 45.4%. Data Processing Electronics CMOS image sensors are forecasted by Gartner to grow from $625 million in 2004 to $1,108 million in 2008. This is a compound annual growth rate of 15.4%.

Our CMOS image sensors are characterized by a high level of integration. Most CMOS image sensors systems are made up of at least two integrated circuits: the CMOS image sensor itself and a separate image signal processor, or ISP. With the continuing demand for ever smaller camera-enabled devices, small size has become an increasingly important consideration for manufacturers of camera phones and similar products. Our products meet this demand for smaller form factors by integrating both our proprietary image sensor and image signal processor onto a single chip, thus occupying approximately half of the space required by multiple chip solutions, while providing equivalent or even superior image quality with lower power consumption and a lower overall cost.

We offer two CMOS image sensor product lines: a megapixel series and a VGA series. Our mega-pixel series provides higher-resolution images of currently up to 2.1 megapixels. Our megapixel solutions are used for

higher-end applications requiring greater resolution. Our VGA series provides resolutions of less than 0.3 megapixels and is primarily used in lower cost applications not requiring maximum image resolution.

***Flat Panel Display Drivers.*** Our flat panel display driver solutions are used in a wide variety of displays for mass market and commercial applications such as mobile handsets, handheld gaming devices, PDAs, displays for desktop and mobile computer monitors and flat panel televisions. We produce highly integrated flat panel display driver solutions and have pioneered developments in embedded memory and in the design and manufacturing of display drivers, enabling our customers to provide improved picture quality through thinner, smaller, more power-efficient displays.

Display drivers are the critical semiconductor components that enable the display's functionality. A display driver operates by interfacing with the host processor to generate the precise analog voltages and currents required to create images on the display. The performance characteristics of a display driver are critical to the quality and visual appeal of the images and text generated on the display and, in mobile devices, the power efficiency of the device. Our display drivers are highly integrated semiconductors that are customized for the particular needs of our customers. We believe that our design engineering expertise, technology leadership, manufacturing process expertise and library of functional building blocks produce display drivers that enable a wide variety of display types with high-impact visual performance.

The overall end market for flat panel display drivers is composed of a multitude of consumer electronics device markets such as television, laptop and desktop computers and portable consumer devices, including mobile handsets. This overall market can be broken down into several distinct sub-markets which we serve. These sub-markets include large panel TFTs, typically used in flat panel televisions and computer displays, small panel TFTs, typically used in mobile handsets, OLEDs and Color STNs. According to Gartner, the LCD driver market is anticipated to grow from approximately $6.9 billion in 2004 to $10.0 billion in 2008. This represents a compound annual growth rate of 9.9%. Total flat panel display market unit shipments are projected to grow from 3.1 billion units in 2003 to 7.5 billion units in 2008, according to Frost and Sullivan. This represents a compound annual growth rate of 19.2%.

We provide display drivers for use in several different types of display technologies and for a variety of end-market applications as discussed below.

- *TFT-LCD.* TFT is an advanced active matrix LCD technology that uses a matrix of transistors embedded on a thin film of silicon to change the transparency of the LCD when voltage is applied. TFT-LCD technology is currently widely used for notebook computers and large scale flat panel monitors (Large TFT) as well as for displays for high-end mobile devices such as advanced mobile handsets (Small TFT). We currently provide Large TFT display drivers for use in mobile and desktop computer displays and in stand-alone flat panel television displays. We also provide Small TFT display drivers for use in mobile handsets, PDAs and in other consumer devices such as handheld gaming devices.
- *Color STN.* Color STN is a low-power, low-cost solution based on passive matrix LCD technology and is widely used in color mobile displays available in the market today. Our Color STN display drivers are used in mobile applications such as mobile handsets, PDAs and handheld gaming devices.
- *Organic Light Emitting Diode or OLED.* OLED is a relatively new display technology used in both mobile displays as well as in larger displays. OLED technology provides enhanced picture quality, low power consumption and long product life; it also has fast image response time, making it an ideal solution for displaying motion pictures on mobile devices. We currently offer display drivers for OLED displays used in mobile handsets and other mobile devices.

***Specialty Foundry Services.*** We provide specialty foundry services primarily to semiconductor companies that do not have their own fabs. We target the market for diversified semiconductor products that require differentiated specialty process technologies for their manufacture including CMOS high-voltage, embedded memory, analog, power, and mixed-signal processes, which in general are not targeted by high-volume pure-play

participants in the foundry market. We focus on specialty process technologies that do not require significant recurring capital investment, and we are able to better differentiate ourselves through the depth of our intellectual property portfolio and process technology skills.

The increasing trend toward the outsourcing of semiconductor manufacturing has resulted in a rapid increase in the size of this market. According to iSuppli, the worldwide foundry service market is projected to grow from in excess of $21.3 billion in 2004 to $40.0 billion in 2009, a compound annual growth rate of 13.4%.

Typical applications serviced by our semiconductor manufacturing services business are mixed-signal, high-voltage, power, and logic products for consumer, computer, network and communication, industrial and military end-markets. Our internal wafer fab facilities serve both our in-house product design groups and external foundry customers, allowing for both specialty process technology expertise and flexible manufacturing capacity. We believe we are typically the primary-source provider of semiconductor manufacturing services for specialty process technologies for our foundry customers.

***Application Processors.*** We offer a broad family of application processors for end products requiring programmability, high-performance, low-power and cost-effectiveness. These end products are as diverse as home appliances such as washing machines, television remote control devices and consumer electronics and computer equipment.

Application processors typically incorporate a microcontroller as their principal active component. A microcontroller is a self-contained computer on a single semiconductor device and consists of a central processing unit, non-volatile program memory, random access memory for data storage and input/output peripheral capabilities. Because of the broad diversity of their end-product uses, the market for application processors is one of the largest semiconductor sub-markets. The microcontroller market, according to Gartner, is anticipated to grow from $14.5 billion in 2004 to $22.5 billion in 2008. This represents a compound annual growth rate of 11.7%.

Our application processor products are currently available in a variety of configurations for different end uses. Our most advanced application processors incorporate 32-bit architecture and are designed around ARM's ARM7 system on a chip. They also incorporate our proprietary embedded memory technology as well as our advanced process technology and are designed into end products requiring specialized capabilities, such as camcorders and automotive telematics systems. Our 8-bit application processors provide a highly flexible and cost effective solution for a wide variety of applications such as remote controllers and home appliances. Many of our more advanced 8-bit application processors are based on our proprietary advanced CMOS control processing unit and are used in applications requiring greater control functionality such as home computing and electronics equipment.

We believe that our core application processor intellectual property and manufacturing expertise, together with our in-house mixed-signal semiconductor and processing semiconductor capabilities will enable us to extend our application processor solutions to other high-growth applications that are synergistic with our CMOS image sensors and flat panel display drivers. We believe this will allow us to provide our customers with complete system-level platform solutions that leverage our application processor capabilities as well as our CMOS image sensor and flat panel display driver capabilities. For example, we are developing features in our application processors such as MPEG-4 video processing capability in order to complement our existing image-capture and processing solutions.

**CUSTOMERS**

During the year ended December 31, 2004, we sold over 1,500 products to more than 200 customers. In the year ended December 31, 2004, our 10 largest customers accounted for approximately 57.5% of our net sales. In the year ended December 31, 2004, except for Hynix, our two largest customers, LG.Philips LCD and Sharp,

represented 10.5% and 10.0% of our net sales, respectively. See "Risk Factors—A significant portion of our sales comes from a relatively limited number of customers."

**SALES, MARKETING AND DISTRIBUTION**

We sell our products through a direct sales force and a network of authorized agents and distributors located throughout Asia, the United States, and Europe. We have strategically located our sales and technical support offices near concentrations of major customers.

Our direct sales force consists primarily of representatives located in our headquarters in Korea, as well as representatives located elsewhere throughout Asia, the United States, and Europe. Our network of authorized agents and distributors consists of agents in the United States and Europe and distributors and agents in the Asia Pacific region. During the year ended December 31, 2004, we derived approximately 63% of net sales through our direct sales force and 37% of net sales through our network of authorized agents and distributors.

Our product inventory is primarily located in Korea. Outside of Korea, we maintain limited amounts of product inventory, and our sales representatives generally relay orders to our headquarters for fulfillment. Some of the product inventory maintained by sales representatives is subject to return privileges or stock rotation. Our agreements with our authorized agents and distributors are usually terminable by either party on relatively short notice.

**RESEARCH AND DEVELOPMENT**

Our expenditures for research and development were $97.8 million, representing 9.0% of net sales, and $90.8 million, representing 9.0% of net sales, in the year ended December 31, 2004 on an actual basis and a pro forma basis, respectively, and $26.1 million, representing 12.2% of net sales, in the three-month period ended April 3, 2005 on an actual basis.

Our research and development efforts focus on process technology, design methodology and intellectual property for our semiconductor products and specialty foundry services. As a result, we have implemented improvements to our manufacturing processes, design software and design libraries, including releasing our 0.18 μm high-voltage process and library. We also work closely with our major customers in many research and development activities, including joint intellectual property development, to increase the likelihood that our products will be more easily designed into the customers' products and consequently achieve rapid and lasting market acceptance. In CMOS image sensors, we are expanding into medical, industrial and automotive applications. In flat panel display drivers, we are focusing on further integration, especially for small displays and large displays over 40 inches. In application processors, we expect our future product portfolio to include integrated one-chip Smartcards, RFID, and 32-bit processors. In specialty foundry services, our research and development work allows us to add features such as mixed-signal, high voltage, embedded memory and power devices.

**INTELLECTUAL PROPERTY**

As of April 3, 2005 our portfolio of intellectual property assets included approximately 12,500 registered and pending patents.

Pursuant to the intellectual property license agreement that we entered into with Hynix in connection with the Acquisition, we obtained from Hynix a non-exclusive license to certain intellectual property of Hynix that is mostly patent-related, and we granted to Hynix a non-exclusive license to certain of our intellectual property. Additionally, we have entered into exclusive and non-exclusive licenses and development agreements with third parties relating to the use of intellectual property of the third parties in our products and our design processes,

including licenses related to embedded memory technology, design tools, process simulation tools, circuit designs, and ARM's ARM7 and ARM9 core-based System-on-Chip.

In addition, we rely on proprietary know-how, continuing technological innovation and other trade secrets to develop products and maintain our competitive position. We attempt to protect our proprietary know-how and our other trade secrets by executing, when appropriate, confidentiality agreements with our customers and employees. We cannot assure you that our competitors will not discover comparable or the same knowledge and techniques through independent development or other means.

**OPERATIONS AND FACILITIES**

Our semiconductor product groups are supported by our five wafer fabs. We have significant wafer manufacturing capacity as a result of investments in our fabs made by Hynix. The ownership of our wafer manufacturing assets is an important component of our business strategy that enables us to develop proprietary, differentiated products and maintain a high level of manufacturing control resulting in high production yields, shortened design and production cycles, adequate manufacturing capacity, and the capture of the wafer manufacturing profit margin.

We manufacture wafers at our two 8-inch fabs and our 6-inch fab located in Cheongju, Korea and our 8-inch fab and our 5-inch fab located in Gumi, Korea. The Cheongju facilities have three buildings totaling 200,544 square meters. The Gumi facilities have two buildings with 83,256 square meters devoted to manufacturing.

The table below sets forth information with respect to our manufacturing facilities and technologies:

| Manufacturing Facility | Location | Wafer Size | Technology |
|---|---|---|---|
| CF-5 | Cheongju | 8" | 0.35 /0.18μm |
| CF-4 | Cheongju | 8" | 0.5 /0.35 /0.25μm |
| GF-3 | Gumi | 8" | 0.5 / .35μm |
| CF-2 | Cheongju | 6" | 0.8 / 0.6 / 0.5μm |
| GF-1 | Gumi | 5" | 1.2μm |

Our manufacturing processes use many raw materials, including silicon wafers, copper lead frames, molding compounds, ceramic packages and various chemicals and gases. We obtain raw materials and supplies from a large number of sources. Although supplies of raw materials are currently adequate, shortages could occur in various essential materials due to interruption of supply or increased demand in the industry. See "Risk factors—We depend on successful parts and materials procurement for our manufacturing processes."

We outsource most of our back-end manufacturing processes, including assembly, test and packaging to independent providers of these services.

**COMPETITION**

We operate in highly competitive markets. Although no one company competes with us in all of our product lines, we face significant competition in each of our market segments.

Our competitors include other manufacturers and designers of system semiconductors, standard products, and semi-standard programmable digital logic semiconductors products, as well as customers who design their own semiconductors that are manufactured at third party foundries.

Our competitors include, among others: in CMOS image sensors, OmniVision, Micron, and Toshiba; in flat panel display drivers, Samsung Electronics, Renesas, and NEC Electronics; in application processors, Renesas, NEC, and Atmel; in specialty foundry services, Polar Fab, X-Fab and Supertex.

We compete with other semiconductor providers based on design experience, the ability to service customer needs from the design phase to the shipping of a completed product, length of design cycle, longevity of technology support and sales and technical support personnel. Our ability to successfully compete depends on internal and external variables, both within and outside of our control. These variables include, but are not limited to, the timeliness with which we can develop new products and technologies, product performance and quality, manufacturing yields and availability, customer service, pricing, industry trends and general economic trends. See "Risk factors—Our industry is highly competitive."

**EMPLOYEES**

Our worldwide workforce consisted of 4,191 employees (full- and part-time) as of May 31, 2005, of which 433 were involved in sales, general and administrative, 608 were in research and development, 120 were in quality, reliability and assurance and 3,030 were in manufacturing (comprised of 520 in engineering and 2,510 in operations). As of May 31, 2005, 2,521 employees, or approximately 60% of our workforce, were represented by the MagnaChip Semiconductor Labor Union, which is a member of the Federation of Korean Metal Workers Trade Unions.

Currently, the Korean Federation of Trade Unions, representing the employees of three of our subcontractors that also support Hynix, has and may continue to demonstrate at our joint campus in Cheongju, Korea. It is requesting that MagnaChip directly hire approximately 70 employees of the subcontractor. These demonstrations have required additional interim expenses and may have a continuing negative impact on our operations in the future.

**ENVIRONMENTAL MATTERS**

Our operations are subject to a variety of environmental, health and safety laws and regulations in each of the jurisdictions in which we operate, governing, among other things, air emissions, wastewater discharges, the generation, use, handling, storage and disposal of, and exposure to, hazardous substances (including asbestos) and wastes, soil and groundwater contamination and employee health and safety. These laws and regulations are complex, constantly changing and have tended to become more stringent over time. We cannot assure you that we have been, or will be at all times, in complete compliance with all these laws and regulations or that we will not incur material costs or liabilities in connection with these laws and regulations in the future. The adoption of new environmental, health and safety laws, the failure to comply with new or existing laws, or issues relating to hazardous substances could subject us to material liability (including substantial fines or penalties), impose the need for additional capital equipment or other process requirements upon us, curtail our operations, or restrict our ability to expand operations.

**LEGAL PROCEEDINGS**

We are subject to lawsuits and claims that arise in the ordinary course of business and intellectual property litigation and infringement claims. Intellectual property litigation and infringement claims, in particular, could cause us to incur significant expenses or prevent us from selling our products. We are currently not involved in any legal proceedings, the outcome of which we believe would have a material adverse effect on our business, financial condition or results of operations. Although we have never received any notices of infringement of a third-party patent, to our knowledge Hynix has received five notices of infringement from third parties regarding various technology transferred to us in the Acquisition. We cannot assure you that these third parties will not tender notices of patent infringement or assert infringement claims against us in the future.

## Management

### DIRECTORS AND EXECUTIVE OFFICERS

The following table is a list of the current directors and executive officers of MagnaChip LLC:

| Name | Age | Position |
|---|---|---|
| Dr. Youm Huh | 53 | Chief Executive Officer, President and Director |
| Robert J. Krakauer | 39 | Executive Vice President, Strategic Operations, Chief Financial Officer and Director |
| Chan Hee Lee | 51 | Executive Vice President, Product Lines |
| Tae Young Hwang | 48 | Executive Vice President, Manufacturing Operations |
| Jason Hartlove | 39 | Senior Vice President and General Manager |
| Dong Chun Kim | 49 | Senior Vice President, Global Sales, Asia Pacific |
| Hak Sung Kim | 53 | Senior Vice President, Chief Administrative Officer |
| Dale Lindly | 46 | Senior Vice President and Chief Accounting Officer |
| Victoria Miller Nam | 37 | Senior Vice President of Strategic Planning |
| Jinwon Park | 50 | Senior Vice President, Technology |
| John Radanovich | 49 | Senior Vice President of United States and European Sales |
| John McFarland | 38 | Vice President, General Counsel and Secretary |
| Jerry M. Baker | 53 | Chairman of the Board of Directors |
| Dipanjan Deb | 36 | Director |
| Roy Kuan | 38 | Director |
| Phokion Potamianos | 41 | Director |
| Paul C. Schorr IV | 38 | Director |
| David F. Thomas | 55 | Director |

*Dr. Youm Huh, Chief Executive Officer, President and Director.* Dr. Huh became our Chief Executive Officer, President and Director in October 2004. He led our business when it was a division of Hynix, serving in the position of Executive Vice President and General Manager of System IC from July 2002 until September 2004. From 1998 until 2002, Dr. Huh served as Senior Vice President and General Manager of Hyundai Electronics' System IC Business Division, which would subsequently become the System IC division of Hynix. He has also held various research positions at Stanford University, including serving as Principal Researcher at Stanford Computer Systems Laboratory and Stanford University's Center for Integrated Systems. Dr. Huh received a B.S. in electronics engineering from Seoul National University, Korea, a master's degree in electrical and electronics engineering from Korea Advanced Institute of Science & Technology and a Ph.D. in electrical engineering from Stanford University.

*Robert J. Krakauer, Executive Vice President of Strategic Operations, Chief Financial Officer and Director.* Mr. Krakauer became our Executive Vice President of Strategic Operations, Chief Financial Officer and Director in October 2004. From 2003 to 2004, Mr. Krakauer served as Executive Vice President of Corporate Operations and Chief Financial Officer for ChipPAC, Ltd. (now STATS ChipPAC, Ltd.), and had served as its Chief Financial Officer since November 1999. From May 1998 to November 1999, Mr. Krakauer was Vice President of Finance, Chief Financial Officer for AlliedSignal—Electronic Materials (now Honeywell). From 1996 to 1998, Mr. Krakauer was the Corporate Controller at Altera Corporation and from 1993 to 1996 he was the Chief Financial Officer at Alphatec U.S.A. From 1987 to 1991, Mr. Krakauer was an auditor and consultant at KPMG Peat Marwick and Coopers & Lybrand, respectively. Mr. Krakauer received a B.S.C. in accounting and a masters in business administration with an operations concentration from Santa Clara University.

*Chan Hee Lee, Executive Vice President of Product Lines.* Mr. Lee became our Executive Vice President of Product Lines in October 2004. Previously, Mr. Lee had been employed by Hynix as Vice President and General Manager of Semiconductor Manufacturing Services and Digital Driver IC, Business Division from 1999 until September 2004. Mr. Lee holds a bachelor of science degree in electronics from Kyungbuk National University.

*Tae Young Hwang, Executive Vice President of Manufacturing Operations.* Mr. Hwang became our Executive Vice President of Manufacturing Operations in October 2004. Prior to that time, Mr. Hwang served as Hynix's Senior Vice President of Manufacturing Operations of System IC from 2002 to 2003. From 1999 to 2001, he was Vice President of Cheongju Operations for Hynix. Mr. Hwang holds a bachelor of science degree in mechanical engineering from Pusan National University and a masters in business administration from Cheongju University.

*Jason Hartlove, Senior Vice President and General Manager*. Mr. Hartlove became our Senior Vice President and General Manager in May 2005. Previously, he was Business Unit Manager and Vice President and General Manager for Agilent Technologies from 2000 until 2005. Mr. Hartlove holds a bachelor of science degree in electrical engineering from the University of California, Los Angeles.

*Dong Chun Kim, Senior Vice President, Global Sales, Asia Pacific*. Mr. Kim became our Senior Vice President for Global Sales, Asia Pacific in October 2004. Previously, he was Hynix's Vice President of the Sales Divisions of Display Driver IC, CMOS Image Sensor and Microcontroller Unit from 2000 until 2004. From 1995 until 1999, he served as a Senior Manager, Microcontroller Unit Product Planning and Marketing with Hynix. Mr. Kim holds a bachelor's degree in material engineering from Hanyang University.

*Hak Sung Kim, Senior Vice President, Chief Administrative Officer.* Mr. Kim became our Senior Vice President and Chief Administrative Officer in October 2004. Prior to his employment with us, he had served as Vice President, Strategic Planning Team for Hynix's System IC division from June 2002 until September 2004. Previously, he served with Hynix as Director of the DRAM Business Department from February 2001 until June 2001 and in the memory sales group of Hynix Semiconductor of America, Inc. prior to January 2001 and as Head of Strategic Planning from July 2001 until May 2002. Mr. Kim holds a bachelor's degree in business administration from Yonsei University.

*Dale Lindly, Senior Vice President and Chief Accounting Officer.* Mr. Lindly became our Senior Vice President and Chief Accounting Officer in April 2005. Prior to his employment with us, he had served as IC Media's Chief Financial Officer, Vice President, Finance and Administration from March 2003 until April 2005. From May 2001 to March 2003, Mr. Lindly was Vice President and Chief Financial Officer of Morphics Technology, Inc. Previously, he served as Vice President and Chief Financial Officer of Tioga Technologies, Inc. from July 2000 to May 2001 and as Vice President and Chief Financial Officer of ESS Technology from September 1998 to July 2000. Mr. Lindly holds a bachelor's degree in accounting from San Jose State University.

*Victoria Miller Nam, Senior Vice President of Strategic Planning*. Ms. Miller Nam became our Senior Vice President of Strategic Planning in October 2004. Prior to joining our company, Ms. Miller Nam worked in consulting with McKinsey & Company in the Los Angeles and Seoul offices from 1994 until 2003, when she left as a Partner to found and run a consulting business from 2003 until 2004. Earlier in her career, Ms. Miller Nam worked for Kidder, Peabody & Co. Incorporated, in the corporate finance department, in New York. Ms. Miller Nam holds a bachelor of arts degree, *magna cum laude*, in international relations from Brown University, where she was elected to Phi Beta Kappa, and a masters in business administration from Harvard Business School.

*Jinwon Park, Senior Vice President, Technology.* Mr. Park became our Senior Vice President for Technology in October 2004. Previously, Mr. Park served as Director of Hynix's Technology and Product Development Center, in the System IC Division from July 2001 until September 2004. From 1999 to 2001, he served as Director of Hynix's Memory R&D Division in the SRAM and Flash Memory Development Group. Mr. Park holds a bachelor's degree in electronics from Pusan National University.

*John Radanovich, Senior Vice President of United States and European Sales.* Mr. Radanovich became our Senior Vice President of United States and European Sales in October 2004. Prior to that time, from May 2000 until October 2004, he served as Vice President and General Manager of System IC for Hynix Semiconductor of America, Inc. Previously, he served as Hynix's Director of Western United States Sales. Mr. Radanovich holds a bachelor of science degree in business administration from San Jose State University.

*John McFarland, Vice President, General Counsel and Secretary*. Mr. McFarland became our Vice President, General Counsel and Secretary in November 2004. Prior to joining our company, Mr. McFarland served as a foreign legal consultant at Bae, Kim & Lee from August 2003 to November 2004, an associate at Wilson Sonsini Goodrich & Rosati, P.C., from August 2000 to July 2003, and a foreign legal consultant at Kim, Shin & Yu from October 1998 to August 2000. Mr. McFarland holds a bachelor of arts degree in Asian Studies, conferred with highest distinction from the University of Michigan, where he was elected to Phi Beta Kappa, and a juris doctor degree from the University of California, Los Angeles, School of Law.

*Jerry M. Baker, Chairman of the Board of Directors.* Mr. Baker has been Chairman of the Board of Directors since October 2004. From 2000 until 2001, Mr. Baker served as Executive Vice President, Global Operations for Fairchild Semiconductor International, Inc. Previously, Mr. Baker had been Executive Vice President and General Manager, Discrete Power and Signal Technologies Group, since December 1996. Prior to that position, he spent more than 24 years in a variety of engineering and management positions within National Semiconductor, the most recent of which was Vice President and General Manager, Discrete Products Division.

*Dipanjan Deb, Director.* Mr. Deb has been a director since September 2004. He is a founder of Francisco Partners and has been a partner since its formation in August 1999. Prior to joining Francisco Partners, Mr. Deb was a principal with Texas Pacific Group from 1998 to 1999. Earlier in his career, Mr. Deb was director of semiconductor banking at Robertson Stephens & Company and a management consultant at McKinsey & Company. Mr. Deb is also on the board of directors of AMIS Holdings, Inc., Conexant Systems, Inc., Credence Systems Corporation, Legerity, Inc., Smart Modular Technologies, Inc., and Ultra Clean Holdings, Inc. Mr. Deb holds a bachelor of science degree in electrical engineering and computer science from the University of California, Berkeley, where he was a Regents Scholar, and a masters in business administration from the Stanford University Graduate School of Business.

*Roy Kuan, Director.* Mr. Kuan has been a director since September 2004. He serves as Managing Director of CVC Asia Pacific Limited, where he has worked since 1999. Prior to that Mr. Kuan worked at Citicorp's Asia private equity unit from 1996 until 1999. Mr. Kuan holds a bachelor of arts degree in economics from Georgetown University and a masters in business administration with a finance concentration from the Wharton School at the University of Pennsylvania.

*Phokion Potamianos, Director.* Mr. Potamianos has been a director since March 2005. He has been a Principal with Francisco Partners since March 2005. Prior to joining Francisco Partners, Mr. Potamianos was the head of the UBS global semiconductor investment banking group, and a member of Donaldson Lufkin & Jenrette's investment banking group. Earlier in his career, Mr. Potamianos was an Institutional Investor ranked research analyst at Donaldson, Lufkin & Jenrette. Mr. Potamianos holds a B.A. from American University and received his Masters of Science (Economics) from the London School of Economics and Political Science.

*Paul C. Schorr IV, Director.* Mr. Schorr has been a director since September 2004. He has been a Managing Partner of CVC since 2001. Mr. Schorr joined CVC in 1996, after working as an Engagement Manager with McKinsey & Company, Inc. Mr. Schorr received his B.S.F.S. *magna cum laude* from Georgetown University's School of Foreign Service and his masters in business administration with distinction from Harvard Business School. He is also a director of AMI Semiconductor Inc. and Worldspan Technologies, Inc.

*David F. Thomas, Director.* Mr. Thomas has been a director since October 2004. Mr. Thomas is the President of CVC. He joined CVC in 1980. Previously, he held various positions with Citibank's Transportation Finance and Acquisition Finance Groups. Prior to joining Citibank, Mr. Thomas was a certified public accountant with Arthur Andersen & Co. Mr. Thomas received degrees in finance and accounting from the University of Akron. He is a director of Flender GmbH and Worldspan Technologies, Inc.

**BOARD COMPOSITION**

The securityholders' agreement among CVC, Francisco Partners, CVC Asia Pacific and the other securityholders of MagnaChip LLC provides that the board of directors will consist of eight members, including two designees of CVC, two designees of Francisco Partners, one designee of CVC Asia Pacific, the Chief Executive Officer, the Chief Financial Officer and one additional member jointly designated by CVC and Francisco Partners. Mr. Baker is currently the joint designee of CVC and Francisco Partners. These rights of designation will expire when the initial ownership of these equity sponsors falls below defined ownership thresholds. Pursuant to the securityholders' agreement, the board of directors may not take certain significant actions without the approval of each of CVC and Francisco Partners.

**BOARD COMMITTEES**

The board of directors performs the functions of an audit committee, reviewing the financial statements and accounting practices of MagnaChip LLC and its subsidiaries and selecting the independent auditors.

The current members of the compensation committee are Messrs. Deb and Schorr. The compensation committee makes determinations concerning salaries and incentive compensation for officers and employees and oversees administration of our employee benefit plans.

**DIRECTOR COMPENSATION**

Directors currently do not receive compensation for service on our board of directors.

**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

None of our executive officers currently serves, or in the past has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on the board or compensation committee of MagnaChip LLC.

**COMPENSATION OF EXECUTIVE OFFICERS**

Our business was acquired from Hynix on October 6, 2004. The following table sets forth certain information concerning the compensation earned during the year ended December 31, 2004 by the Chief Executive Officer and those of the four most highly compensated executive officers other than the Chief Executive Officer, who were executive officers on December 31, 2004.

**Summary Compensation Table**

| | Annual Compensation | | | Long Term Compensation | | | |
|---|---|---|---|---|---|---|---|
| | | | | Awards | | Payouts | |
| | Salary | Bonus | Other annual compensation | Restricted stock award(s) | Securities underlying options/ SARs(1) | LTIP payouts | All other compensation |
| Dr. Youm Huh<br>President and Chief Executive Officer | $273,644(2) | $123,174(3) | $ 506,229(4) | — | 1,091,595 | — | $ 1,693,231(5) |
| Jerry Baker<br>Executive Chairman | $240,705(6) | $102,108 | — | — | 545,798 | — | |
| Robert J. Krakauer<br>Executive Vice President, Strategic Operations and Chief Financial Officer | $237,250(7) | $ 72,419 | $ 494,431(8)(9)(10) | — | 682,247 | — | $ 1,058,270(11) |
| Victoria Miller Nam<br>Senior Vice President, Strategic Planning | $438,443(12) | $ 38,290 | — | — | 136,450 | — | |
| Tae Young Hwang<br>Executive Vice President, Manufacturing Operations | $163,684(13) | $ 58,462(14) | — | — | 272,899 | — | |

Note: Amounts set forth in the above table that were originally paid in Korean Won have been converted into US dollars at the exchange rate as of December 31, 2004 equal to US$1 = KRW1035.10.

Footnotes:

(1) Hynix granted Dr. Huh and Mr. Hwang 90,000 options and 26,250 options, respectively, to purchase Hynix stock. Upon completion of the Acquisition, 85% of the options granted to Dr. Huh and Mr. Hwang were surrendered. The cash value, per share, of Hynix stock at the time of the option grants was KRW5,000. Such option grants are not reflected in this table.

(2) Includes $166,459 of salary paid to Dr. Huh by Hynix and $107,185 of salary paid to Dr. Huh by us.

(3) Includes $26,616 bonus paid to Dr. Huh by Hynix and $96,558 bonus paid to Dr. Huh by us.

(4) Includes (a) $483,045 for a key money deposit for Dr. Huh's apartment lease during the period from October 8, 2004 through November 10, 2006, which deposit shall be returned to us at the end of the lease term, and (b) $23,184 for other personal benefits (including reimbursement of tuition expenses for Dr. Huh's children and for use of a car).

(5) Dr. Huh exercised his options to purchase 1,091,595 restricted common units of MagnaChip LLC at a price of $1.00 per unit on November 30, 2004. In connection with the exercise, Dr. Huh was entitled to a bonus of $1,083,668 to pay the exercise price of a portion of the options and an additional payment of $609,563 to cover U.S. federal income tax withholding related to such bonus.

(6) Mr. Baker was not an employee of our company prior to the Acquisition. However, this amount includes $140,000 in fees paid to Mr. Baker for consulting services rendered in connection with matters related to the Acquisition. Also includes $100,705 in salary paid by us to Mr. Baker.

(7) Mr. Krakauer was not an employee of our company prior to the Acquisition. However, this amount includes $100,481 in fees paid to Mr. Krakauer for consulting services rendered in connection with matters related to the Acquisition. Also includes $136,769 in salary paid by us to Mr. Krakauer.

(8) Includes the following personal benefits paid to Mr. Krakauer for consulting services rendered in connection with matters related to the Acquisition: (a) $324,606 for prepayment of Mr. Krakauer's housing expenses for two years; and (b) $135,450 for other personal benefits (including reimbursement of tuition expenses for Mr. Krakauer's children, use of a car, housing search expenses, home leave flights, club fees and living expenses).

(9) Includes $34,375 of personal benefits paid by us to Mr. Krakauer (including the use of cars, home leave flights, club fees and living expenses).

(10) Mr. Krakauer is entitled to tax equalization payments for certain taxes incurred on amounts earned by Mr. Krakauer during fiscal year 2004. This amount has not been calculated and therefore is not included in this table.
(11) Mr. Krakauer exercised his options to purchase 682,247 restricted common units of MagnaChip LLC at a price of $1.00 per unit on November 30, 2004. In connection with the exercise, Mr. Krakauer was entitled to a bonus of $677,293 to pay the exercise price of a portion of the options and an additional payment of $380,977 to cover U.S. federal income tax withholding related to such bonus.
(12) Ms. Miller Nam was not an employee of our company prior to the Acquisition. However, this amount includes $358,055 in fees paid to Ms. Miller Nam's consulting company for consulting services rendered in connection with matters related to the Acquisition. Also includes $80,388 in salary paid by us to Ms. Miller Nam.
(13) Includes $110,547 of salary paid to Mr. Hwang by Hynix and $53,137 of salary paid to Mr. Hwang by us.
(14) Includes $21,936 bonus paid to Mr. Hwang by Hynix and $36,526 bonus paid to Mr. Hwang by us.

**Service Agreements**

*Dr. Youm Huh.* Dr. Huh serves as the President and Chief Executive Officer of MagnaChip LLC with an initial base salary of $400,000 per year and with a target annual incentive bonus opportunity of 100% of his base salary. Dr. Huh is entitled to customary employee benefits including the cost of housing accommodations and expenses. The term of the service agreement extends for four years from October 6, 2004, with such initial term automatically extending for additional two-year periods unless written notice is given by either party prior to the termination date. In accordance with the terms of his service agreement, Dr. Huh was granted 1,091,595 immediately exercisable options for restricted common units of MagnaChip LLC at a price of $1.00 per unit. Dr. Huh exercised his options on November 30, 2004. In connection with the exercise, Dr. Huh was entitled to a bonus of $1,083,668 to pay the exercise price of a portion of the options and an additional payment of $609,563 to cover U.S. federal income tax withholding related to such bonus. All units acquired by Dr. Huh upon exercise of the options described above are subject to forfeiture or to repurchase by MagnaChip LLC upon Dr. Huh's termination of employment. If Dr. Huh's employment is terminated without cause or if he resigns for good reason, Dr. Huh is entitled to receive his base salary for twelve months, payment of the annual incentive bonus for the year in which the termination occurs, twelve months' accelerated vesting on outstanding equity awards and continued participation in our benefit plans for twelve months. If such termination occurs in connection with a change-in-control, Dr. Huh is entitled to receive his base salary for two years, payment of the annual incentive bonus for the year in which the termination occurs, two years' accelerated vesting on outstanding equity awards and continued participation in our benefit plans for two years. In the event of his termination as a result of death or disability, Dr. Huh (or his beneficiaries) will be entitled to receive payment of all salary and benefits accrued up to the date of termination and a prorated portion of the annual incentive bonus for the year in which the termination occurs. If Dr. Huh's employment is terminated for cause or if he resigns without good reason, he will be entitled to receive payment of all salary and benefits accrued up to the date of termination and will not be entitled to any other compensation. The agreement also contains customary non-competition and non-solicitation covenants lasting two and three years, respectively, from the date of termination of employment and confidentiality covenants of unlimited duration.

*Jerry Baker.* Mr. Baker serves as the Executive Chairman of the Board of Directors of MagnaChip LLC with an initial annual base salary of $400,000 per year and with a target annual incentive bonus opportunity of 100% of his base salary. In addition, Mr. Baker's air travel expenses (from his home in the United States) and home office expenses are paid by MagnaChip LLC. Mr. Baker's employment contract is currently up for renewal. MagnaChip LLC has agreed to augment his salary and bonus but the specific terms have not been negotiated. Mr. Baker was granted 545,798 immediately exercisable options for restricted common units of MagnaChip LLC at a price of $1.00 per unit. Mr. Baker exercised his options on December 30, 2004. All units acquired by Mr. Baker upon exercise of the options are subject to forfeiture or to repurchase by MagnaChip LLC upon Mr. Baker's termination of employment.

*Robert Krakauer.* Mr. Krakauer serves as Executive Vice President of Strategic Operations and Chief Financial Officer of MagnaChip LLC with an initial base salary of $375,000 per year and with a target annual incentive bonus opportunity of 80% of his base salary. Mr. Krakauer is entitled to customary employee benefits and, for so long as his place of business is located in Korea, expatriate/repatriation benefits, including relocation expenses, tax equalization payments, cost of housing accommodations and expenses. The term of the service agreement extends for three years from October 6, 2004, with such initial term automatically extending for additional one-year periods unless written notice is given by either party prior to the termination date. In accordance with the terms of his service agreement, Mr. Krakauer was granted 682,247 immediately exercisable options for restricted common units of MagnaChip LLC at a price of $1.00 per unit. Mr. Krakauer exercised his options on November 30, 2004. In connection with the exercise, Mr. Krakauer was entitled to a bonus of $677,293 to pay the exercise price of a portion of the options and an additional payment of $380,977 to cover U.S. federal income tax withholding related to such bonus. All units acquired by Mr. Krakauer upon exercise of the options are subject to forfeiture or to repurchase by MagnaChip LLC upon Mr. Krakauer's termination of employment. If Mr. Krakauer's employment is terminated without cause or if he resigns for good reason, Mr. Krakauer is entitled to receive his base salary for twelve months, payment of a prorated portion of the annual incentive bonus for the year in which the termination occurs and continued participation in our benefit plans for twelve months. In the event of his termination as a result of death or disability, Mr. Krakauer (or his beneficiaries) will be entitled to receive payment of all salary and benefits accrued up to the date of termination and a prorated portion of the annual incentive bonus for the year in which the termination occurs. If Mr. Krakauer's employment is terminated for cause or if he resigns without good reason, he will be entitled to receive payment of all salary and benefits accrued up to the date of termination and will not be entitled to any other compensation. The agreement also contains customary non-competition covenants lasting until the earlier of the first anniversary of the date of termination of employment or October 6, 2007, non-solicitation covenants lasting two years from the date of termination of employment and confidentiality covenants of unlimited duration.

*Victoria Miller Nam.* Ms. Miller Nam serves as the Senior Vice President of Strategic Planning of MagnaChip LLC with an initial base salary of $300,000 per year and with a target annual incentive bonus opportunity of 50% of her base salary. Ms. Miller Nam is entitled to customary employee benefits. The term of the service agreement extends for three years from December 29, 2004, with such initial term automatically extending for additional one-year periods unless written notice is given by either party prior to the termination date. Ms. Miller Nam was granted 136,450 immediately exercisable options for restricted common units of MagnaChip LLC at a price of $1.00 per unit. Ms. Miller Nam exercised her options on November 30, 2004. If Ms. Miller Nam's service is terminated without cause or if she resigns for good reason, Ms. Miller Nam will be entitled to receive her base salary for six months, payment of the annual incentive bonus in a prorated amount based on the number of days she was actually employed by us, continued participation in our benefit plans for six months and, if such a termination or resignation occurs either prior to October 1, 2005 or within the twelve month period following a change of control, restrictions lapse with respect to 25% of her restricted common units on the date of termination. In the event of her termination as a result of death or disability, Ms. Miller Nam (or her beneficiaries) will be entitled to receive payment of all salary and benefits accrued up to the date of termination and a prorated portion of the annual incentive bonus for the year in which the termination occurs. If Ms. Miller Nam's service is terminated for cause or if she resigns without good reason, she will be entitled to receive payment of all salary and benefits accrued up to the date of termination and will not be entitled to any other compensation. The agreement also contains customary non-competition covenants lasting until the earlier of the first anniversary of the date of termination of employment or October 6, 2007, nonsolicitation covenants lasting two years from the date of termination of employment and confidentiality covenants of unlimited duration.

*Tae Young Hwang.* Mr. Hwang serves as Executive Vice President of Manufacturing Operations of MagnaChip LLC with an initial base salary of 220,000,000 Korean Won (equivalent to approximately $219,000 at May 31, 2005) and with discretionary bonuses in consideration of Mr. Hwang's management performance and the outcomes of the projects Mr. Hwang leads or controls. Mr. Hwang is entitled to customary employee benefits. Mr. Hwang was granted 272,899 options for common units of MagnaChip LLC at a price of $1.00 per unit. The options become exercisable in installments beginning on September 30, 2005 and expiring on November 30, 2014. The

term of the service agreement is for one year from October 6, 2004, and may be extended by mutual agreement of Mr. Hwang and MagnaChip LLC. The agreement provides for severance payments unless termination from employment is for cause.

**MagnaChip LLC Equity Incentive Plans**

The two MagnaChip LLC Equity Incentive Plans each provide for the award of nonstatutory options, unit appreciation rights, or SARs, and restricted unit awards to employees, consultants or non-employee directors of MagnaChip LLC and its subsidiaries. Subject to adjustment in the event of certain corporate transactions or events, the maximum aggregate number of MagnaChip units that are available for grant under the plans is 6,490,864, all of which may be granted under Magnachip's general plan and 6,190,864 of which may be granted under Magnachip's California-law plan. As of June 7, 2005, options to purchase 6,208,830 units were outstanding under the plans and options to purchase 282,034 units were available for future grant under the plans. Units subject to awards that expire, are forfeited or otherwise terminate will again be available for grant under the plans. The plans are administered by the board of directors.

The board of directors will determine the number of options granted to each participant, the exercise price of each option, the duration of the options (not to exceed ten years), vesting provisions and all other terms and conditions of such options. Unless otherwise determined by the board of directors, the exercise price of each option is required to be not less than the fair market value of the underlying common units subject to the option on the date of grant. The plans provide for payment of the exercise price of options in the form of cash or, subject to the discretion of the committee, MagnaChip LLC units. The plans provide that upon a termination of the option-holder's employment or service with MagnaChip LLC or its subsidiaries, unless otherwise determined by the committee at or after grant, the exercise period for vested options will be limited, provided that vested options will be cancelled immediately upon a termination for cause.

The board of directors may elect to grant SARs to plan participants and may determine the number of common units subject to the award, the duration of the SARs (not to exceed ten years), vesting provisions and all other terms and conditions of such SARs. In no event may the base price of a SAR be less than the fair market value of the common units subject to the award on the date of grant. A termination of service or employment of the recipient will have the same effect on SARs granted under the plans as on options.

The board of directors will determine the number of restricted units offered to each participant in the plans, the purchase price of the units, the period the units are unvested and subject to forfeiture, the effect of a termination of the recipient's employment or service and all other terms and conditions applicable to the restricted units.

The plans provide that upon a change-in-control or certain other corporate transactions, the board of directors may, on a holder by holder basis, accelerate the vesting of outstanding options, SARs or restricted units, cancel any unexercised outstanding awards in whole or in part, and/or take actions to ensure that such awards shall be honored or assumed by the successor employer or take such other reasonable actions as the board of directors shall determine.

**Option Agreements**

The following table sets forth certain information for the year ended December 31, 2004 with respect to grants of options to purchase units of MagnaChip LLC granted to each of the named executive officers.

| | Individual Grants | | | | Potential realizable value at assumed annual rates of unit price appreciation for option term (4) | |
|---|---|---|---|---|---|---|
| | Number of securities underlying Grant | Percent of total granted to employees | Exercise or base price per option | Expiration date | 5% | 10% |
| Dr. Youm Huh (1)<br>President and Chief Executive Officer (2) | 1,091,595 | 19.79% | $ 1.00 | Nov. 30, 2005 | 1,146,175 | 1,200,755 |
| Jerry Baker<br>Executive Chairman (2) | 545,798 | 9.89% | $ 1.00 | Dec. 30, 2005 | 573,088 | 600,378 |
| Robert J. Krakauer<br>Executive Vice President, Strategic Operations and Chief Financial Officer (2) | 682,247 | 12.37% | $ 1.00 | Nov. 30, 2005 | 716,359 | 750,472 |
| Victoria Miller Nam<br>Senior Vice President, Strategic Planning (2) | 136,450 | 2.47% | $ 1.00 | Nov. 30, 2005 | 143,273 | 150,095 |
| Tae Young Hwang (1)(3)<br>Executive Vice President, Manufacturing Operations | 272,899 | 4.95% | $ 1.00 | Oct. 6, 2014 | 444,524 | 707,830 |

Footnotes:

(1) Hynix granted Dr. Huh and Mr. Hwang 90,000 options and 26,250 options, respectively, to purchase Hynix stock. Upon completion of the Acquisition, 85% of the options granted to Dr. Huh and Mr. Hwang were surrendered. The cash value, per share, of Hynix stock at the time of the option grants was KRW5,000. Such option grants are not reflected in this table.

(2) Options granted are exercisable for restricted common units of MagnaChip LLC.

(3) Options granted are exercisable for common units of MagnaChip LLC.

(4) As of December 31, 2004. The potential realizable value is calculated based on the term of the option at its time of grant (one year for grants to Dr. Huh, Mr. Baker, Mr. Krakauer, and Ms. Miller Nam and ten years for the grant to Mr. Hwang). It is calculated assuming that the fair market value of MagnaChip LLC's common units on the date of grant appreciates at the indicated annual rate compounded annually for the entire term of the option and that the option is exercised and sold on the last day of its term for the appreciated unit price. The fair market value of our common units on the date of grant was $1.00 per unit.

*Option Exercises*

The following table sets forth certain information regarding exercised options during the year ended December 31, 2004 and unexercised options held as of December 31, 2004 by each of the named executive officers.

| | | | Number of securities underlying unexercised options | | Value of unexercised in-the-money options | |
|---|---|---|---|---|---|---|
| | Units acquired on exercise | Value Realized | Exercisable | Unexercisable | Exercisable | Unexercisable |
| Dr. Youm Huh<br>President and Chief Executive Officer | 1,091,595 | 0 | — | — | — | — |
| Jerry Baker<br>Executive Chairman | 545,798 | 0 | — | — | — | — |
| Robert J. Krakauer<br>Executive Vice President, Strategic Operations and Chief Financial Officer | 682,247 | 0 | — | — | — | — |
| Victoria Miller Nam<br>Senior Vice President, Strategic Planning | 136,450 | 0 | — | — | — | — |
| Tae Young Hwang<br>Executive Vice President, Manufacturing Operations | — | — | — | 272,899 | — | 0 |

**Restricted Unit Subscription Agreements**

On December 30, 2004, Mr. Baker exercised the options granted pursuant to his option agreement and entered into a restricted unit subscription agreement with MagnaChip LLC. On November 30, 2004, Dr. Huh and Mr. Krakauer exercised the options granted pursuant to their option agreements, paying the exercise price of the options with a special bonus, and entered into restricted unit subscription agreements with MagnaChip LLC. Also on November 30, 2004, Ms. Miller Nam exercised the options granted pursuant to her option agreement and entered into a restricted unit subscription agreement with MagnaChip LLC. Under these restricted unit subscription agreements, restrictions on the units lapse as to 25% of the units on September 30, 2005 and as to 6.25% of the units on the last day of each calendar quarter thereafter, subject to the officer's continuous employment with MagnaChip. The restrictions lapse as to all restricted units held by Dr. Huh upon a change in control after which Dr. Huh no longer serves as the Chief Executive Officer of MagnaChip and as to all restricted units held by Mr. Krakauer upon a change in control after which Mr. Krakauer no longer serves as the Chief Financial Officer of MagnaChip. The restricted unit subscription agreements provide that the units are nontransferable and shall be subject to forfeiture upon termination of the officer's employment. Upon termination, MagnaChip LLC may repurchase any units for which the restrictions have not lapsed for $1.00, if termination is for cause (as defined in the agreement), or for fair market value, if termination is for any other reason. The officers have the right to vote the restricted units and to receive cash dividends, provided that dividends payable in units or other securities shall have the same status as restricted units.

**Security ownership of certain beneficial owners and management**

The issuers are wholly owned subsidiaries of MagnaChip LLC. The following table sets forth information regarding the beneficial ownership of MagnaChip LLC as of June 8, 2005 by (i) each person or entity known to us to beneficially own more than 5% of any class of outstanding securities of MagnaChip LLC, (ii) each member of the board of directors of MagnaChip LLC, (iii) each named executive officer of MagnaChip LLC and (iv) all of the members of the board of directors and executive officers of MagnaChip LLC as a group. As of June 8, 2005, MagnaChip LLC's outstanding securities consisted of 53,037,319.67 common units and 93,997.4364 Series B preferred units. The table does not include common units issuable upon conversion of Series B preferred units.

The amounts and percentages of common units beneficially owned are reported on the basis of SEC regulations governing the determination of beneficial ownership of securities. Under SEC rules, a person is deemed to be a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to vote or to direct the voting of such security, or "investment power," which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has the right to acquire beneficial ownership within 60 days. Under these rules, more than one person may be deemed to be a beneficial owner of the same securities and a person may be deemed to be a beneficial owner of securities as to which he or she has no economic interest.

Except as indicated by footnote, the persons named in the table below have sole voting and investment power with respect to all units shown as beneficially owned by them.

| | Common Units | | Series B Preferred Units | |
|---|---|---|---|---|
| Name of Beneficial Owner | Number | Percent | Number | Percent |
| **Greater than 5% securityholders:** | | | | |
| CVC(1) | 17,962,521.9300 | 30.9% | 33,716.7546 | 35.9% |
| c/o Citigroup Venture Capital Equity Partners, L.P. | | | | |
| 399 Park Avenue, 14th Floor | | | | |
| New York, NY 10022 | | | | |
| Francisco Partners(2) | 17,962,521.9200 | 30.9% | 33,716.7547 | 35.9% |
| c/o Francisco Partners, L.P. | | | | |
| Sand Hill Road, Suite 280 | | | | |
| Menlo Park, CA 94025 | | | | |
| CVC Asia Pacific(3) | 9,659,710.5600 | 16.6% | 18,131.8699 | 19.3% |
| c/o CVC Capital Partners Asia Limited | | | | |
| 22 Grenville Street | | | | |
| St. Helier, Jersey JE4 8PX | | | | |
| Channel Islands | | | | |
| Hynix Semiconductor Inc.(4) | 5,079,254.0000 | 8.7% | — | — |
| Hynix Youngdong Bldg. 17th F. | | | | |
| 891 Daechi-dong, Kangnam-ku | | | | |
| Seoul, 135-738, Korea | | | | |
| Peninsula Investment Pte. Ltd. | 3,636,271.0700 | 6.3% | 6,825.5041 | 7.3% |
| 255 Shoreline Drive | | | | |
| Suite 600 | | | | |
| Redwood City, CA 94065 | | | | |
| **Directors and named executive officers:** | | | | |
| Jerry M. Baker(5)(6) | 682,158.1600 | 1.2% | 255.9564 | * |
| Dipanjan Deb(2)(7) | 17,962,521.9200 | 30.9% | 33,716.7547 | 35.9% |
| Youm Huh(5)(8) | 1,182,501.7800 | 2.0% | 170.6376 | * |
| Tae Young Hwang | — | — | — | — |
| Robert J. Krakauer(5)(9) | 773,153.7700 | 1.3% | 170.6375 | * |
| Roy Kuan(3)(10) | 9,659,710.5600 | 16.6% | 18,131.8699 | 19.3% |
| John McFarland | — | — | — | — |
| Victoria Miller Nam(5) | 181,903.3800 | * | 85.3188 | * |
| Phokion Potamianos(2)(7) | 17,962,521.9200 | 30.9% | 33,716.7547 | 35.9% |
| Paul C. Schorr IV(1)(11)(12) | 17,998,884.6500 | 31.0% | 33,785.0097 | 35.9% |
| David F. Thomas(1)(12) | 18,035,247.3400 | 31.0% | 33,853.2646 | 36.0% |
| **Directors and executive officers as a group (18 persons):** | 48,513,559.6300 | 83.5% | 86,452.6946 | 92.0% |

* Less than one percent.

Footnotes:

(1) Includes (a) 17,630,628.4200 common units held by Citigroup Venture Capital Equity Partners, L.P., 156,381.7100 common units held by CVC Executive Fund LLC and 175,511.8000 common units held by CVC/SSB Employee Fund, L.P. and (b) 33,093.7702 Series B preferred units held by Citigroup Venture Capital Equity Partners, L.P., 293.5380 Series B preferred units held by CVC Executive Fund LLC and 329.4464 Series B preferred units held by CVC/SSB Employee Fund, L.P. Citigroup Venture Capital Equity Partners is an affiliate of Citigroup Global Markets Inc., one of the initial purchasers of the old notes and of Citicorp North America, Inc., a lender under our senior secured credit facility.

(2) Includes (a) 16,941,762.2000 common units held by Francisco Partners, L.P., 83,423.4000 common units held by Francisco Partners Fund A, L.P., 909,067.7600 common units held by FP-MagnaChip Co-Invest, LLC and 28,268.5600 common units held by FP Annual Fund Investors, LLC and (b) 31,800.7261 Series B preferred units held by Francisco Partners, L.P., 156.5909 Series B preferred units held by Francisco Partners Fund A, L.P., 1,706.3760 Series B preferred units held by FP-MagnaChip Co-Invest, LLC and 53.0617 Series B preferred units held by FP Annual Fund Investors, LLC.

(3) Includes (a) 3,219,903.5200 common units held by CVC Capital Partners Asia Pacific L.P., 4,048,152.3700 common units held by CVC Capital Partners Asia Pacific II L.P., 781,702.9100 common units held by CVC Capital Partners Asia Pacific II Parallel Fund—A, L.P. and 1,609,951.7600 common units held by Asia Investors LLC and (b) 6,043.9566 Series B preferred units held by CVC Capital Partners Asia Pacific L.P., 7,598.6306 Series B preferred units held by CVC Capital Partners Asia Pacific II L.P., 1,467.3043 Series B preferred units held by CVC Capital Partners Asia Pacific II Parallel Fund—A, L.P. and 3,021.9784 Series B preferred units held by Asia Investors LLC. Asia Investors LLC co-invests alongside of CVC Capital Partners Asia Pacific L.P., but is not a subsidiary of CVC Capital Partners.

(4) Consists of a warrant exercisable for 5,079,254.0000 common units within 60 days.

(5) The address of each of Mr. Baker, Dr. Huh, Mr. Krakauer and Ms. Miller Nam is c/o MagnaChip Semiconductor, Ltd., 1 Hyangjeong-dong, Hungduk-gu, Cheongju-si, 361-725, Korea.

(6) Includes (a) 136,360.1600 common units held by the Baker Family Revocable Trust and 545,798.0000 restricted common units held by Mr. Baker and (b) 255.9564 Series B preferred units held by the Baker Family Revocable Trust. Restricted common units are subject to a right of repurchase by MagnaChip LLC.

(7) Each of Mr. Deb and Mr. Potamianos is a member of management of Francisco Partners, L.P. and disclaims beneficial ownership of the units held by Francisco Partners, L.P., Francisco Partners Fund A, L.P., FP-MagnaChip Co-Invest, LLC and FP Annual Fund Investors, LLC. The address of each of Mr. Deb and Mr. Potamianos is c/o Francisco Partners, L.P., 2882 Sand Hill Road, Suite 280, Menlo Park, CA 94025.

(8) Includes 90,906.7800 common units and 1,091,595.0000 restricted common units. Restricted common units are subject to a right of repurchase by MagnaChip LLC.

(9) Includes (a) 54,544.0600 common units held jointly by Mr. Krakauer and his spouse, Theresa Krakauer, for which Mr. Krakauer shares voting and investment power with Theresa Krakauer, (b) 36,362.7100 common units held by the Krakauer Family Partnership, for which Mr. Krakauer shares voting and investment power with Theresa Krakauer and (c) 682,247.0000 restricted common units. Restricted common units are subject to a right of repurchase by MagnaChip LLC.

(10) Mr. Kuan is a member of management of CVC Asia Pacific Limited, an investment advisor to the general partners of CVC Capital Partners Asia Pacific L.P., CVC Capital Partners Asia Pacific II L.P. and CVC Capital Partners Asia Pacific II Parallel Fund—A, L.P. and to Asia Investors LLC. Mr. Kuan disclaims beneficial ownership of the units held by these entities. The address of Mr. Kuan is c/o CVC Capital Partners Asia II Limited, 22 Grenville Street, St. Helier, Jersey JE4 8PX, Channel Islands.

(11) Includes (a) 29,544.7100 common units held by BG Partners LP and 6,818.0100 common units held by BG/CVC-1 and (b) 55.4573 Series B preferred units held by BG Partners LP and 12.7978 Series B preferred units held by BG/CVC-1.

(12) Each of Mr. Schorr and Mr. Thomas is a member of management of Citigroup Venture Capital Equity Partners, L.P. and disclaims beneficial ownership of the units held by Citigroup Venture Capital Equity Partners, L.P., CVC Executive Fund LLC and CVC/SSB Employee Fund, L.P. The address of each of Mr. Schorr and Mr. Thomas is c/o Citigroup Venture Capital Equity Partners, L.P., 399 Park Avenue, 14th Floor, New York, NY 10022.

## Certain relationships and related transactions

### THE ACQUISITION

In June 2004, MagnaChip Korea entered into a business transfer agreement to purchase certain assets and assume certain liabilities of the System IC business of Hynix, which we refer to as the "Acquisition" in this prospectus. The Acquisition closed on October 6, 2004. The consideration paid in connection with the Acquisition consisted of approximately (Won)872.2 billion ($757.1 million equivalent at such date) in cash, subject to a post-closing working capital adjustment, and a warrant initially exercisable for 5,079,254 common units of MagnaChip LLC. MagnaChip Korea also agreed to guarantee up to (Won)4.7 billion ($4.1 million equivalent at such date) of loans provided by third party financial institutions to the employees transferring to us in connection with the Acquisition. The Acquisition was funded by a senior secured term loan facility and by the issuance and sale of equity interests of MagnaChip LLC to the equity sponsors.

In connection with the Acquisition, MagnaChip Korea and certain of our other subsidiaries entered into definitive agreements with Hynix regarding key raw materials, campus facilities, research and development equipment, and information technology, factory automation and back office support services. MagnaChip Korea also agreed to provide certain utilities and infrastructure support services to Hynix. The obligation to provide services under these agreements generally lasts for one to five years from the closing of the Acquisition. The obligation to provide certain services lasts indefinitely.

In addition, MagnaChip Korea entered into a wafer foundry services agreement with Hynix under which MagnaChip Korea agreed to sell and Hynix agreed to purchase a certain monthly minimum quantity of 0.18μm DRAM semiconductors until August 31, 2005. If a party fails to meet its minimum quantity obligation, it must pay the other party a make whole amount based on the shortfall. MagnaChip Korea and Hynix also entered into a photo mask supply agreement under which Hynix agreed to supply MagnaChip Korea with up to a certain maximum quantity of photo masks. This agreement is for two years from the closing of the Acquisition plus an additional year at MagnaChip Korea's option.

In connection with the Acquisition, MagnaChip Korea also entered into a royalty-free non-exclusive cross license with Hynix which provides us with access to certain of Hynix's intellectual property for use in the manufacture and sale of non-memory semiconductor products and provides Hynix with access to the intellectual property we acquired from Hynix. This cross license is subject to the non-competition provisions of the business transfer agreement, pursuant to which Hynix agreed not to engage in most aspects of the non-memory semiconductor business and MagnaChip Korea agreed not to engage in most aspects of the memory semiconductor business. Generally, these non-competition provisions last for three years from the closing of the Acquisition. Under a trademark license agreement, Hynix also granted to MagnaChip Korea a limited license to certain trademarks of Hynix embedded in our products.

Upon the closing of the Acquisition, MagnaChip Korea and Hynix also entered into three lease agreements. Under one agreement, MagnaChip Korea leases from Hynix approximately 11,907 square meters of exclusive-use space plus certain common- and joint-use space in several buildings, primarily warehouses, in Cheongju, Korea. Under another agreement, Hynix leases from MagnaChip Korea approximately 8,875 square meters of exclusive-use space plus certain common- and joint-use space in three buildings in Cheongju, Korea. These two leases are generally for an initial term of 20 years plus an indefinite number of renewal terms of 10 years each. Under the third agreement, MagnaChip Korea leases from Hynix approximately 1,439 square meters of exclusive-use space plus certain common-use space in a building in Ichon, Korea for a term of one year plus up to an additional two years at MagnaChip Korea's option. Each of the leases is cancelable upon 90 days' notice by the lessee.

### ADVISORY AGREEMENTS

In connection with the Acquisition, and the related equity financing, MagnaChip Korea and MagnaChip LLC entered into advisory agreements with each of CVC Management LLC, Francisco Partners Management, LLC and CVC Capital Partners Asia Limited, which are related to CVC, Francisco Partners and CVC Asia Pacific, respectively, pursuant to which each may provide financial, advisory and consulting services to MagnaChip Korea and MagnaChip LLC. Under such agreements, each of CVC Management, Francisco Partners

Management and CVC Capital Partners Asia is entitled to receive fees billed at such firm's customary rates for actual time spent performing such services plus reimbursement for out-of-pocket expenses or, at such firm's option, an annual advisory fee, the amount of which is the greater of a fixed dollar amount or a percentage of the annual consolidated revenue of MagnaChip Korea and MagnaChip LLC for the last twelve months, plus out-of-pocket expenses, for the remaining term of the advisory agreement. The annual advisory fees under the agreements are as follows: CVC Management and Francisco Partners Management are each entitled to the greater of $1,379,163.42 or 0.14777% of annual consolidated revenue and CVC Capital Partners Asia is entitled to the greater of $741,673.15 or 0.07946% of annual consolidated revenue. There are no minimum levels of service required to be provided pursuant to the advisory agreements. Each advisory agreement has an initial term of ten years from the date of the Acquisition, subject to termination by either party upon written notice 90 days prior to the expiration of the initial term or any extension thereof. Each advisory agreement includes customary indemnification provisions in favor of each of CVC Management, Francisco Partners Management and CVC Capital Partners Asia. In addition, CVC Management, Francisco Partners Management and CVC Capital Partners Asia were also paid one-time transaction fees of $10.0 million, $5.5 million and $3.8 million, respectively, plus fees and expenses related to the transaction, in connection with the Acquisition.

**THE UNITS FINANCING**

The Acquisition was funded in part by the issuance and sale of common units, Series A preferred units and Series B preferred units of MagnaChip LLC to CVC, Francisco Partners, CVC Asia Pacific, certain members of management and other investors. Part of the net proceeds of the offering of the old notes was used to redeem the Series A preferred units and a portion of the Series B preferred units. See "Capitalization" and "Description of the units."

**REDEMPTION OF PREFERRED UNITS**

The MagnaChip LLC operating agreement provides for the return of amounts funded by the equity sponsors in excess of amounts required to close the Acquisition and cover expected contingencies. In December 2004, we returned $50 million of this excess funding to the equity sponsors through a redemption of a portion of the Series B preferred units of MagnaChip LLC. We retained the unused balance as part of our owners' equity and for other general corporate purposes. Part of the net proceeds of the offering of the old notes was used to redeem an additional portion of the Series B preferred units and all of the Series A preferred units of MagnaChip LLC. See "Capitalization" and "Description of capital stock."

**PURCHASE OF NOTES**

Citigroup Global Markets Inc., an affiliate of CVC acquired $40 million in principal amount of the senior subordinated notes from the initial purchasers. In connection with such acquisition, the initial purchasers did not receive a discount on their purchase of such notes, but we paid Citigroup Global Markets Inc. a placement fee equal to $1 million.

**CONSULTING ARRANGEMENTS**

Prior to the Acquisition, CVC paid Robert Krakauer, our Executive Vice President, Strategic Operations and Chief Financial Officer, certain fees and other benefits for consulting services rendered in connection with matters related to the Acquisition and reimbursed Mr. Krakauer for moving expenses incurred by him upon his appointment as an executive officer of MagnaChip Korea. After completion of the Acquisition, MagnaChip paid $586,674 to CVC to reimburse CVC for such payments made to Mr. Krakauer. See our "Summary Compensation Table" on page 76.

CVC paid Victoria Miller Nam's consulting company certain fees for consulting services rendered by her in connection with matters related to the Acquisition and, following the Acquisition, the management of MagnaChip Korea. MagnaChip paid $408,951 to CVC to reimburse CVC for such payments made to Ms. Nam. See our "Summary Compensation Table" on page 76.

CVC paid Jerry Baker, our Executive Chairman, certain fees for consulting services rendered by him in connection with matters related to the Acquisition. After completion of the Acquisition, MagnaChip paid $140,000 to CVC to reimburse CVC for such payments made to Mr. Baker. See our "Summary Compensation Table" on page 76.

## Description of the units

### MagnaChip LLC Series A Preferred Units and Series B Preferred Units

MagnaChip LLC's limited liability company operating agreement provides that MagnaChip LLC may issue 60,000 Series A preferred units and 550,000 Series B preferred units. As of June 8, 2005, 2005, no Series A preferred units, and 93,997.4364 Series B preferred units, remained issued and outstanding.

The Series A preferred units have an original issue price of $1,000 per unit, and with respect to dividend rights and rights on liquidation, dissolution and winding up, rank prior to the Series B preferred units and the common units and all other classes of equity securities of MagnaChip LLC. The Series A preferred units are entitled to semi-annual cash dividends when, as and if declared, which dividends are cumulative, whether or not earned or declared, and accrue at a rate of 14% per unit per annum on the $1,000 issue price, compounded semi-annually. Accrued dividends if not paid on the semiannual dividend payment date thereafter accrue additional dividends in respect thereof.

When dividends are not paid in full upon the Series A preferred units and any other units ranking on a parity as to dividends with the Series A preferred units, all dividends paid upon Series A preferred units and any other units ranking on a parity as to dividends with the Series A preferred units must be paid pro rata. Except as provided in the preceding sentence, unless full cumulative dividends on the Series A preferred units have been paid, no dividends may be declared or set aside for payment upon any other units of MagnaChip LLC ranking on a parity with the Series A preferred units as to dividends.

Upon liquidation, dissolution or winding up of MagnaChip LLC, holders of Series A preferred units will be entitled to receive out of the legally available assets of MagnaChip LLC, before any amount shall be paid to holders of any other class of security ranking junior to the Series A preferred units (including the Series B preferred units and the common units), an amount equal to $1,000 in cash per unit plus an amount equal to full cumulative dividends (whether or not earned or declared) accrued and unpaid thereon to the date of final distribution. If such available assets are insufficient to pay the holders of all outstanding Series A preferred units in full, the entire assets and funds of MagnaChip LLC legally available for distribution must be distributed ratably among holders of the Series A preferred units.

On or after the ninth anniversary of the issuance of the Series A preferred units, or on or after the twentieth anniversary of the issuance of the Series A preferred units in the event that MagnaChip LLC becomes treated as a corporation for federal tax purposes, the holders of a majority of the then outstanding Series A preferred units will have the right to elect to have MagnaChip LLC redeem all outstanding Series A preferred units, at a price per unit equal to $1,000 plus accrued and unpaid dividends to the date of redemption. MagnaChip LLC may redeem at its option, in whole or in part, the Series A preferred units at any time at a price per unit equal to $1,000 plus accrued and unpaid dividends to the date of redemption, unless MagnaChip LLC becomes treated as a corporation for federal tax purposes, in which case MagnaChip LLC's right to redeem is tolled for twenty years.

The Series A preferred units may be converted, in whole or in part, into common interests at MagnaChip LLC's option upon or concurrently with the first underwritten public offering of MagnaChip LLC's common interests provided that the proceeds of such public offering amount to at least $30,000,000 in gross proceeds to MagnaChip LLC. The number of common interests deliverable upon conversion of a Series A preferred unit is an amount equal to $1,000 plus full cumulative dividends (whether or not earned or declared) accrued and unpaid thereon, divided by the per common interest price to the public (less underwriting discounts and commissions) for common interests in MagnaChip LLC's first public offering. If MagnaChip LLC does not elect to convert all of the Series A preferred units into common interests, each holder of Series A preferred units may convert such holder's Series A preferred units, at such holder's option upon or concurrently with MagnaChip LLC's first public offering, in whole or in part, into common interests according to the formula above.

Generally, except in the case of proposed changes to the dividends payable or in the case of changes to MagnaChip LLC's limited liability company operating agreement that adversely affect the relative rights and

preferences of the Series A preferred units, the Series A preferred units are not entitled to vote on any matter submitted to a vote of the members. On any matters on which the holders of the Series A preferred units are entitled to vote, they are entitled to one vote for each unit held and the vote of the majority of outstanding units is required to take action. In no event will the issuance of any series of preferred units that is senior to, on a parity with or junior to the Series A preferred units or has a redemption date earlier than the Series A preferred units be deemed to adversely affect the rights and preferences of the Series A preferred units.

Under the securityholders' agreement among MagnaChip LLC, the equity sponsors and the other parties thereto, if CVC and Francisco Partners together propose (i) to transfer not less than 50% of each of their respective initial ownership of any class or series of certain securities to a third party or (ii) a transfer in which certain securities to be transferred by CVC and Francisco Partners, plus certain securities to be transferred by the securityholders other than CVC and Francisco Partners pursuant to the drag-along right, constitute more than 50% of outstanding number of certain securities in a particular class or series to a third party, or (iii) a sale of all or substantially all of the assets of MagnaChip LLC to a third party (any of (i), (ii) or (iii), a "Compelled Sale"), CVC and Francisco Partners together may at their option require all other securityholders to sell the drag-along portion of such class or series of certain securities then held by every other securityholder for the same consideration per unit of the relevant class of security and otherwise on the same terms and conditions as CVC and Francisco Partners. The drag-along right terminates upon the third anniversary of the first public offering.

The Series B preferred units have similar provisions to the Series A preferred units, aside from the following exceptions:

- With respect to dividend rights, the dividend rate for Series B preferred units is 10% and the Series B preferred units are junior to the Series A preferred units.
- Series B preferred units are junior to the preference rights on liquidation of the Series A preferred units.
- The mandatory redemption right for the Series B preferred units is based on the fourteenth anniversary date of issuance and holders of the Series B preferred units will not be entitled to exercise the mandatory redemption right during the time any Series A preferred units remain outstanding.

**MagnaChip LLC Common Units**

MagnaChip LLC's limited liability company operating agreement provides that MagnaChip LLC may issue 65,000,000 common units. There were 53,037,319.67 common units outstanding as of June 8, 2005. MagnaChip LLC has reserved an aggregate of 6,490,864 common units for issuance to current and future directors, employees and consultants of MagnaChip LLC and its subsidiaries pursuant to MagnaChip's Equity Incentive Plan, 6,208,830 of which are subject to outstanding options and 282,034 of which were available for future issuance as of June 8, 2005. The holders of common units are entitled to one vote for each unit held of record on all matters submitted to a vote of the members, including the election of directors of the Board of Directors of MagnaChip LLC. Pursuant to the securityholders' agreement, holders of common units agreed to elect directors selected by certain equity sponsors. See "Management—Board Composition."

**Warrant to Purchase Common Units**

In connection with the Acquisition, MagnaChip LLC issued to Hynix a warrant to purchase 5,079,254 common units at an exercise price of $1.00 per unit. The number of units subject to the warrant and the exercise price are subject to customary anti-dilution adjustments. The warrant may be exercised at any time, in whole or in part, until the expiration date. The warrant expires at the earlier of October 6, 2006 and 45 days after MagnaChip LLC provides written notice to Hynix that MagnaChip LLC is filing a registration statement providing for the first underwritten public offering of common equity interests. However, CVC and Francisco Partners, in connection with a sale of 50% or more of each of their common units, or the total outstanding common units or of all or substantially all of the assets of MagnaChip LLC, can require Hynix to exercise the warrant for its pro rata portion of such transaction and sell the common units received upon exercise at the same price as the other securityholders; provided further that Hynix may elect to cancel the warrant if the exercise price would be higher than the sale price.

## Description of other obligations

### THE REVOLVING CREDIT FACILITY

#### Senior Secured Credit Facility

The following discussion is a summary of certain terms and conditions relating to our senior secured credit facility. The following discussion is a summary and is not complete and is subject in its entirety by reference to the actual provisions of the agreements referred to below.

#### General

Concurrently with the issuance of the old notes on December 23, 2004, we entered into a new senior secured credit agreement with a syndicate of banks, financial institutions and other entities including UBS Loan Finance LLC, among others, as lenders, UBS Securities LLC, as arranger, UBS AG, Stamford Branch, as administrative agent (the "Agent") and priority lien collateral agent, providing for a $100 million senior secured revolving credit facility (i) to benefit our operating and manufacturing subsidiaries, especially MagnaChip Korea, (ii) to fund intercompany loans to MagnaChip Korea (through MagnaChip Semiconductor B.V.) and (iii) to pay fees, commissions and expenses in connection with the senior secured credit facility. Additional lenders may become parties to the senior secured credit facility agreement from time to time. The senior secured credit facility is the senior secured obligation of MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company and will terminate five years after December 23, 2004.

#### Security

MagnaChip LLC and each of its current and (to the extent legally permissible) future direct and indirect subsidiaries are or will be guarantors of the senior secured credit facility (except for IC Media Japan Kaioushiki Kaisha and Shanghai Ximei Corporation). The senior credit facility is secured on a first-priority basis, directly or through one or more secured guarantees, by collateral that principally consists of (i) substantially all of the owned real property and equipment of MagnaChip Korea, (ii) substantially all of the assets of each of the guarantors located in Hong Kong, the British Virgin Islands, the Cayman Islands, the United States and the United Kingdom, (iii) material patents and trademarks owned by MagnaChip Korea (exclusive of any jointly owned intellectual property) and (iv) the intercompany loans owing by and among MagnaChip LLC and its subsidiaries, in each case subject to certain exceptions. The senior secured credit facility is also secured by pledges of the stock of the subsidiaries of MagnaChip LLC that are guarantors.

#### Interest

Loans made under the senior secured credit facility bear interest, at the option of MagnaChip LLC, at LIBOR or the higher of the corporate base rate of the Agent (or if higher the federal funds rate plus $^1/_2$%) plus a margin based on the ratio of consolidated indebtedness of MagnaChip LLC to its consolidated EBITDA. Such margin is currently 2.5% for LIBOR based loans and 1.50% for base rate based loans.

We currently pay commitment fees at a rate equal to 0.50% per year on the unused portion of the senior secured credit facility.

#### Prepayment

In certain circumstances, loans outstanding under the senior secured credit facility must be prepaid with the proceeds of asset sales and other dispositions and, casualty and condemnation proceeds. In addition, in the event proceeds of asset sales and casualty and condemnation proceeds are not reinvested into the business within a certain specified period of time, the amount of such uninvested proceeds will permanently reduce the outstanding commitments available under the senior secured credit facility.

#### Covenants

The senior secured credit facility agreement contains certain customary covenants and restrictions for a facility of this type in respect of the future maintenance and conduct of the business.

The senior secured credit facility also contains financial covenants including, but not limited to:

(1) requiring us to maintain a minimum coverage of interest expense; and

(2) requiring us to maintain a minimum leverage ratio.

Borrowings under the senior secured credit facility are subject to significant conditions, including compliance with the financial ratios included in the senior secured credit agreement and the absence of any material adverse change.

**KEB Facility**

MagnaChip Korea remains obligated under the senior credit facility it entered into with certain institutional lenders and the Korean Exchange Bank ("KEB"), as agent, for all loans which may not be prepaid prior to one year following the date such loan is made; however, its only obligations under the loan agreement are to make payments on such loans (and reimbursements with respect to any letters of credit still outstanding thereunder) and to maintain the cash collateral it has pledged to secure such obligations. It has been released from all other material covenant obligations under the loan agreement and liens on all other collateral securing such loans have been released.

A portion of the indebtedness under the KEB credit facility is not prepayable prior to October 7, 2005. In order to secure the payment of such debt when prepayment is permitted and to provide for the release of the liens and certain covenants in the loan agreement, MagnaChip Korea has deposited with KEB, as agent, as collateral for the outstanding loans an amount equal to $110.4 million as of April 3, 2005. This amount includes all principal to become due plus an assumed amount of interest and a premium of 0.25% of the principal amount, or if higher, 111% of the principal amount. Any amount not required to prepay the loans on the date permitted for prepayment will be returned to MagnaChip Korea.

## Exchange offer

### Purpose and Effect of the Exchange Offer

In connection with the issuance of the old notes on December 23, 2004, we entered into registration rights agreements with the initial purchasers of the old notes in which we agreed to commence the exchange offer. Copies of the registration rights agreements are an exhibit to the registration statement of which this prospectus is a part. Under the registration rights agreements, we agreed to file and cause to become effective a registration statement with respect to an offer to exchange the old notes for the new notes. We also agreed to use all commercially reasonable efforts to cause the exchange offer to be consummated within 240 days following the original issuance of the old notes, with limited exception. We are making the exchange offer to comply with our contractual obligations under registration rights agreements. Except under limited circumstances, upon completion of the exchange offer, our obligations with respect to the registration of the old notes will terminate. In addition, each broker-dealer that receives new notes for its own account in exchange for the old notes, where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must represent that it will deliver a prospectus in connection with any resale of such new notes.

The exchange offer is not being made to, nor will we accept tenders for exchange from, holders of the old notes in any jurisdiction in which the exchange offer or the acceptance of it would not be in compliance with the securities or blue sky laws of that jurisdiction.

### Terms of the Exchange Offer

Upon the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal, which together constitute the exchange offer, we will accept for exchange any old notes properly tendered and not withdrawn before expiration of the exchange offer. The date of acceptance for exchange of the old notes and completion of the exchange offer, is the exchange date, which will be the first business day following the expiration date unless we extend the exchange offer as described in this prospectus. We will issue $1,000 principal amount of new notes in exchange for each $1,000 principal amount of old notes surrendered under the exchange offer. The old notes may be tendered only in integral multiples of $1,000. The new notes will be delivered on the earliest practicable date following the exchange date.

Interest on the new notes will accrue from the last payment date on which interest was paid on the old notes surrendered in exchange therefor or, if no interest has been paid on the old notes surrendered, from December 23, 2004. Accordingly, holders of new notes on the relevant record date for the first interest payment date following the consummation of the exchange offer will receive interest accruing from the most recent date on which interest has been paid or, if no interest has been paid, from December 23, 2004. Old notes accepted for exchange will not accrue interest from the last payment date on which interest was paid on the old notes or, if no interest was paid on the old notes surrendered, December 23, 2004. Holders of old notes whose old notes are accepted for exchange will not receive any payment in respect of accrued interest on such old notes otherwise payable on any interest payment date which occurs on or after the consummation of the exchange offer.

The form and terms of the new notes will be identical in all material respects to the form and terms of the old notes, except:

- the offer and sale of the new notes will have been registered under the Securities Act, and thus the new notes generally will not be subject to the restrictions on transfer applicable to the old notes or bear restrictive legends;
- the new notes will not be entitled to registration rights under the registration rights agreements; and
- the new notes will not have the right to earn additional interest under circumstances relating to our registration obligations.

The new notes will evidence the same debt as the old notes. The new notes will be issued under and entitled to the benefits of the same indentures that authorized the issuance of the old notes. Consequently, each series of old notes and the corresponding series of new notes will be treated as a single series of debt securities under the applicable indenture. For a description of the indentures, see "Description of the new second priority notes" and "Description of the new senior subordinated notes."

The exchange offer is not conditioned upon any minimum aggregate principal amount of old notes being tendered for exchange and not withdrawn. This prospectus and the letter of transmittal are being sent to all registered holders of old notes. There will be no fixed record date for determining registered holders of old notes entitled to participate in the exchange offer.

We intend to conduct the exchange offer in accordance with the applicable requirements of the Securities Act, the Exchange Act and the rules and regulations of the Securities and Exchange Commission (SEC). Old notes that are not exchanged in the exchange offer will remain outstanding and continue to accrue interest and will be entitled to the rights and benefits their holders have under the indenture.

We will be deemed to have accepted for exchange properly tendered old notes when we have given oral or written notice of the acceptance to the exchange agent. The exchange agent will act as agent for the holders of old notes who surrender them in the exchange offer for the purposes of receiving the new notes from us and delivering the new notes to their holders. The exchange agent will make the exchange as promptly as practicable on or after the date of acceptance for exchange of the old notes.

Holders that tender old notes in the exchange offer will not be required to pay brokerage commissions or fees or, subject to the instructions in the letter of transmittal, transfer taxes with respect to the exchange of the old notes. We will pay all charges and expenses, other than applicable taxes described below, in connection with the exchange offer. You should read "—Fees and Expenses" for more details regarding fees and expenses incurred in the exchange offer.

**Expiration of the Exchange Offer; Extensions; Amendments**

The exchange offer will expire at 5:00 p.m., New York City time, on , 2005. We can extend the exchange offer in our sole discretion, in which case the term "expiration date" means the latest date and time to which we extend the exchange offer. If we decide to extend the exchange offer, we will then delay acceptance of any old notes by giving notice of an extension as described below. During any extension period, all old notes previously tendered will remain subject to the exchange offer and may be accepted for exchange by us. We will return any old notes not accepted for exchange to the tendering holder after the expiration or termination of the exchange offer.

Our obligation to accept old notes for exchange in the exchange offer is subject to the conditions described below under "—Conditions." We may decide to waive any of the conditions in our discretion. Furthermore, we expressly reserve the right to amend or terminate the exchange offer, and not to accept for exchange any old notes not previously accepted for exchange, upon the occurrence of any of the conditions of the exchange offer specified below under the same heading. By press release or other public announcement, we will give oral or written notice of any extension, amendment, non-acceptance or termination as promptly as practicable. Without limiting the manner in which we may choose to make a public announcement of any delay, extension, amendment or termination of the exchange offer, we will have no obligation to publish, advertise or otherwise communicate any such public announcement, other than by making a timely release to an appropriate news agency.

We reserve the right to amend the terms of the exchange offer in any manner. If we amend the exchange offer in a manner that we determine constitutes a material change, we will disclose the amendment by means of a prospectus supplement. If we make such a material change less than five to ten business days, depending on the significance of the amendment, before the expiration of the exchange offer, we will extend the offer so that you

have at least five to ten business days to tender or withdraw. We will notify you of any extension of the exchange offer by means of a press release or other public announcement no later than 9:00 a.m., New York City time, on the first business day after the previously scheduled expiration time.

**Conditions**

Despite any other term of the exchange offer, or any extension of the exchange offer, we will not be required to accept for exchange, or to exchange, any old notes for any new notes and, as described below, may terminate the exchange offer, or may waive any of the conditions to or amend the exchange offer, if the exchange offer, in our judgment, is not available or may not be completed in a timely manner because it would violate a law, statute, rule, or regulation, order, or SEC staff interpretation.

These conditions are solely for our benefit and we may assert them regardless of the circumstances that may give rise to them. If we determine in our sole discretion that any of the foregoing events or conditions has occurred or exists, we may, subject to applicable law, terminate the exchange offer, whether or not any old notes have been accepted for exchange, or may waive any such condition or otherwise amend the terms of the exchange offer in any respect. See "—Expiration of the Exchange Offer; Extensions; Amendments" above. If we fail at any time to exercise any of the foregoing rights, this failure will not constitute a waiver of that right. Each of these rights will be deemed an ongoing right that we may assert at any time or at various times.

We will not accept for exchange any old notes tendered and will not issue new notes in exchange for any old notes, if at that time a stop order is threatened or in effect with respect to the registration statement of which this prospectus constitutes a part or the qualification of the indentures under the Trust Indenture Act of 1939.

In addition, we will not be obligated to accept for exchange the old notes of any holder that has not made to us:

- the representations described under "—Procedures for Tendering" and "Plan of Distribution"; and
- any other representations that may be reasonably necessary under applicable SEC rules, regulations or interpretations to make available to us an appropriate form for registration of the new notes under the Securities Act.

**Procedures for Tendering**

Only a holder of record of old notes may tender old notes in the exchange offer. To tender in the exchange offer, a holder must comply with all applicable procedures of The Depository Trust Company, or DTC, and either:

- complete, sign and date the letter of transmittal we have forwarded to you along with this prospectus, or a facsimile of the letter of transmittal; have the signature on the letter of transmittal guaranteed if the letter of transmittal so requires; and deliver the letter of transmittal or facsimile to the exchange agent prior to the expiration date; or
- in lieu of delivering a letter of transmittal, instruct DTC to transmit on behalf of the holder an agent's message, which is a computer-generated message to the exchange agent in which the holder of the old notes acknowledges receipt of and agrees to be bound by and to make all of the representations contained in the letter of transmittal, which agent's message must be received by the exchange agent prior to 5:00 p.m., New York City time, on the expiration date.

In addition, either:

- the exchange agent must receive the old notes along with a letter of transmittal for each series of notes being tendered; or
- with respect to the old notes, the exchange agent must receive, before expiration of the exchange offer, timely confirmation of book-entry transfer of old notes into the exchange agent's account at DTC and an

agent's message, in accordance with DTC's Automated Tender Offer Program, or ATOP, procedures for book-entry transfer described below; or

- the holder must comply with the guaranteed delivery procedures described below.

To be tendered effectively, the exchange agent must receive any physical delivery of the letter of transmittal and other required documents at the address set forth below under "—Exchange Agent" before expiration of the exchange offer. To receive confirmation of valid tender of the old notes, a holder should contact the exchange agent at the telephone number listed under "—Exchange Agent."

The tender by a holder that is not validly withdrawn before expiration of the exchange offer will constitute an agreement between that holder and us in accordance with the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal. Only a registered holder of old notes may tender the old notes in the exchange offer. If a holder completing a letter of transmittal tenders less than all of the old notes held by the holder, the holder should fill in the applicable box of the letter transmittal. The amount of old notes delivered to the exchange agent will be deemed to have been tendered unless otherwise indicated.

If the old notes, the letter of transmittal or any other required documents are physically delivered to the exchange agent, the method of delivery is at the holder's election and risk. Rather than mail these items, we recommend that holders use a nationally recognized U.S. overnight delivery service or a hand delivery service. In all cases, holders should allow sufficient time to assure delivery to the exchange agent before expiration of the exchange offer. Holders should not send the letter of transmittal or old notes to us. Holders may request their respective brokers, dealers, commercial banks, trust companies or other nominees to effect the above transactions for them.

Any beneficial owner whose old notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact the registered holder promptly and instruct it to tender on the beneficial owner's behalf. If the beneficial owner wishes to tender on its own behalf, it must, prior to completing and executing the letter of transmittal and delivering its old notes, either:

- make appropriate arrangements to register ownership of the old notes in the beneficial owner's name; or
- obtain a properly completed bond power from the registered holder of old notes.

The transfer of registered ownership may take considerable time and may not be completed prior to the expiration date.

If the applicable letter of transmittal is signed by the record holder(s) of the old notes tendered, the signature must correspond with the name(s) written on the face of the old notes without alteration, enlargement or any change whatsoever. If the applicable letter of transmittal is signed by a participant in DTC, the signature must correspond with the name as it appears on the security position listing as the holder of the old notes.

A signature on a letter of transmittal or a notice of withdrawal must be guaranteed by an eligible guarantor institution. Eligible guarantor institutions include banks, brokers, dealers, municipal securities dealers, municipal securities brokers, government securities dealers, government securities brokers, credit unions, national securities exchanges, registered securities associations, clearing agencies and savings associations. The signature need not be guaranteed by an eligible guarantor institution if the old notes are tendered:

- by a registered holder who has not completed the box entitled "Special Registration Instructions" or "Special Delivery Instructions" on the letter of transmittal; or
- for the account of an eligible institution.

If the letter of transmittal is signed by a person other than the registered holder of any old notes, the old notes must be endorsed or accompanied by a properly completed bond power. The bond power must be signed by

the registered holder as the registered holder's name appears on the old notes and an eligible guarantor institution must guarantee the signature on the bond power.

If the letter of transmittal or any old notes, bond powers, certificates or separate written instruments of transfer or exchange are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, these persons must so indicate when signing. Unless we waive this requirement, they must also submit evidence satisfactory to us of their authority to deliver the letter of transmittal.

We will determine in our sole discretion all questions as to the validity, form, eligibility, including time of receipt, acceptance and withdrawal of tendered old notes. Our determination will be final and binding. We reserve the absolute right to reject any old notes not properly tendered or any old notes the acceptance of which would, in the opinion of our counsel, be unlawful. We also reserve the right to waive any defects, irregularities or conditions of tender as to particular old notes. Our interpretation of the terms and conditions of the exchange offer, including the instructions in the letter of transmittal, will be final and binding on all parties.

Unless waived, any defects or irregularities in connection with tenders of old notes must be cured within the time that we determine. Although we intend to notify holders of defects or irregularities with respect to tenders of old notes, neither we, the exchange agent nor any other person will incur any liability for failure to give such notification. Tenders of old notes will not be deemed made until those defects or irregularities have been cured or waived. Any old notes received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned by the exchange agent without cost to the tendering holder, unless otherwise provided in the letter of transmittal, as soon as practicable following the expiration date.

In all cases, we will issue new notes for old notes that we have accepted for exchange under the exchange offer only after the exchange agent timely receives:

- the old notes or a timely book-entry confirmation that the old notes have been transferred into the exchange agent's account at DTC; and
- a properly completed and duly executed letter of transmittal and all other required documents or a properly transmitted agent's message.

Holders should receive copies of the applicable letter of transmittal with the prospectus. A holder may obtain additional copies of the applicable letter of transmittal for the old notes from the exchange agent at its offices listed under "—Exchange Agent." By signing the letter of transmittal, or causing DTC to transmit an agent's message to the exchange agent, each tendering holder of old notes will represent to us that, among other things:

- any new notes to be received by the holder will be acquired in the ordinary course of its business;
- the holder is not engaged in, and does not intend to engage in, and has no arrangement or understanding with any person to participate in, a distribution of the new notes;
- the holder is not our "affiliate" (as defined in Rule 405 under the Securities Act) or, if it is such an affiliate, it will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable;
- if the holder is a broker-dealer that receives new notes for its own account in exchange for old notes that were acquired as a result of market-making activities or other trading activities, it will deliver a prospectus in connection with any resale of these new notes;
- if the holder is a broker-dealer, that it did not purchase the old notes to be exchanged for the new notes from us in the initial offering of the old notes; and

- the holder is not acting on behalf of any person who could not truthfully and completely make the foregoing representations.

**DTC Book-Entry Transfer**

The exchange agent will make a request to establish an account with respect to the old notes at DTC for purposes of the exchange offer within two business days after the date of this prospectus.

With respect to the old notes, the exchange agent and DTC have confirmed that any financial institution that is a participant in DTC may utilize the DTC ATOP procedures to tender old notes.

With respect to the old notes, any participant in DTC may make book-entry delivery of old notes by causing DTC to transfer the old notes into the exchange agent's account in accordance with DTC's ATOP procedures for transfer.

However, the exchange for the old notes so tendered will be made only after a book-entry confirmation of such book-entry transfer of old notes into the exchange agent's account, and timely receipt by the exchange agent of an agent's message and any other documents required by the letter of transmittal.

**Guaranteed Delivery Procedures**

Holders wishing to tender their old notes but whose old notes are not immediately available or who cannot deliver their old notes, the letter of transmittal or any other required documents to the exchange agent or cannot comply with the applicable procedures described above before expiration of the exchange offer may tender if:

- the tender is made through an eligible guarantor institution;
- before expiration of the exchange offer, the exchange agent receives from the eligible guarantor institution either a properly completed and duly executed notice of guaranteed delivery, by facsimile transmission, mail or hand delivery, or a properly transmitted agent's message and notice of guaranteed delivery;
    - setting forth the name and address of the holder and the registered number(s) and the principal amount of old notes tendered;
    - stating that the tender is being made by guaranteed delivery; and
    - guaranteeing that, within three New York Stock Exchange trading days after expiration of the exchange offer, the letter of transmittal, or facsimile thereof, together with the old notes or a book-entry transfer confirmation, and any other documents required by the letter of transmittal will be deposited by the eligible guarantor institution with the exchange agent; and
    - the exchange agent receives the properly completed and executed letter(s) of transmittal, or facsimile thereof, as well as all tendered old notes in proper form for transfer or a book-entry transfer confirmation, and all other documents required by the letter of transmittal, within three New York Stock Exchange trading days after expiration of the exchange offer.

Upon request to the exchange agent, a notice of guaranteed delivery will be sent to holders who wish to tender their old notes according to the guaranteed delivery procedures set forth above.

**Withdrawal of Tenders**

Except as otherwise provided in this prospectus, holders of old notes may withdraw their tenders at any time before expiration of the exchange offer.

For a withdrawal to be effective, the exchange agent must receive a computer-generated notice of withdrawal transmitted by DTC on behalf of the holder in accordance with the standard operating procedures of DTC, or a written notice of withdrawal, which may be by telegram, telex, facsimile transmission or letter, at one of the addresses set forth below under "—Exchange Agent."

Any notice of withdrawal must:

- specify the name of the person who tendered the old notes to be withdrawn;
- identify the old notes to be withdrawn, including the principal amount of the old notes to be withdrawn; and
- where certificates for old notes have been transmitted, specify the name in which the old notes were registered, if different from that of the withdrawing holder.

If certificates for old notes have been delivered or otherwise identified to the exchange agent, then, prior to the release of those certificates, the withdrawing holder must also submit:

- the serial numbers of the particular certificates to be withdrawn; and
- a signed notice of withdrawal with signatures guaranteed by an eligible guarantor institution, unless the withdrawing holder is an eligible guarantor institution.

If old notes have been tendered pursuant to the procedure for book-entry transfer described above, any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn old notes and otherwise comply with the procedures of the facility.

We will determine all questions as to the validity, form and eligibility, including time of receipt, of notices of withdrawal, and our determination shall be final and binding on all parties. We will deem any old notes so withdrawn not to have been validly tendered for exchange for purposes of the exchange offer. We will return any old notes that have been tendered for exchange but that are not exchanged for any reason to their holder without cost to the holder. In the case of old notes tendered by book-entry transfer into the exchange agent's account at DTC, according to the procedures described above, those old notes will be credited to an account maintained with DTC, for old notes, as soon as practicable after withdrawal, rejection of tender or termination of the exchange offer. You may re-tender properly withdrawn old notes by following one of the procedures described under "—Procedures for Tendering" above at any time on or before expiration of the exchange offer.

A holder may obtain a form of the notice of withdrawal from the exchange agent at its offices listed under "—Exchange Agent."

**Resale of New Notes**

Under existing interpretations of the Securities Act by the staff of the SEC contained in several "no-action" letters to third parties, and subject to the immediately following sentence, we believe that the new notes will generally be freely transferable by holders after the exchange offer without further compliance with the registration and prospectus delivery requirements of the Securities Act (subject to certain representations required to be made by each holder of old notes, as set forth under "Exchange offer—Procedures for Tendering"). However, any holder of old notes that is one of our "affiliates" (as defined in Rule 405 under the Securities Act), that does not acquire the new notes in the ordinary course of business, that intends to distribute the new notes as part of the exchange offer, or that is a broker-dealer who purchased old notes from us in the initial offering of the old notes for resale pursuant to Rule 144A or any other available exemption under the Securities Act, (1) will not be able to rely on the interpretations of the staff of the SEC and (2) in the absence of any exemption, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the new notes.

With regard to broker-dealers, only broker-dealers that acquired the old notes for their own accounts as a result of market-making activities or other trading activities may participate in the exchange offer. Each such broker-dealer that receives new notes for its own account in exchange for the old notes must acknowledge that it will deliver a prospectus in connection with any resale of the new notes. Please see "Plan of distribution" for more details regarding the transfer of new notes.

**Exchange Agent**

The Bank of New York has been appointed as exchange agent for the exchange offer. You should direct questions and requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal and requests for the notice of guaranteed delivery or the notice of withdrawal to the exchange agent addressed as follows:

To: The Bank of New York
By Mail (Registered or Certified Mail is recommended), Courier or Hand:

Corporate Trust Operations—Reorganization Unit
101 Barclay Street—7 East
New York, N.Y. 10286
Attn: Mr. David Mauer

By Facsimile Transmission (for Eligible Institutions Only):
(212) 298-1915
Confirm by Telephone:
(212) 815-3687

Delivery of a letter of transmittal to an address other than as shown above or transmission via facsimile other than as set forth above does not constitute a valid delivery of such letter of transmittal.

**Fees and Expenses**

We will bear the expenses of soliciting tenders. The principal solicitation is being made by mail; however, we may make additional solicitations by facsimile transmission, telephone or in person by our officers and regular employees and those of our affiliates.

We have not retained any dealer-manager in connection with the exchange offer and will not make any payments to broker-dealers or others soliciting acceptances of the exchange offer. We will, however, pay the exchange agent reasonable and customary fees for its services and reimburse it for its related reasonable out-of-pocket expenses.

We will pay the cash expenses to be incurred in connection with the exchange offer, including the following:

- SEC registration fees;
- fees and expenses of the exchange agent and trustee;
- our accounting and legal fees; and
- our printing and mailing costs.

**Transfer Taxes**

We will pay all transfer taxes, if any, applicable to the exchange of old notes under the exchange offer. The tendering holder, however, will be required to pay any transfer taxes, whether imposed on the registered holder or any other person, if:

- certificates representing old notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be issued in the name of, any person other than the registered holder of old notes tendered;
- new notes are to be delivered to, or issued in the name of, any person other than the registered holder of the old notes;
- tendered old notes are registered in the name of any person other than the person signing the letter of transmittal; or a transfer tax is imposed for any reason other than the exchange of old notes under the exchange offer.

If satisfactory evidence of payment of transfer taxes is not submitted with the letter of transmittal, the amount of any transfer taxes will be billed to the tendering holder.

**Accounting Treatment**

We will record the new notes in our accounting records at the same carrying value as the old notes, which is the aggregate principal amount, less unamortized discount, as reflected in our accounting records on the date of exchange. As the terms and conditions of the new notes and the old notes are virtually identical, we will not recognize any gain or loss for accounting purposes in connection with the exchange offer.

**Consequences of Failure to Tender**

All untendered old notes will remain subject to the restrictions on transfer provided for in the old notes and in the indenture. Generally, the old notes that are not exchanged for new notes pursuant to the exchange offer will remain restricted securities. Accordingly, such old notes may be resold only in accordance with all applicable securities laws of the states of the United States and other jurisdictions and either:

- to a person who the seller reasonably believes is a Qualified Institutional Buyer within the meaning of Rule 144A under the Securities Act purchasing for its own account or for the account of a Qualified Institutional Buyer in a transaction meeting the requirements of Rule 144A;
- in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the Securities Act;
- pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available);
- to an Institutional Accredited Investor in a transaction exempt from the registration requirements of the Securities Act;
- pursuant to an effective registration statement under the Securities Act; or
- to us (upon redemption or otherwise).

**Other**

Participation in the exchange offer is voluntary, and you should carefully consider whether to accept. We urge you to consult your financial and tax advisors in making your own decision on what action to take.

We may in the future seek to acquire untendered old notes in open market or privately negotiated transactions, through subsequent exchange offers or otherwise. However, we have no present plans to acquire any old notes that are not tendered in the exchange offer or to file a registration statement to permit resales of any untendered old notes.

**Description of the new second priority notes**

You can find the definitions of certain terms used in this description under the subheading "Certain Definitions." In this description, the word "MagnaChip" or the "Company" refers only to MagnaChip Semiconductor S.A. and not to any of its subsidiaries.

The term "Issuers" refers collectively to MagnaChip and MagnaChip Semiconductor Finance Company ("Finance Company"), which is a wholly-owned subsidiary of MagnaChip as of the Issue Date. "US LLC" refers to MagnaChip Semiconductor LLC (USA). Each of MagnaChip Semiconductor SA Holdings LLC (USA) and MagnaChip Semiconductor, Inc. (USA) is a direct subsidiary of US LLC. US LLC and MagnaChip Semiconductor S.A. Holdings LLC (USA) own all of the equity interests in MagnaChip.

**Each of US LLC, MagnaChip Semiconductor SA Holdings LLC (USA) and MagnaChip Semiconductor, Inc. (USA) will be a Guarantor of the second priority notes and will be treated as a "Restricted Subsidiary" (as defined) of MagnaChip for all purposes under the indenture.**

The Issuers issued the old floating rate second priority notes and old fixed rate second priority notes under, and the new floating rate second priority notes and new fixed rate second priority notes will be subject to, an indenture among MagnaChip, Finance Company, the Guarantors and The Bank of New York, as trustee. The terms of the new second priority notes are the same as the terms of the old second priority notes, and will include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, as amended, except that:

- the new notes will be registered under the Securities Act of 1933, as amended;
- the new notes will not bear legends restricting their transfer under the Securities Act; and
- holders of the new notes are not entitled to certain rights under the registration rights agreement.

The security documents and the intercreditor agreement referred to below under the caption "—Security" define the terms of the security interests that will secure the second priority notes.

The following description is a summary of the material provisions of the indenture, the security documents and the intercreditor agreement. It does not restate those agreements in their entirety. We urge you to read the indenture, the security documents and the intercreditor agreement because they, and not this description, define your rights as holders of the second priority notes. Copies of the indenture, the security documents and the intercreditor agreement are available as set forth below under "—Additional Information." Certain defined terms used in this description but not defined below under "—Certain Definitions" have the meanings assigned to them in the indenture.

The registered holder of a note will be treated as the owner of it for all purposes. Only registered holders will have rights under the indenture.

The new floating rate second priority notes and the old floating rate second priority notes are treated as one series of notes under the indenture. Likewise, the new fixed rate second priority notes and the old fixed rate second priority notes are treated as one series of notes under the indenture. References in the following summary to the notes should be read to incorporate the old notes and the new notes.

The floating rate second priority notes and fixed rate second priority notes are *pari passu* in right of payment with each other and will be secured equally and ratably with each other.

**Brief Description of the Second Priority Notes and the Note Guarantees**

***The Second Priority Notes***

The second priority notes will:

- be general senior obligations of the Issuers;

- be secured on a second-priority lien basis by substantially all of the assets of US LLC and its Subsidiaries that secure the Senior Credit Agreement on a first-priority lien basis, other than the Excluded Assets;
- rank effectively junior in right of payment to any Indebtedness of the Issuers that is (i) secured by first priority liens on the assets securing the second priority notes, including the first-priority liens securing the Senior Credit Agreement, or (ii) secured by assets that are not part of the Collateral securing the second priority notes, in each case, to the extent of the value of the assets securing such Indebtedness;
- will be effectively junior to any Permitted Prior Liens, to the extent of the value of the assets of US LLC and its Subsidiaries subject to those Permitted Prior Liens;
- rank equally in right of payment with all existing and future senior Indebtedness of the Issuers, including borrowings under the Senior Credit Agreement;
- rank senior in right of payment to all subordinated Indebtedness of the Issuers, including the Issuers' senior subordinated notes; and
- will be unconditionally guaranteed by the Guarantors.

***The Second Priority Note Guarantees***

The second priority notes will be unconditionally guaranteed (the "Guarantees") on a senior secured basis by the Guarantors.

Each Guarantee will:

- be a general obligation of the Guarantor;
- will be secured on a second-priority basis, equally and ratably with all obligations of that Guarantor under the second priority notes and any other future Parity Lien Debt, by Liens on all of the assets of that Guarantor other than the Excluded Assets, subject to the Liens securing that Guarantor's guarantee of the Senior Credit Agreement obligations and any other Priority Lien Debt and other Permitted Prior Liens;
- be effectively junior, to the extent of the value of the Collateral, to that Guarantor's guarantee of the Senior Credit Agreement and any other Priority Lien Debt, which will be secured on a first-priority basis by the same assets of that Guarantor that secure the second priority notes and by certain other assets of that Guarantor that do not secure the second priority notes;
- be effectively junior to any Permitted Prior Liens, to the extent of the value of the assets of that Guarantor subject to those Permitted Prior Liens;
- rank equal in right of payment with all existing and future senior Indebtedness of that Guarantor; and
- will be senior in right of payment to any future subordinated Indebtedness of that Guarantor, if any.

Pursuant to the indenture, MagnaChip will be permitted to designate additional Indebtedness as Priority Lien Debt, subject to the Priority Lien Cap. MagnaChip also will be permitted to incur additional Indebtedness as Parity Lien Debt subject to the covenants described below under "Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock" and "Covenants—Liens."

As of the date of the indenture, all of our Subsidiaries will be "Restricted Subsidiaries" and Guarantors. The second priority notes will be effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of MagnaChip's present or future Subsidiaries that are not Guarantors. However, under the circumstances described below under the caption "—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries," we will be permitted to designate certain of our Subsidiaries as "Unrestricted Subsidiaries." Our Unrestricted Subsidiaries will not be subject to many of the restrictive covenants in the indenture. Our Unrestricted Subsidiaries will not guarantee the second priority notes.

**Finance Company**

Finance Company is a Delaware corporation and a wholly owned subsidiary of MagnaChip that has been formed for the purpose of facilitating the offering of the second priority notes by acting as co-issuer. Finance Company will be nominally capitalized and will not have any operations or revenues. As a result, prospective purchasers of the second priority notes should not expect Finance Company to participate in servicing the interest and principal obligations on the notes. See "—Certain Covenants—Restrictions on Activities of Finance Company."

**Principal, Maturity and Interest**

The Issuers initially issued $500.0 million in aggregate principal amount of second priority notes, of which $300.0 million consisted of the floating rate second priority notes and $200.0 million consisted of the fixed rate second priority notes. The Issuers may issue additional floating rate second priority notes and additional fixed rate second priority notes under the indenture from time to time after this offering in an unlimited principal amount. Any issuance of additional floating rate second priority notes or fixed rate second priority notes is subject to all of the covenants in the indenture, including the covenant described below under the caption "—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock." The floating rate second priority notes and any additional floating rate second priority notes subsequently issued under the indenture will be treated as a single class for all purposes under the indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. The fixed rate second priority notes and any additional fixed rate second priority notes subsequently issued under the indenture will be treated as a single class for all purposes under the indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. The floating rate second priority notes, including any additional floating rate second priority notes, and the fixed rate second priority notes, including any additional fixed rate second priority notes, will be treated as separate classes for all purposes under the indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. The Issuers will issue the second priority notes in denominations of $1,000 and integral multiples of $1,000. The second priority notes will mature on December 15, 2011.

Interest on the floating rate second priority notes will accrue at a rate equal to the LIBOR Rate plus 3.25%. The LIBOR Rate will be reset quarterly. The LIBOR Rate for the quarterly period ending on June 30, 2005 is 3.41%. Interest on the floating rate second priority notes will be payable quarterly in arrears on March 15, June 15, September 15 and December 15, commencing on March 15, 2005. MagnaChip will make each interest payment to the holders of record on the March 1, June 1, September 1 and December 1 immediately preceding the next interest payment date. Interest on the floating rate second priority notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest on overdue principal and interest and Liquidated Damages, if any, will accrue at a rate that is 1% higher than the then applicable interest rate on the floating rate second priority notes.

Interest on the fixed rate second priority notes will accrue at the rate of 6 7/8% per annum and will be payable semi-annually in arrears on June 15 and December 15, commencing on June 15, 2005. MagnaChip will make each interest payment to the holders of record on the June 1 and December 1 immediately preceding the next interest payment date. Interest on the fixed rate second priority notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest on overdue principal and interest and Liquidated Damages, if any, will accrue at a rate that is 1% higher than the then applicable interest rate on the fixed rate second priority notes.

Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. In no event will the interest rate on the second priority notes be higher than the maximum rate permitted by law, if any.

**Methods of Receiving Payments on the Notes**

If a holder of second priority notes has given wire transfer instructions to MagnaChip, MagnaChip will pay all principal, interest and premium and Liquidated Damages, if any, on that holder's second priority notes in

accordance with those instructions. All other payments on the second priority notes will be made at the office or agency of the paying agent and registrar within the City and State of New York unless MagnaChip elects to make interest payments by check mailed to the noteholders at their address set forth in the register of holders.

**Paying Agent and Registrar for the Second Priority Notes**

The trustee will initially act as paying agent and registrar. The Issuers may change the paying agent or registrar without prior notice to the holders of the notes, and MagnaChip or any of its Subsidiaries may act as paying agent or registrar.

**Transfer and Exchange**

A holder may transfer or exchange second priority notes in accordance with the provisions of the indenture. The registrar and the trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents in connection with a transfer of second priority notes. Holders will be required to pay all taxes due on transfer. The Issuers will not be required to transfer or exchange any second priority note selected for redemption. Also, the Issuers will not be required to transfer or exchange any note for a period of 15 days before a selection of second priority notes to be redeemed.

**Additional Amounts**

All payments made by the Issuers under or with respect to the second priority notes or any of the Guarantors on its Guarantee will be made without withholding or deduction for, or on account of, any present or future Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of any jurisdiction in which the Issuers or any Guarantor (including any successor entity), is then incorporated, engaged in business or resident for tax purposes or any political subdivision thereof or therein or any jurisdiction by or through which payment is made (each, a "Tax Jurisdiction"), will at any time be required to be made from or Taxes imposed directly on any Holder or beneficial owner of the second priority notes on any payments made by the Issuers under or with respect to the second priority notes or any of the Guarantors with respect to any Guarantee, including payments of principal, redemption price, purchase price, interest or premium, the Issuers or the relevant Guarantor, as applicable, will pay such additional amounts (the "Additional Amounts") as may be necessary in order that the net amounts received in respect of such payments by each Holder (including Additional Amounts) after such withholding or deduction will equal the respective amounts which would have been received in respect of such payments in the absence of such withholding, deduction or imposition; *provided, however*, that no Additional Amounts will be payable with respect to:

(1) any Tax imposed by the United States or by any political subdivision or taxing authority thereof or therein;

(2) any Taxes which would not have been imposed but for any present or former connection between the Holder or the beneficial owner of the second priority notes, such as being a citizen or resident or national of, incorporated in or carrying on a business, and the relevant Taxing Jurisdiction in which such Taxes are imposed (other than by the mere holding of such note or enforcement of rights thereunder or the receipt of payments in respect thereof) or any other connection arising as a result of the holding of the second priority notes;

(3) any Taxes that are imposed or withheld as a result of the failure of the Holder or beneficial owner of the second priority notes to comply with any written request, made to that Holder or beneficial owner in writing at least 30 days before any such withholding or deduction would be payable, by the Issuers or any of the Guarantors or any other Person through whom payment may be made to provide timely or accurate information concerning the nationality, residence or identity of such Holder or beneficial owner or to make any valid or timely declaration or similar claim or satisfy any certification information or other reporting requirement, which is required or imposed by a statute, treaty, regulation or administrative practice of the relevant Tax Jurisdiction as a precondition to exemption from all or part of such Taxes;

(4) any Note presented for payment (where a second priority note is in the form of a definitive second priority note and presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the note been presented on the last day of such 30 day period);

(5) any estate, inheritance, gift, sale, transfer, personal property or similar tax or assessment;

(6) any Taxes withheld, deducted or imposed on a payment to an individual and which are required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to, such Directive; or

(7) any combination of items (1) through (6) above.

The Issuers and the Guarantors will also pay and indemnify the holder for any present or future stamp, issue, registration, transfer, court or documentary taxes, or any other excise or property taxes, charges or similar levies or Taxes which are levied by any jurisdiction in which the Issuers or any Guarantor (including any successor entity) is then incorporated, engaged in business or resident for tax purposes or any political subdivision thereof or therein on the execution, delivery, registration or enforcement of any of the second priority notes, the indenture, any Guarantee, or any other document or instrument referred to therein, or the receipt of any payments with respect to the second priority notes or the Guarantees.

If either Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the second priority notes or any Guarantee, the relevant Issuer or the relevant Guarantor, as the case may be, will deliver to the Trustee on a date which is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment date, in which case the relevant Issuer or the relevant Guarantor shall notify the Trustee promptly thereafter) an officers' certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The officers' certificate must also set forth any other information reasonably necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date. The relevant Issuer or the relevant Guarantor will provide the Trustee with documentation reasonably satisfactory to the Trustee evidencing the payment of Additional Amounts.

The relevant Issuer or the relevant Guarantor will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The relevant Issuer or the relevant Guarantor will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The relevant Issuer or the relevant Guarantor will furnish to the Holders, within 60 days after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the relevant Issuer or a Guarantor, as the case may be, or if, notwithstanding such entity's efforts to obtain receipts, receipts are not obtained, other evidence of payments by such entity.

Whenever in the Indenture or in this "Description of Second Priority Notes" there is mentioned, in any context, the payment of amounts based upon the principal amount of the second priority notes or of principal, interest or of any other amount payable under, or with respect to, any of the notes, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

**Second Priority Note Guarantees**

The Issuers' Obligations under the second priority notes will be jointly and severally guaranteed on a senior secured basis by the Guarantors. As of the date of the indenture all of our Subsidiaries will be Guarantors. Each

Guarantee will be secured by second priority liens on any Collateral owned by the Guarantor. The Guarantees will be pari passu in right of payment with all existing and future senior Indebtedness of the Guarantors and will be effectively junior to any debt of any Guarantor that is either (1) secured by a Lien on the Collateral that is senior or prior to the second priority liens securing the Guarantees, including the Priority Liens or (2) secured by assets that are not part of the Collateral securing the second priority notes, in each case, to the extent of the value of the assets securing that collateral. The Obligations of each Guarantor under its Guarantee will be limited as necessary to prevent the Guarantee from constituting a fraudulent conveyance or fraudulent transfer under applicable law. Except as provided in agreements governing MagnaChip's other Indebtedness and in "Certain Covenants" below, MagnaChip is not restricted from selling or otherwise disposing of any of the Equity Interests of the Guarantors.

A Guarantor may not sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person) another Person, other than MagnaChip or another Guarantor, unless:

(1) immediately after giving effect to that transaction, no Default or Event of Default exists; and

(2) either:

(a) the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger assumes all the obligations of that Guarantor under the indenture, its Note Guarantees and the registration rights agreement pursuant to a supplemental indenture and appropriate collateral documents satisfactory to the trustee; or

(b) the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of the indenture.

The Note Guarantees of a Guarantor will be released:

(1) in connection with any liquidation or sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) MagnaChip or a Restricted Subsidiary of MagnaChip, if the sale or other disposition does not violate the "Asset Sale" provisions of the indenture or is made in connection with an enforcement of a Priority Lien;

(2) in connection with any sale or other disposition of all of the Capital Stock of that Guarantor to a Person that is not (either before or after giving effect to such transaction) MagnaChip or a Restricted Subsidiary of MagnaChip, if the sale or other disposition does not violate the "Asset Sale" provisions of the indenture;

(3) if MagnaChip designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the indenture; or

(4) upon legal defeasance or satisfaction and discharge of the indenture as provided below under the captions "—Legal Defeasance and Covenant Defeasance" and "—Satisfaction and Discharge."

See "—Repurchase at the Option of Holders—Asset Sales."

**Security**

The obligations of the Issuers with respect to the notes, the obligations of the Guarantors under the guarantees, all other Parity Lien Obligations and the performance of all other obligations of the Issuers, the Guarantors and the other Restricted Subsidiaries under the Note Documents will be secured equally and ratably by second-priority Liens in the Collateral granted to the Parity Lien Collateral Agent for the benefit of the holders of the Parity Lien Obligations. These Liens will be junior in priority to the Liens securing Priority Lien Obligations and to all other Permitted Prior Liens. The Liens securing Priority Lien Obligations will be held by

the Priority Lien Collateral Agent or the Collateral Trustee. The Collateral Trustee will hold the rights with respect to the guarantees and liens granted from MagnaChip Semiconductor, Ltd. and will be responsible for enforcing the same in accordance with directions from the Priority Lien Collateral Agent and, after the Discharge of Priority Lien Obligations, the Parity Lien Collateral Agent, as detailed in the intercreditor agreement. The Collateral securing Parity Lien Obligations comprises all of the assets of MagnaChip and the other Pledgors, other than the Excluded Assets.

**Intercreditor Agreement**

On December 23, 2004, the Pledgors entered into an intercreditor agreement with the Priority Lien Collateral Agent, the Priority Lien Credit Agreement Agent, the Parity Lien Collateral Agent and the trustee. The intercreditor agreement sets forth the terms of the relationship between the holders of Priority Liens and the holders of Parity Liens.

***Restrictions on Enforcement of Parity Liens***

Until the Discharge of Priority Lien Obligations, the holders of loans made under the Senior Credit Agreement and other Priority Lien Obligations will have, subject to the exceptions set forth below in clauses (1) through (4) and the provisions described below under the caption "—Provisions of the Indenture Relating to Security—Relative Rights," and subject to the rights of the holders of Permitted Prior Liens, the exclusive right to enforce, collect or realize on any Collateral or exercise any other right or remedy with respect to the Collateral. Neither the Parity Lien Collateral Agent, nor the trustee nor the holders of notes or other Parity Lien Obligations may take any action to enforce, collect or realize on any Collateral or exercise any other right or remedy with respect to the Collateral. Notwithstanding the foregoing, the trustee at the direction of the holders of notes (together with any other holder of a Parity Lien Obligation) may, subject to the rights of the holders of other Permitted Prior Liens, direct the Parity Lien Collateral Agent:

(1) without any condition or restriction whatsoever, at any time after the Discharge of Priority Lien Obligations;

(2) as necessary to redeem any Collateral in a creditor's redemption permitted by law or to deliver any notice or demand necessary to enforce (subject to the prior Discharge of Priority Lien Obligations) any right to claim, take or receive proceeds of Collateral remaining after the Discharge of Priority Lien Obligations in the event of foreclosure or other enforcement of any Permitted Prior Lien;

(3) as necessary to perfect or establish the priority (subject to Priority Liens and other Permitted Prior Liens) of the Parity Liens upon any Collateral; *provided* that the trustee and the holders of Parity Lien Obligations may not require the Parity Lien Collateral Agent to take any action to perfect any Collateral through possession or control; or

(4) as necessary to create, prove, preserve or protect (but not enforce) the Parity Liens upon any Collateral; *provided* that the trustee and the holders of Parity Lien Obligations may not require the Collateral Trustee or the Parity Lien Collateral Agent to take any action to create, prove, preserve or protect any Collateral through possession or control.

Subject to the provisions described below under the caption "—Provisions of the Indenture Relating to Security—Relative Rights," until the Discharge of Priority Lien Obligations, none of the holders of notes or other Parity Lien Obligations, the Parity Lien Collateral Agent or any Parity Lien Representative will:

(1) request judicial relief, in an insolvency or liquidation proceeding or in any other court, that would hinder, delay, limit or prohibit the lawful exercise or enforcement of any right or remedy otherwise available to the holders of Priority Lien Obligations in respect of the Priority Liens or that would limit, invalidate, avoid or set aside any Priority Lien or subordinate the Priority Liens to the Parity Liens or grant the Parity Liens equal ranking to the Priority Liens;

(2) oppose or otherwise contest any motion for relief from the automatic stay or from any injunction against foreclosure or enforcement of Priority Liens made by any holder of Priority Lien Obligations or any Priority Lien Representative in any insolvency or liquidation proceedings;

(3) oppose or otherwise contest any lawful exercise by any holder of Priority Lien Obligations or any Priority Lien Representative of the right to credit bid Priority Lien Debt at any sale in foreclosure of Priority Liens;

(4) oppose or otherwise contest any other request for judicial relief made in any court by any holder of Priority Lien Obligations or any Priority Lien Representative relating to the lawful enforcement of any Priority Lien; or

(5) challenge the validity, enforceability, perfection or priority of the Priority Liens.

Notwithstanding the foregoing, both before and during an insolvency or liquidation proceeding, the holders of notes and other Parity Lien Obligations and the Parity Lien Representatives may take any actions and exercise any and all rights that would be available to a holder of unsecured claims, including, without limitation, the commencement of an insolvency or liquidation proceeding against an Issuer or any other Pledgor in accordance with applicable law; *provided* that, by accepting a note, each holder of notes will agree not to take any of the actions prohibited under clauses (1) through (5) of the preceding paragraph or oppose or contest any order that it has agreed not to oppose or contest under the provisions described below under the caption "—Insolvency or Liquidation Proceedings."

At any time prior to the Discharge of Priority Lien Obligations and after (a) the commencement of any insolvency or liquidation proceeding in respect of MagnaChip or any other Pledgor or (b) the Parity Lien Collateral Agent and each Parity Lien Representative have received written notice from the Priority Lien Collateral Agent or any Priority Lien Representative at the direction of an Act of Required Debtholders stating that (i) any Series of Priority Lien Debt has become due and payable in full (whether at maturity, upon acceleration or otherwise) or (ii) the holders of Priority Liens securing one or more Series of Priority Lien Debt have become entitled under any Priority Lien Documents to and desire to enforce any or all of the Priority Liens by reason of a default under such Priority Lien Documents, no distribution of securities or other assets received with respect to any insolvency or liquidation proceedings of any Pledgor and no payment of money (or the equivalent of money) will be made from the proceeds of Collateral by MagnaChip or any other Pledgor to the Parity Lien Collateral Agent, any Parity Lien Representative, any holder of notes or any other holder of Parity Lien Obligations (including, without limitation, payments and prepayments made for application to Parity Lien Obligations and all other payments and deposits made pursuant to any provision of the indenture, the notes, the Guarantees or any other Parity Lien Document).

Subject to the provisions described below under the caption "—Provisions of the Indenture Relating to Security—Relative Rights," all proceeds of Collateral (including any distributions of securities or other assets with respect to any insolvency or liquidation proceedings of any Guarantor) received by the Collateral Trustee or the Parity Lien Collateral Agent, any Parity Lien Representative or any holder of Parity Lien Obligations at any time prior to the Discharge of Priority Lien Obligations in violation of the immediately preceding paragraph will be held by the Collateral Trustee, the Parity Lien Collateral Agent, the applicable Parity Lien Representative or the applicable holder of Parity Lien Obligations for the account of the holders of Priority Liens and remitted or otherwise appropriately delivered to any Priority Lien Representative upon demand by such Priority Lien Representative. The Parity Liens will remain attached to and, subject to the provisions described under the caption "—Provisions of the Indenture Relating to Security—Ranking of Parity Liens," enforceable against all proceeds so held or remitted. All proceeds of Collateral received by the Collateral Trustee, the Parity Lien Collateral Agent, any Parity Lien Representative, the holders of notes and the other holders of Parity Lien Obligations not in violation of the immediately preceding paragraph will be received by the Collateral Trustee, the Parity Lien Collateral Agent, such Parity Lien Representative or such holder of Parity Lien Obligations free from the Priority Liens and all other Liens except the Parity Liens.

***Waiver of Right of Marshalling***

The intercreditor agreement provides that, prior to the Discharge of Priority Lien Obligations, the holders of notes and other Parity Lien Obligations, each Parity Lien Representative and the Parity Lien Collateral Agent may not assert or enforce any right of marshalling accorded to a junior lienholder, as against the holders of Priority Liens (in their capacity as priority lienholders). Following the Discharge of Priority Lien Obligations, the holders of Parity Lien Obligations and any Parity Lien Representative may assert their right under the Uniform Commercial Code or otherwise to any proceeds remaining following a sale or other disposition of Collateral by, or on behalf of, the holders of Priority Lien Obligations.

***Insolvency or Liquidation Proceedings***

If in any insolvency or liquidation proceeding and prior to the Discharge of Priority Lien Obligations, the holders of Priority Lien Obligations by an Act of Required Debtholders consent to any order:

(1) for use of cash collateral;

(2) approving a debtor-in-possession financing secured by a Lien that is senior to or on a parity with all Priority Liens upon any property of the estate in such insolvency or liquidation proceeding;

(3) granting any relief on account of Priority Lien Obligations as adequate protection (or its equivalent) for the benefit of the holders of Priority Lien Obligations in the collateral subject to Priority Liens; or

(4) relating to a sale of assets of MagnaChip or any other Pledgor that provides, to the extent the assets sold are to be free and clear of Liens, that all Priority Liens and Parity Liens will attach to the proceeds of the sale;

then, the holders of notes and other Parity Lien Obligations, in their capacity as holders of secured claims, and each Parity Lien Representative will not oppose or otherwise contest the entry of such order, so long as none of the holders of Priority Lien Obligations or any Priority Lien Representative in any respect opposes or otherwise contests any request made by the holders of notes or other Parity Lien Obligations or a Parity Lien Representative for the grant to the Parity Lien Collateral Agent, for the benefit of the holders of notes and other Parity Lien Obligations, of a junior Lien upon any property on which a Lien is (or is to be) granted under such order to secure the Priority Lien Obligations, coextensive in all respects with, but subordinated (as set forth herein under the caption "—Provisions of the Indenture Relating to Security—Ranking of Parity Liens") to, such Lien and all Priority Liens on such property.

Notwithstanding the foregoing, both before and during an insolvency or liquidation proceeding, the holders of notes and other Parity Lien Obligations and the Parity Lien Representatives may take any actions and exercise any and all rights that would be available to a holder of unsecured claims, including, without limitation, the commencement of insolvency or liquidation proceedings against MagnaChip or any other Pledgor in accordance with applicable law; *provided* that, by accepting a note, each holder of notes will agree not to take any of the actions prohibited under clauses (1) through (5) of the second paragraph of the provisions described above under the caption "—Restrictions on Enforcement of Parity Liens" or oppose or contest any order that it has agreed not to oppose or contest under clauses (1) through (4) of the preceding paragraph.

The holders of notes or other Parity Lien Obligations or any Parity Lien Representative will not file or prosecute in any insolvency or liquidation proceeding any motion for adequate protection (or any comparable request for relief) based upon their interest in the Collateral under the Parity Liens, except that:

(1) they may freely seek and obtain relief: (a) granting a junior Lien co-extensive in all respects with, but subordinated (as set forth herein under the caption "—Provisions of the Indenture Relating to Security—Ranking of Parity Liens") to, all Liens granted in the insolvency or liquidation proceeding to, or for the benefit of, the holders of Priority Lien Obligations; or (b) in connection with the confirmation of any plan of reorganization or similar dispositive restructuring plan; and

(2) they may freely seek and obtain any relief upon a motion for adequate protection (or any comparable relief), without any condition or restriction whatsoever, at any time after the Discharge of Priority Lien Obligations.

***Order of Application***

***Distributions by the Priority Lien Collateral Agent***

The intercreditor agreement provides that if any Collateral is sold or otherwise realized upon by the Priority Lien Collateral Agent in connection with any foreclosure, collection or other enforcement of Liens granted to the Priority Lien Collateral Agent in the Priority Lien Security Documents, the proceeds received by the Priority Lien Collateral Agent from such foreclosure, collection or other enforcement will be distributed by the Priority Lien Collateral Agent in the following order of application:

FIRST, to the payment of all amounts payable under the Priority Lien Documents on account of the Collateral Trustee's and the Priority Lien Collateral Agent's fees and any reasonable legal fees, costs and expenses or other liabilities of any kind incurred by the Collateral Trustee and the Priority Lien Collateral Agent or any co-trustee or agent of the Priority Lien Collateral Agent in connection with any Priority Lien Security Document;

SECOND, to the repayment of Indebtedness and other Obligations, other than Secured Debt, secured by a Permitted Prior Lien on the Collateral sold or realized upon;

THIRD, to the respective Priority Lien Representatives for application to the payment of all outstanding Priority Lien Debt and any other Priority Lien Obligations that are then due and payable in such order as may be provided in the Priority Lien Documents in an amount sufficient to pay in full in cash all outstanding Priority Lien Debt and all other Priority Lien Obligations that are then due and payable (including all interest accrued thereon after the commencement of any insolvency or liquidation proceeding at the rate, including any applicable post-default rate, specified in the Priority Lien Documents, even if such interest is not enforceable, allowable or allowed as a claim in such proceeding, and including the discharge or cash collateralization (at the lower of (1) 105% of the aggregate undrawn amount and (2) the percentage of the aggregate undrawn amount required for release of Liens under the terms of the applicable Priority Lien Document) of all outstanding letters of credit constituting Priority Lien Debt);

FOURTH, to the payment of all amounts payable under the Parity Lien Documents on account of the Collateral Trustee's (to the extent not payable pursuant to FIRST above) fees and any reasonable legal fees, costs and expenses or other liabilities of any kind incurred by the Collateral Trustee and the Parity Lien Collateral Agent or any co-trustee or agent of the Parity Lien Collateral Agent in connection with any security document;

FIFTH, to the respective Parity Lien Representatives for application to the payment of all outstanding Parity Lien Debt and any other Parity Lien Obligations that are then due and payable in such order as may be provided in the Parity Lien Documents in an amount sufficient to pay in full in cash all outstanding Parity Lien Debt and all other Parity Lien Obligations that are then due and payable (including, to the extent legally permitted, all interest accrued thereon after the commencement of any insolvency or liquidation proceeding at the rate, including any applicable post-default rate, specified in the Parity Lien Documents, even if such interest is not enforceable, allowable or allowed as a claim in such proceeding, and including the discharge or cash collateralization (at the lower of (1) 105% of the aggregate undrawn amount and (2) the percentage of the aggregate undrawn amount required for release of Liens under the terms of the applicable Parity Lien Document) of all outstanding letters of credit, if any, constituting Parity Lien Debt); and

SIXTH, any surplus remaining after the payment in full in cash of the amounts described in the preceding clauses will be paid to MagnaChip or the applicable Pledgor, as the case may be, its successors or assigns, or as a court of competent jurisdiction may direct.

***Distributions by the Parity Lien Collateral Agent***

Notwithstanding the preceding paragraph, if, following the Discharge of Priority Lien Obligations, any Collateral is sold or otherwise realized upon by the Collateral Trustee or the Parity Lien Collateral Agent in connection with any foreclosure, collection or other enforcement of Liens granted to the Collateral Trustee or the Parity Lien Collateral Agent in the security documents, the proceeds received by the Collateral Trustee or the Parity Lien Collateral Agent from such foreclosure, collection or other enforcement will be distributed by the Parity Lien Collateral Agent in the following order of application:

FIRST, to the payment of all amounts payable under the Parity Lien Documents on account of the Collateral Trustee's and the Parity Lien Collateral Agent's fees and any reasonable legal fees, costs and expenses or other liabilities of any kind incurred by the Collateral Trustee and the Parity Lien Collateral Agent or any co-trustee or agent of the Parity Lien Collateral Agent in connection with any security document; and SECOND, in accordance with clauses FIFTH and SIXTH of the provisions described above under the caption "—Distributions by the Priority Lien Collateral Agent."

If any Parity Lien Representative or any holder of a Parity Lien Obligation collects or receives any proceeds of such foreclosure, collection or other enforcement that should have been applied to the payment of the Priority Lien Obligations in accordance with the paragraph above, whether after the commencement of an insolvency or liquidation proceeding or otherwise, such Parity Lien Representative or such holder of a Parity Lien Obligation, as the case may be, will forthwith deliver the same to the Priority Lien Collateral Agent, for the account of the holders of the Priority Lien Obligations and other Obligations secured by a Permitted Prior Lien, to be applied in accordance with the provisions set forth above under this caption "—Order of Application." Until so delivered, such proceeds will be held by that Parity Lien Representative or that holder of a Parity Lien Obligation, as the case may be, for the benefit of the holders of the Priority Lien Obligations and other Obligations secured by a Permitted Prior Lien.

The provisions set forth above under this caption "—Order of Application" are section is intended for the benefit of, and will be enforceable as a third party beneficiary by, each present and future holder of Secured Obligations, each present and future Secured Debt Representative, the Priority Lien Collateral Agent as holder of Priority Liens and the Parity Lien Collateral Agent as holder of Parity Liens. The Secured Debt Representative of each future Series of Secured Debt will be required to deliver a Lien Sharing and Priority Confirmation to the Priority Lien Collateral Agent, the Parity Lien Collateral Agent and each other Secured Debt Representative at the time of incurrence of such Series of Secured Debt.

***Release of Liens on Collateral***

The intercreditor agreement provides that the Priority Liens and the Parity Liens on the Collateral will be released:

(1) in whole, upon (a) payment in full and discharge of all outstanding Secured Debt and all other Secured Obligations that are outstanding, due and payable at the time all of the Secured Debt is paid in full and discharged and (b) termination or expiration of all commitments to extend credit under all Secured Debt Documents and the cancellation or termination or cash collateralization (at the lower of (1) 105% of the aggregate undrawn amount and (2) the percentage of the aggregate undrawn amount required for release of Liens under the terms of the applicable Secured Debt Documents) of all outstanding letters of credit issued pursuant to any Secured Debt Documents;

(2) as to any Collateral that is sold, transferred or otherwise disposed of by MagnaChip or any other Pledgor to a Person that is not (either before or after such sale, transfer or disposition) MagnaChip or a Restricted Subsidiary of MagnaChip in a transaction or other circumstance that complies with the "Asset Sale" provisions of the indenture and is permitted by all of the other Secured Debt Documents or that is made in connection with an enforcement of a Priority Lien, at the time of such sale, transfer or other disposition or to the extent of the interest sold, transferred or otherwise disposed of; *provided* that the Parity

Lien Collateral Agent's Liens upon the Collateral will not be released if the sale or disposition (other than a sale or disposition made in connection with an enforcement of a Priority Lien) is subject to the covenant described below under the caption "—Certain Covenants—Merger, Consolidation or Sale of Assets;"

(3) as to a release of less than all or substantially all of the Collateral, if consent to the release of all Priority Liens on such Collateral has been given by an Act of Required Debtholders; and

(4) as to a release of all or substantially all of the Collateral, if (a) consent to the release of that Collateral has been given by the requisite percentage or number of holders of each Series of Secured Debt at the time outstanding as provided for in the applicable Secured Debt Documents, and (b) MagnaChip has delivered an officers' certificate to the Priority Lien Collateral Agent and the Parity Lien Collateral Agent certifying that all such necessary consents have been obtained.

The security documents provide that the Liens securing the Secured Debt will extend to the proceeds of any sale of Collateral. As a result, the Parity Lien Collateral Agent's Liens will apply to the proceeds of any such Collateral received in connection with any sale or other disposition of assets described in the preceding paragraph.

***Release of Liens in Respect of Notes***

The indenture and the intercreditor agreement provide that the Parity Lien Collateral Agent's Parity Liens upon the Collateral will no longer secure the second priority notes outstanding under the indenture or any other Obligations under the indenture, and the right of the holders of the second priority notes and such Obligations to the benefits and proceeds of the Parity Lien Collateral Agent's Parity Liens on the Collateral will terminate and be discharged:

(1) upon satisfaction and discharge of the indenture as set forth under the caption "—Satisfaction and Discharge;"

(2) upon a Legal Defeasance or Covenant Defeasance of the second priority notes as set forth under the caption "—Legal Defeasance and Covenant Defeasance;"

(3) upon payment in full and discharge of all notes outstanding under the indenture and all Obligations that are outstanding, due and payable under the indenture at the time the second priority notes are paid in full and discharged; or

(4) in whole or in part, with the consent of the holders of the requisite percentage of notes in accordance with the provisions described below under the caption "Amendment, Supplement and Waiver."

***Amendment of Priority Lien Security Documents***

The intercreditor agreement provides that no amendment or supplement to the provisions of any Priority Lien Security Document will be effective without the approval of the Priority Lien Collateral Agent acting as directed by the Required Priority Lien Debtholders, except that:

(1) any amendment or supplement that has the effect solely of adding or maintaining Collateral, securing additional Priority Lien Debt that was otherwise permitted by the terms of the Priority Lien Documents to be secured by the Collateral or preserving, perfecting or establishing the priority of the Priority Liens or the rights of the Priority Lien Collateral Agent therein will become effective when executed and delivered by MagnaChip or any other applicable Pledgor party thereto and the Priority Lien Collateral Agent;

(2) no amendment or supplement that reduces, impairs or adversely affects the right of any holder of Priority Lien Obligations:

(a) to vote its outstanding Priority Lien Debt as to any matter described as subject to direction by the Required Priority Lien Debtholders (or amends the provisions of this clause (2) or the definition of "Required Priority Lien Debtholders"),

(b) to share in the order of application described above under "—Order of Application" in the proceeds of enforcement of or realization on any Collateral, or

(c) to require that Priority Liens be released only as set forth in the provisions described above under the caption "—Release of Liens on Collateral", will become effective without the consent of the requisite percentage or number of holders of each Series of Priority Lien Debt so affected under the applicable Priority Lien Document;

(3) no amendment or supplement that imposes any obligation upon the Priority Lien Collateral Agent or any Priority Lien Debt Representative or adversely affects the rights of the Priority Lien Collateral Agent or any Priority Lien Representative, in its individual capacity as such, will become effective without the consent of the Priority Lien Collateral Agent or such Priority Lien Representative.

Any amendment or supplement to the provisions of the Priority Lien Security Documents that releases Collateral will be effective only in accordance with the requirements set forth in the applicable Priority Lien Documents referenced above under the caption "—Release of Liens on Collateral."

***Amendment of Security Documents***

The intercreditor agreement provides that no amendment or supplement to the provisions of any security document will be effective without the approval of the Parity Lien Collateral Agent acting as directed by the Required Parity Lien Debtholders, except that:

(1) any amendment or supplement that has the effect solely of adding or maintaining Collateral, securing additional Parity Lien Debt that was otherwise permitted by the terms of the Parity Lien Documents to be secured by the Collateral or preserving, perfecting or establishing the priority of the Liens thereon or the rights of the Parity Lien Collateral Agent therein will become effective when executed and delivered by MagnaChip or any other applicable Pledgor party thereto and the Parity Lien Collateral Agent;

(2) no amendment or supplement that reduces, impairs or adversely affects the right of any holder of Parity Lien Obligations:

(a) to vote its outstanding Parity Lien Debt as to any matter described as subject to direction by the Required Parity Lien Debtholders (or amends the provisions of this clause (2) or the definition of "Required Parity Lien Debtholders"),

(b) to share in the order of application described above under "—Order of Application" in the proceeds of enforcement of or realization on any Collateral, or

(c) to require that Parity Liens be released only as set forth in the provisions described above under the caption "—Release of Liens on Collateral," will become effective without the consent of the requisite percentage or number of holders of each Series of Parity Lien Debt so affected under the applicable Parity Lien Document; and

(3) no amendment or supplement that imposes any obligation upon the Parity Lien Collateral Agent or any Parity Debt Representative or adversely affects the rights of the Parity Lien Collateral Agent or any Parity Lien Representative, respectively, in its individual capacity as such will become effective without the consent of the Parity Lien Collateral Agent or such Parity Lien Representative, respectively.

Any amendment or supplement to the provisions of the security documents that releases Collateral will be effective only in accordance with the requirements set forth in the intercreditor agreement or other applicable Parity Lien Document referenced above under the caption "—Release of Liens on Collateral."

Any amendment or supplement that results in the Parity Lien Collateral Agent's Liens upon the Collateral no longer securing the second priority notes and the other Obligations under the indenture may only be effected in accordance with the provisions described above under the caption "—Release of Liens in Respect of Notes."

The intercreditor agreement provides that, notwithstanding anything to the contrary under the caption "—Amendment of Security Documents," but subject to clauses (2) and (3) above:

(1) any mortgage or other security document that secures Parity Lien Obligations (but not Priority Lien Obligations) may be amended or supplemented with the approval of the Parity Lien Collateral Agent acting as directed in writing by the Required Parity Lien Debtholders, unless such amendment or supplement would not be permitted under the terms of the intercreditor agreement or the other Priority Lien Documents; and

(2) any amendment or waiver of, or any consent under, any provision of the intercreditor agreement or any other security document that secures Priority Lien Obligations will apply automatically to any comparable provision of any comparable Parity Lien Document without the consent of or notice to any holder of Parity Lien Obligations and without any action by MagnaChip or any other Pledgor or any holder of notes or other Parity Lien Obligations.

Notwithstanding the foregoing, without the consent of any party, the Trustee, the Collateral Trustee or the Parity Lien Collateral Agent may, and, if requested by any of the foregoing, the Issuers shall, appoint one or more co-trustees, separate trustees or agents to hold or perfect the lien and security interest in any collateral in any jurisdiction in which the Trustee, the Collateral Trustee or the Parity Lien Collateral Agent, as applicable, is either not qualified to do business or in the exercise of its sole discretion, declines to act.

***Voting***

In connection with any matter under the intercreditor agreement requiring a vote of holders of Secured Debt, each Series of Secured Debt will cast its votes in accordance with the Secured Debt Documents governing such Series of Secured Debt. The amount of Secured Debt to be voted by a Series of Secured Debt will equal (1) the aggregate principal amount of Secured Debt held by such Series of Secured Debt (including outstanding letters of credit whether or not then available or drawn), *plus* (2) other than in connection with an exercise of remedies, the aggregate unfunded commitments to extend credit which, when funded, would constitute Indebtedness of such Series of Secured Debt. Following and in accordance with the outcome of the applicable vote under its Secured Debt Documents, the Secured Debt Representative of each Series of Secured Debt will vote the total amount of Secured Debt under that Series as a block in respect of any vote under the intercreditor agreement.

***Bailee for Perfection***

Solely for purposes of perfecting the Parity Liens of the Parity Lien Collateral Agent in any portion of the Collateral in the possession of the Priority Lien Collateral Agent (or its agents or bailees) as part of the collateral securing the Priority Lien Obligations including, without limitation, any instruments, goods, negotiable documents, tangible chattel paper, certificated securities or money, the Priority Lien Collateral Agent and the Priority Lien Representatives acknowledge that the Priority Lien Collateral Agent also holds that property as bailee for the benefit of the Parity Lien Collateral Agent for the benefit of the holders of Parity Lien Obligations.

***Delivery of Collateral and Proceeds of Collateral***

Following the Discharge of Priority Lien Obligations, the Priority Lien Collateral Agent will, to the extent permitted by applicable law, deliver to (1) the Parity Lien Collateral Agent, or (2) such other person as a court of competent jurisdiction may otherwise direct, (a) any Collateral held by, or on behalf of, the Priority Lien Collateral Agent or any holder of Priority Lien Obligations, and (b) all proceeds of Collateral held by, or on behalf of, the Priority Lien Collateral Agent or any holder of Priority Lien Obligations, whether arising out of an action taken to enforce, collect or realize upon any Collateral or otherwise. Such Collateral and such proceeds will be delivered without recourse and without any representation or warranty whatsoever as to the enforceability, perfection, priority or sufficiency of any Lien securing or guarantee or other supporting obligation for any Priority Lien Debt or Parity Lien Debt, together with any necessary endorsements or as a court of competent jurisdiction may otherwise direct.

**Provisions of the Indenture Relating to Security**

***Equal and Ratable Sharing of Collateral by Holders of Parity Lien Debt***

The indenture provides that, notwithstanding:

(1) anything to the contrary contained in the security documents;

(2) the time of incurrence of any Series of Parity Lien Debt;

(3) the order or method of attachment or perfection of any Liens securing any Series of Parity Lien Debt;

(4) the time or order of filing or recording of financing statements, mortgages or other documents filed or recorded to perfect any Lien upon any Collateral;

(5) the time of taking possession or control over any Collateral;

(6) that any Parity Lien may not have been perfected or may be or have become subordinated, by equitable subordination or otherwise, to any other Lien; or

(7) the rules for determining priority under any law governing relative priorities of Liens:

(a) all Parity Liens granted at any time by MagnaChip or any other Pledgor will secure, equally and ratably, all present and future Parity Lien Obligations; and

(b) all proceeds of all Parity Liens granted at any time by MagnaChip or any other Pledgor will be allocated and distributed equally and ratably on account of the Parity Lien Debt and other Parity Lien Obligations.

This section is intended for the benefit of, and will be enforceable as a third party beneficiary by, each present and future holder of Parity Lien Obligations, each present and future Parity Lien Representative and the Parity Lien Collateral Agent as holder of Parity Liens. The Parity Lien Representative of each future Series of Parity Lien Debt will be required to deliver a Lien Sharing and Priority Confirmation to the Parity Lien Collateral Agent and the trustee at the time of incurrence of such Series of Parity Lien Debt.

***Ranking of Parity Liens***

The indenture provides that, notwithstanding:

(1) anything to the contrary contained in the security documents;

(2) the time of incurrence of any Series of Secured Debt;

(3) the order or method of attachment or perfection of any Liens securing any Series of Secured Debt;

(4) the time or order of filing or recording of financing statements, mortgages or other documents filed or recorded to perfect any Lien upon any Collateral;

(5) the time of taking possession or control over any Collateral;

(6) that any Priority Lien may not have been perfected or may be or have become subordinated, by equitable subordination or otherwise, to any other Lien; or

(7) the rules for determining priority under any law governing relative priorities of Liens,

all Parity Liens at any time granted by MagnaChip or any other Pledgor will be subject and subordinate to all Priority Liens securing Priority Lien Obligations up to the Priority Lien Cap.

The provisions under the caption "—Ranking of Parity Liens" are intended for the benefit of, and will be enforceable as a third party beneficiary by, each present and future holder of Priority Lien Obligations, each present and future Priority Lien Representatives and the Priority Lien Collateral Agent as holder of Priority Liens. No other Person will be entitled to rely on, have the benefit of or enforce those provisions. The Parity Lien

Representative of each future Series of Parity Lien Debt will be required to deliver a Lien Sharing and Priority Confirmation to the Priority Lien Collateral Agent and each Priority Lien Representative at the time of incurrence of such Series of Parity Lien Debt.

In addition, the provisions under the caption "—Ranking of Parity Liens" are intended solely to set forth the relative ranking, as Liens, of the Liens securing Parity Lien Debt as against the Priority Liens. Neither the second priority notes nor any other Parity Lien Obligations nor the exercise or enforcement of any right or remedy for the payment or collection thereof are intended to be, or will ever be by reason of the foregoing provision, in any respect subordinated, deferred, postponed, restricted or prejudiced.

***Relative Rights***

Nothing in the Note Documents will:

(1) impair, as MagnaChip and the holders of the notes, the obligation of MagnaChip to pay principal of, premium and interest and Liquidated Damages, if any, on the second priority notes in accordance with their terms or any other obligation of MagnaChip or any other Pledgor;

(2) affect the relative rights of holders of notes as against any other creditors of MagnaChip or any other Pledgor (other than holders of Priority Liens, Permitted Prior Liens or other Parity Liens);

(3) restrict the right of any holder of notes to sue for payments that are then due and owing (but not enforce any judgment in respect thereof against any Collateral to the extent specifically prohibited by the provisions described above under the captions "—Intercreditor Agreement—Restrictions on Enforcement of Parity Liens" or "—Intercreditor Agreement—Insolvency and Liquidation Proceedings");

(4) restrict or prevent any holder of notes or other Parity Lien Obligations, the Parity Lien Collateral Agent or any Parity Lien Representative from exercising any of its rights or remedies upon a Default or Event of Default not specifically restricted or prohibited by (a) "—Intercreditor Agreement—Restrictions on Enforcement of Parity Liens" or (b) "—Intercreditor Agreement—Insolvency and Liquidation Proceedings"; or

(5) restrict or prevent any holder of notes or other Parity Lien Obligations, the Parity Lien Collateral Agent or any Parity Lien Representative from taking any lawful action in an insolvency or liquidation proceeding not specifically restricted or prohibited by (a) "—Intercreditor Agreement—Restrictions on Enforcement of Parity Liens" or (b) "—Intercreditor Agreement—Insolvency and Liquidation Proceedings."

***Compliance with Trust Indenture Act***

The indenture provides that MagnaChip will comply with the provisions of TIA §314.

To the extent applicable, MagnaChip will cause TIA §313(b), relating to reports, and TIA §314(d), relating to the release of property or securities subject to the Lien of the security documents, to be complied with. Any certificate or opinion required by TIA §314(d) may be made by an officer of MagnaChip except in cases where TIA §314(d) requires that such certificate or opinion be made by an independent Person, which Person will be an independent engineer, appraiser or other expert. Notwithstanding anything to the contrary in this paragraph, MagnaChip will not be required to comply with all or any portion of TIA §314(d) if it determines, in good faith based on advice of counsel, that under the terms of TIA §314(d) and/or any interpretation or guidance as to the meaning thereof of the SEC and its staff, including "no action" letters or exemptive orders, all or any portion of TIA §314(d) is inapplicable to one or a series of released Collateral.

***Further Assurances; Insurance***

The indenture and the security documents provide that MagnaChip and each of the other Pledgors will do or cause to be done all acts and things that may be required, or that the Parity Lien Collateral Agent from time to time may reasonably request, to assure and confirm that the Parity Lien Collateral Agent holds, for the benefit of

the holders of Parity Lien Obligations, duly created and enforceable and perfected Parity Liens upon the Collateral (including any property or assets that are acquired or otherwise become Collateral after the second priority notes are issued), in each case, as contemplated by, and with the Lien priority required under, the Parity Lien Documents.

Upon the reasonable request of the Parity Lien Collateral Agent or any Parity Lien Representative at any time and from time to time, MagnaChip and each of the other Pledgors will promptly execute, acknowledge and deliver such security documents, instruments, certificates, notices and other documents, and take such other actions as shall be reasonably required, or that the Parity Lien Collateral Agent may reasonably request, to create, perfect, protect, assure or enforce the Liens and benefits intended to be conferred, in each case as contemplated by the Parity Lien Documents for the benefit of the holders of Parity Lien Obligations.

Notwithstanding the foregoing, neither MagnaChip nor any of the other Pledgors shall be required to do or cause to be done any act or thing to the extent such Pledgor would not be required by the terms of the Senior Credit Facility to do or cause to be done such act or thing in order to assure or confirm that the collateral agent thereunder holds, for the benefit of the lenders thereunder, duly created and enforceable and perfected liens upon the collateral thereunder or to create, perfect, protect, assure or enforce the liens and benefits intended to be conferred thereunder for the benefit of the lenders thereunder.

MagnaChip and the other Pledgors will:

(1) keep their properties adequately insured at all times by financially sound and reputable insurers;

(2) maintain such other insurance, to such extent and against such risks (and with such deductibles, retentions and exclusions) as is customary with companies in the same or similar businesses operating in the same or similar locations;

(3) maintain such other insurance as may be required by law;

(4) maintain title insurance to the extent required by the Senior Credit Agreement on all real property Collateral insuring the Parity Lien Collateral Agent's Parity Lien on that property, subject only to Permitted Prior Liens and other exceptions to title approved by the Parity Lien Collateral Agent; and

(5) maintain such other insurance as may be required by the security documents.

**Optional Redemption**

***Floating Rate Second Priority Notes***

On or after December 15, 2005, MagnaChip may redeem all or a part of the floating rate second priority notes, upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Liquidated Damages, if any, on the floating rate second priority notes redeemed, to the applicable redemption date, if redeemed during the twelve-month period beginning on December 15 of the years indicated below, subject to the rights of holders of floating rate second priority notes on the relevant record date to receive interest on the relevant interest payment date:

| Year | Percentage |
|---|---|
| 2005 | 103.000% |
| 2006 | 102.000% |
| 2007 | 101.000% |
| 2008 and thereafter | 100.000% |

Notwithstanding the foregoing, at any time prior to December 15, 2005, MagnaChip may on any one or more occasions redeem up to 35% of the aggregate principal amount of floating rate second priority notes issued

under the indenture (including any additional notes issued after the date of the indenture) at a redemption price of 100% of the principal amount thereof, plus the LIBOR Rate in effect on the date of the redemption notice, plus 3.25%, plus accrued and unpaid interest and Liquidated Damages, if any, to the redemption date, with the net cash proceeds of one or more Public Equity Offerings or a contribution to MagnaChip's common equity capital made with the net cash proceeds of a concurrent Public Equity Offering of common stock of US LLC or any of its Subsidiaries; *provided* that:

(1) at least 65% of the aggregate principal amount of floating rate second priority notes originally issued under the indenture (excluding notes held by MagnaChip and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 90 days of the date of the closing of such Public Equity Offering or equity contributions.

Notwithstanding the foregoing, at any time prior to December 15, 2005, MagnaChip may also redeem all or a part of the floating rate second priority notes (including any additional notes issued after the date of the indenture), upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at a redemption price equal to 100% of the principal amount of notes redeemed plus the Floating Rate Second Priority Notes Applicable Premium as of, and accrued and unpaid interest and Liquidated Damages, if any, to the redemption date, subject to the rights of holders of notes on the relevant record date to receive interest due on the relevant interest payment date.

The term "Floating Rate Second Priority Notes Applicable Premium" means the greater of:

(1) 1.0% of the principal amount of the note; or

(2) the excess of:

(a) the present value at such redemption date of (i) the redemption price of the note at December 15, 2005, (such redemption price being set forth in the table appearing above under the caption "—Optional Redemption") plus (ii) all required interest payments due on the note through December 15, 2005, assuming that the LIBOR Rate in effect on the date of the redemption notice would be the LIBOR Rate in effect through December 15, 2005 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the LIBOR Rate as of such redemption date plus 50 basis points; over

(b) the principal amount of the note, if greater.

Unless MagnaChip defaults in the payment of the redemption price, interest will cease to accrue on the floating rate second priority notes or portions thereof called for redemption on the applicable redemption date.

***Fixed Rate Second Priority Notes***

On or after December 15, 2008, MagnaChip may redeem all or a part of the fixed rate second priority notes, upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Liquidated Damages, if any, on the fixed rate second priority notes redeemed, to the applicable redemption date, if redeemed during the twelve-month period beginning December 15, 2008, subject to the rights of holders of fixed rate second priority notes on the relevant record date to receive interest due on the relevant interest payment date.

| Year | Percentage |
|---|---|
| 2008 | 103.438% |
| 2009 | 101.719% |
| 2010 and thereafter | 100.000% |

Notwithstanding the foregoing, at any time prior to December 15, 2007, MagnaChip may on any one or more occasions redeem up to 35% of the aggregate principal amount of fixed rate second priority notes issued under the indenture (including any additional notes issued after the date of the indenture) at a redemption price of 106.875% of the principal amount, plus accrued and unpaid interest and Liquidated Damages, if any, to the redemption date, with the net cash proceeds of one or more Public Equity Offerings or a contribution to MagnaChip's common equity capital made with the net cash proceeds of a concurrent Public Equity Offering of common stock of US LLC or any of its Subsidiaries; *provided* that:

(1) at least 65% of the aggregate principal amount of fixed rate second priority notes originally issued under the indenture (including any additional notes issued after the date of the indenture) (excluding notes held by MagnaChip and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 90 days of the date of the closing of such Public Equity Offering or equity contributions.

Notwithstanding the foregoing, at any time prior to December 15, 2008, MagnaChip may also redeem all or a part of the fixed rate second priority notes (including any additional notes issued after the date of the indenture), upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at a redemption price equal to 100% of the principal amount of notes redeemed plus the Fixed Rate Second Priority Notes Applicable Premium as of, and accrued and unpaid interest and Liquidated Damages, if any, to the redemption date, subject to the rights of holders of notes on the relevant record date to receive interest due on the relevant interest payment date.

The term "Fixed Rate Second Priority Notes Applicable Premium" means the greater of:

(1) 1.0% of the principal amount of the note; or

(2) the excess of:

(a) the present value at such redemption date of (i) the redemption price of the note at December 15, 2008, (such redemption price being set forth in the table appearing above under the caption "—Optional Redemption") plus (ii) all required interest payments due on the note through December 15, 2008, (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over

(b) the principal amount of the note, if greater.

Unless MagnaChip defaults in the payment of the redemption price, interest will cease to accrue on the fixed rate second priority notes or portions thereof called for redemption on the applicable redemption date.

**Redemption for Changes in Taxes**

The Issuers may redeem each series of the second priority notes, in whole but not in part, at their discretion at any time at a redemption price equal to the principal amount thereof, together with accrued and unpaid interest and Liquidated Damages, if any, to the date fixed by the Issuers for redemption (a "Tax Redemption Date") and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of Holders on the relevant record date to receive interest due on the relevant Interest Payment Date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the second priority notes, the Issuers has or would be required to pay Additional Amounts, and the Issuers cannot avoid any such payment obligation taking reasonable measures available to them, as a result of:

(1) any change in, or amendment to, the laws or treaties (or any regulations, or rulings promulgated thereunder) of the relevant Tax Jurisdiction affecting taxation which change or amendment has not been publicly announced as formally adopted and which becomes effective on or after the date of the Indenture

(or, if the relevant Tax Jurisdiction has changed since the date of the Indenture, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under the Indenture); or

(2) any change in, or amendment to, the existing official position or the introduction of an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change, amendment, application or interpretation has not been publicly announced as formally adopted and becomes effective on or after the date of the indenture (or, if the relevant Tax Jurisdiction has changed since the date of the Indenture, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under the indenture).

The Issuers will not give any such notice of redemption earlier than 90 days prior to the earliest date on which the Issuers would be obligated to make such payment or withholding if a payment in respect of the second priority notes were then due. Prior to the publication or, where relevant, mailing of any notice of redemption of the second priority notes pursuant to the foregoing, the Issuers will deliver the Trustee an opinion of counsel, the choice of such counsel to be subject to the prior written approval of the Trustee (such approval not to be unreasonably withheld) to the effect that there has been such change or amendment which would entitle the Issuers to redeem the second priority notes hereunder and the Issuers cannot avoid any obligation to pay Additional Amounts taking reasonable measures available.

**Mandatory Redemption**

MagnaChip is not required to make mandatory redemption or sinking fund payments with respect to the notes.

**Repurchase at the Option of Holders**

***Change of Control***

If a Change of Control occurs, each holder of second priority notes will have the right to require the Issuers to repurchase all or any part (equal to $1,000 or an integral multiple of $1,000) of that holder's notes pursuant to a Change of Control Offer on the terms set forth in the indenture. In the Change of Control Offer, the Issuers will offer a Change of Control Payment in cash equal to 101% of the aggregate principal amount of notes repurchased plus accrued and unpaid interest and Liquidated Damages, if any, on the second priority notes repurchased to the date of purchase subject to the rights of holders of second priority notes on the relevant record date to receive interest due on the relevant interest payment date. Within 30 days following any Change of Control, the Issuers will mail a notice to each holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase notes on the Change of Control Payment Date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by the indenture and described in such notice. The Issuers will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the second priority notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the indenture, the Issuers will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the indenture by virtue of such compliance.

On the Change of Control Payment Date, the Issuers will, to the extent lawful:

(1) accept for payment all second priority notes or portions of second priority notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all second priority notes or portions of second priority notes properly tendered; and

(3) deliver or cause to be delivered to the trustee the second priority notes properly accepted together with an officers' certificate stating the aggregate principal amount of second priority notes or portions of second priority notes being purchased by MagnaChip.

The paying agent will promptly mail to each holder of second priority notes properly tendered the Change of Control Payment for such second priority notes, and the trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new second priority note equal in principal amount to any unpurchased portion of the second priority notes surrendered, if any. MagnaChip will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require the Issuers to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the indenture are applicable. Except as described above with respect to a Change of Control, the indenture does not contain provisions that permit the holders of the second priority notes to require that the Issuers repurchase or redeem the second priority notes in the event of a takeover, recapitalization or similar transaction.

The Issuers will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the indenture applicable to a Change of Control Offer made by the Issuers and purchases all second priority notes properly tendered and not withdrawn under the Change of Control Offer, or (2) notice of redemption has been given pursuant to the indenture as described above under the caption "—Optional Redemption," unless and until there is a default in payment of the applicable redemption price.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of MagnaChip and its Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of second priority notes to require the Issuers to repurchase its second priority notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of MagnaChip and its Subsidiaries taken as a whole to another Person or group may be uncertain.

***Asset Sales***

MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(1) MagnaChip (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75% of the consideration received in the Asset Sale by MagnaChip or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities, as shown on US LLC's most recent consolidated balance sheet, of MagnaChip or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the second priority notes or any Note Guarantee) that are assumed by the transferee of any such assets pursuant to a customary arrangement that releases MagnaChip or such Restricted Subsidiary from further liability;

(b) any securities, notes or other obligations received by MagnaChip or any such Restricted Subsidiary from such transferee that are contemporaneously, subject to ordinary settlement periods, converted by MagnaChip or such Restricted Subsidiary into cash or Cash Equivalents, to the extent of the cash or Cash Equivalents received in that conversion; and

(c) any stock or assets of the kind referred to in clauses (2) or (4) of the next paragraph of this covenant.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale other than a Sale of Collateral, MagnaChip (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Proceeds at its option:

(1) to repay Priority Lien Debt and, if such Priority Lien Debt is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto;

(2) to acquire all or substantially all of the assets of, or any Capital Stock of, a Person engaged in a Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary of US LLC;

(3) to make a capital expenditure;

(4) to acquire other assets that are not classified as current assets under GAAP and that are used or useful in a Permitted Business; or

(5) any combination of (1) – (4) of this paragraph.

In the case of clauses (2) and (4) MagnaChip will also comply with its obligations above if it enters into a binding commitment to acquire such assets or Capital Stock within the required time frame above, provided that such binding commitment shall be subject only to customary conditions and such acquisition shall be consummated within six months from the date of signing such binding commitment. Pending the final application of any Net Proceeds pursuant to this paragraph, MagnaChip and the Restricted Subsidiaries may apply such Net Proceeds to temporarily reduce Indebtedness outstanding under a revolving credit facility or otherwise invest such Net Proceeds in any manner that is not prohibited by the indenture.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale that constitutes a Sale of Collateral or from a Casualty Event, MagnaChip (or the Restricted Subsidiary that owned those assets, as the case may be) may apply those Net Proceeds to purchase other long-term assets that would constitute Collateral or to repay Priority Lien Debt and, if such Priority Lien Debt is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto. MagnaChip will also comply with its obligations set forth in the preceding sentence if it enters into a binding commitment to acquire such assets within the 365 days time frame, provided that such binding commitment shall be subject only to customary conditions and such acquisition shall be consummated within six months from the date of signing such binding commitment. Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second and third paragraphs of this covenant will constitute "*Excess Proceeds*." When the aggregate amount of Excess Proceeds exceeds $10 million, within 30 days thereof, MagnaChip will make an Asset Sale Offer to all holders of second priority notes and all holders of other Indebtedness that is *pari passu* with the second priority notes containing provisions similar to those set forth in the indenture with respect to offers to purchase or redeem with the proceeds of sales of assets to purchase the maximum principal amount of second priority notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount plus accrued and unpaid interest and Liquidated Damages, if any, to the date of purchase (or, in respect of such other *pari passu* Indebtedness of MagnaChip, such lesser price, if any, as may be provided for by the terms of such *pari passu* Indebtedness), and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, MagnaChip may use those Excess Proceeds for any purpose not otherwise prohibited by the indenture. If the aggregate principal amount of second priority notes and other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the trustee will select the second priority notes and such other *pari passu* Indebtedness to be purchased on a *pro rata* basis. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

MagnaChip will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection

with each repurchase of second priority notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sale provisions of the indenture, MagnaChip will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Asset Sale provisions of the indenture by virtue of such compliance.

The agreements governing MagnaChip's other Indebtedness contain, and future agreements may contain, prohibitions of certain events, including events that would constitute a Change of Control or an Asset Sale and including repurchases of or other prepayments in respect of the second priority notes. The exercise by the holders of second priority notes of their right to require MagnaChip to repurchase the second priority notes upon a Change of Control or an Asset Sale could cause a default under these other agreements, even if the Change of Control or Asset Sale itself does not, due to the financial effect of such repurchases on MagnaChip. In the event a Change of Control or Asset Sale occurs at a time when MagnaChip is prohibited from purchasing second priority notes, MagnaChip could seek the consent of its lenders to the purchase of second priority notes or could attempt to refinance the borrowings that contain such prohibition. If MagnaChip does not obtain a consent or repay those borrowings,

MagnaChip will remain prohibited from purchasing second priority notes. In that case, MagnaChip's failure to purchase tendered second priority notes would constitute an Event of Default under the indenture which could, in turn, constitute a default under the other indebtedness. Finally, MagnaChip's ability to pay cash to the holders of second priority notes upon a repurchase may be limited by MagnaChip's then existing financial resources. See "Risk Factors—We may be unable to purchase the notes upon a change of control offer."

**Selection and Notice**

If less than all of the second priority notes are to be redeemed at any time, the trustee will select second priority notes for redemption on a pro rata basis unless otherwise required by law or applicable stock exchange requirements.

No second priority notes of $1,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of second priority notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the second priority notes or a satisfaction and discharge of the indenture. Notices of redemption may not be conditional.

If any second priority note is to be redeemed in part only, the notice of redemption that relates to that note will state the portion of the principal amount of that second priority note that is to be redeemed. A new second priority note in principal amount equal to the unredeemed portion of the original second priority note will be issued in the name of the holder of notes upon cancellation of the original second priority note. Second priority notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on second priority notes or portions of second priority notes called for redemption.

**Certain Covenants**

***Incurrence of Indebtedness and Issuance of Preferred Stock***

MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "*incur*") any Indebtedness (including Acquired Debt), and MagnaChip and US LLC will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries (other than US LLC) to issue any shares of preferred stock; *provided, however*, that MagnaChip and US LLC may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, and the Restricted Subsidiaries may incur Indebtedness (including Acquired Debt) or issue preferred stock, if the Fixed Charge Coverage Ratio for US LLC's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or such

preferred stock is issued, as the case may be, would have been at least 2.0 to 1, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or the preferred stock had been issued, as the case may be, at the beginning of such four-quarter period.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "*Permitted Debt*"):

(1) the incurrence by MagnaChip and any Restricted Subsidiary of additional revolving credit Indebtedness and letters of credit under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of MagnaChip and its Restricted Subsidiaries thereunder) not to exceed the greater of (x) $100.0 million or (y) as of the date of the incurrence, the aggregate of (i) 85% of the book value, net of reserves, of all accounts receivable owned by MagnaChip and its Restricted Subsidiaries, as shown on US LLC's most recent consolidated balance sheet prepared in accordance with GAAP, as of the end of the most recent fiscal quarter preceding such date, *plus* (ii) 50% of the book value of all inventory, net of reserves, owned by MagnaChip and its Restricted Subsidiaries, as shown on US LLC's most recent consolidated balance sheet prepared in accordance with GAAP, as of the end of the most recent fiscal quarter preceding such date, *plus* (iii) $20.0 million; *less* the aggregate amount of all Net Proceeds of Asset Sales or Casualty Events applied by MagnaChip or any of the Restricted Subsidiaries after the date of the indenture to repay any term Indebtedness under a Credit Facility or to repay any revolving credit Indebtedness under a Credit Facility and effect a corresponding commitment reduction thereunder, in each case as to Indebtedness incurred under this clause (1) of the definition of Permitted Debt and as to Net Proceeds applied pursuant to clause (1) of the second paragraph of the covenant described above under the caption "Repurchase at the Option of Holders—Asset Sales";

(2) the incurrence by MagnaChip and any Restricted Subsidiary of up to $100.0 million under one or more debt facilities or commercial paper facilities, in each case, with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced (but not including by means of sales of debt securities to institutional investors) in whole or in part from time to time; *less* the aggregate amount of all Net Proceeds of Asset Sales or Casualty Events applied by MagnaChip or any of the Restricted Subsidiaries after the date of the indenture to repay any term Indebtedness under debt facilities or commercial paper facilities or to repay any revolving credit Indebtedness under a Credit Facility and effect a corresponding commitment reduction thereunder, in each case as to Indebtedness incurred under this clause (2) of the definition of Permitted Debt and as to Net Proceeds applied pursuant to clause (1) of the second paragraph of the covenant described above under the caption "Repurchase at the Option of Holders—Asset Sales";

(3) the incurrence by MagnaChip and its Restricted Subsidiaries of the Existing Indebtedness;

(4) the incurrence on the Issue Date by MagnaChip and the Guarantors of Indebtedness represented by the old second priority notes and the old senior subordinated notes and the indenture and guarantees thereof by the Guarantors and the related new notes described herein;

(5) the incurrence by MagnaChip or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property (real or personal), plant or equipment used in the business of MagnaChip or any of its Restricted Subsidiaries (whether through the direct purchase of assets or the Equity interests of any Person owning such assets), in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (5), not to exceed the greater of (a) $25.0 million at any time outstanding and (b) 5% of Total Assets as shown on US LLC's most recent consolidated balance sheet prepared in accordance with GAAP;

(6) the incurrence by MagnaChip or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by the indenture to be incurred under the first paragraph of this covenant or clauses (3), (4), (5), (6) or (14) of this paragraph;

(7) the incurrence by MagnaChip or any of its Restricted Subsidiaries of intercompany Indebtedness between or among MagnaChip and any of its Restricted Subsidiaries; *provided, however*, that:

(a) if MagnaChip or any Guarantor is the obligor on such Indebtedness and the payee is not MagnaChip or a Guarantor, such Indebtedness must be expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the notes, in the case of MagnaChip, or the Note Guarantee, in the case of a Guarantor; and

(b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than MagnaChip or a Restricted Subsidiary of MagnaChip and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either MagnaChip or a Restricted Subsidiary of MagnaChip, will be deemed, in each case, to constitute an incurrence of such Indebtedness by MagnaChip or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (7);

(8) the issuance by any Guarantor to MagnaChip or to any other Guarantor of shares of preferred stock; *provided, however,* that:

(a) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than MagnaChip or a Guarantor; and

(b) any sale or other transfer of any such preferred stock to a Person that is not either MagnaChip or a Guarantor,

will be deemed, in each case, to constitute an issuance of such preferred stock by such Guarantor that was not permitted by this clause (8);

(9) the incurrence by MagnaChip or any Restricted Subsidiaries of Hedging Obligations in the ordinary course of business;

(10) the guarantee by MagnaChip or any of the Guarantors of Indebtedness of MagnaChip or a Restricted Subsidiary of MagnaChip that was permitted to be incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the second priority notes, then the Guarantee shall be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;

(11) the incurrence of Indebtedness by MagnaChip or any of its Restricted Subsidiaries in the form of performance bonds, completion guarantees and surety or appeal bonds entered into by MagnaChip or any of its Restricted Subsidiaries in the ordinary course of their business;

(12) the incurrence of Indebtedness by MagnaChip or any of its Restricted Subsidiaries owed to any Person in connection with worker's compensation, self-insurance, health, disability or other employee benefits or property, casualty or liability insurance provided by such Person to MagnaChip or such Restricted Subsidiary, pursuant to reimbursement or indemnification obligations to such person, in each case incurred in the ordinary course of business;

(13) the incurrence by MagnaChip or any of the Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within five business days;

(14) Indebtedness of MagnaChip or any Restricted Subsidiary issued to any of its directors, employees, officers or consultants or a Restricted Subsidiary in connection with the redemption or purchase of Capital Stock that, by its terms, is subordinated to the second priority notes, is not secured by any of the assets of MagnaChip or the Restricted Subsidiaries and does not require cash payments prior to the Stated Maturity of

the second priority notes and Refinancing Indebtedness of the Indebtedness, in an aggregate principal amount which, when added with the amount of Indebtedness Incurred under this clause (14) and then outstanding, does not exceed $5.0 million;

(15) the incurrence by MagnaChip or any of the Restricted Subsidiaries of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (15), not to exceed $25.0 million;

(16) the incurrence of Indebtedness by MagnaChip or any of the Restricted Subsidiaries arising from agreements of MagnaChip or any of the Restricted Subsidiaries providing for adjustment of purchase price or other similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business, assets or a Restricted Subsidiary of MagnaChip LLC;

(17) Indebtedness of a Restricted Subsidiary organized outside the United States or Korea incurred to finance the working capital of such Restricted Subsidiary, in an aggregate principal amount at any time outstanding not to exceed $30.0 million; and

(18) Indebtedness incurred by MagnaChip or any of the Restricted Subsidiaries constituting reimbursement obligations under letters of credit issued in the ordinary course of business, including, without limitation, letters of credit to procure raw materials or relating to workers' compensation claims or self-insurance, or other Indebtedness relating to reimbursement-type obligations regarding workers' compensation claims.

MagnaChip will not incur, and will not permit any Guarantor to incur, any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of MagnaChip or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the second priority notes and the applicable Note Guarantee on substantially identical terms; *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of MagnaChip solely by virtue of being unsecured or by virtue of being secured on a first or junior Lien basis.

For purposes of determining compliance with this "Incurrence of Indebtedness and Issuance of Preferred Stock" covenant, in the event that an item of proposed Indebtedness (or any portion thereof) meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (18) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, MagnaChip, in its sole discretion, will be permitted to classify such item of Indebtedness (or any portion thereof) on the date of its incurrence, or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant and will only be required to include the amount and type of such Indebtedness in one of the above clauses. The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on Disqualified Stock or preferred stock in the form of additional shares of the same class of Disqualified Stock or preferred stock, and the accrual of dividends on Disqualified Stock or preferred stock, will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Stock or preferred stock for purposes of this covenant; *provided*, in each such case, that the amount of any such accrual, accretion or payment is included in Fixed Charges of US LLC as accrued. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that MagnaChip or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

The amount of any Indebtedness outstanding as of any date will be:

(1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;

(2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

(a) the Fair Market Value of such assets at the date of determination; and

(b) the amount of the Indebtedness of the other Person.

***Restricted Payments***

MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of MagnaChip's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving MagnaChip or any of its Restricted Subsidiaries) or to the direct or indirect holders of MagnaChip's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends, payments, or distributions payable in Equity Interests (other than Disqualified Stock) of MagnaChip, any of its direct or indirect parent entities or any of its Restricted Subsidiaries and other than dividends, payments, or distributions payable to MagnaChip, any of its direct or indirect parent entities or a Restricted Subsidiary of MagnaChip);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving MagnaChip) any Equity Interests of US LLC;

(3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of MagnaChip or any Restricted Subsidiary that is contractually subordinated to the second priority notes or to any Note Guarantee (excluding any intercompany Indebtedness between or among MagnaChip, any of its direct or indirect parent entities that is a Guarantor and any of its Restricted Subsidiaries that is a Guarantor), except a payment of interest or principal at the Stated Maturity thereof; or

(4) make any Restricted Investment

(all such payments and other actions set forth in these clauses (1) through (4) above being collectively referred to as "*Restricted Payments*"),

unless, at the time of and after giving effect to such Restricted Payment:

(1) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(2) MagnaChip would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption "—Incurrence of Indebtedness and Issuance of Preferred Stock;" and

(3) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by MagnaChip and its Restricted Subsidiaries since the date of the indenture (excluding Restricted Payments permitted by clauses (2), (5), (6), (8), (9), (10) and (11) of the next succeeding paragraph) is less than the sum, without duplication of:

(a) 50% of the Consolidated Net Income of US LLC for the period (taken as one accounting period) from the beginning of the first fiscal quarter commencing after the date of the indenture to the end of US LLC's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*

(b) 100% of the aggregate net cash proceeds or Fair Market Value of assets (as to which an opinion or appraisal issued by an accounting, appraisal or investment bank firm of national standing shall be required if the Fair Market Value exceeds $15.0 million) received by MagnaChip or any of the

Restricted Subsidiaries since the date of the indenture as a contribution to its common equity capital or from the issue or sale of Equity Interests of MagnaChip or any of the Restricted Subsidiaries (other than Disqualified Stock) or from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of MagnaChip or any of the Restricted Subsidiaries that have been converted into or exchanged for such Equity Interests (other than Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of US LLC); *plus*

(c) to the extent that any Restricted Investment that was made after the date of the indenture is sold for cash or otherwise liquidated or repaid for cash, the lesser of (i) the cash return of capital with respect to such Restricted Investment (less the cost of disposition, if any) and (ii) the initial amount of such Restricted Investment; *plus*

(d) to the extent that any Unrestricted Subsidiary of MagnaChip designated as such after the date of the indenture is redesignated as a Restricted Subsidiary after the date of the indenture, the lesser of (i) the Fair Market Value of MagnaChip's Investment in such Subsidiary as of the date of such redesignation or (ii) such Fair Market Value as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary after the date of the indenture; *plus*

(e) 100% of any dividends received by MagnaChip or a Restricted Subsidiary of MagnaChip after the date of the indenture from an Unrestricted Subsidiary of US LLC, to the extent that such dividends were not otherwise included in the Consolidated Net Income of US LLC for such period.

The preceding provisions will not prohibit:

(1) the payment of any dividend or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the indenture;

(2) dividends or advances made with the proceeds of the second priority notes to any direct or indirect parent of MagnaChip, the proceeds of which are used by such Person to redeem its preferred equity interests as described in the prospectus and made within 90 days of the Issue Date; *provided*, that such dividends or advances shall be excluded from the calculation of the amount of Restricted Payments;

(3) upon the occurrence of a Change of Control and within 60 days after the completion of the offer to repurchase the second priority notes pursuant to the covenant described under "Change of Control" above, any purchase or redemption of Subordinated Obligations required pursuant to the terms thereof as a result of such Change of Control at a purchase or redemption price not to exceed the outstanding principal amount thereof, plus any accrued and unpaid interest; provided, however, that (A) at the time of such purchase or redemption no Event of Default shall have occurred and be continuing (or would result therefrom); (B) MagnaChip would be able to incur an additional $1.00 of Indebtedness pursuant to paragraph (a) of the covenant described under "—Incurrence of Indebtedness and Issuance of Preferred Stock" after giving pro forma effect to such Restricted Payment and the Change of Control; and (C) such purchase or redemption shall be included in the calculation of the amount of Restricted Payments;

(4) any purchase or redemption of Disqualified Stock of MagnaChip or a Restricted Subsidiary made by exchange for, or out of the proceeds of the substantially concurrent sale of, Disqualified Stock of MagnaChip or a Restricted Subsidiary which is permitted to be incurred pursuant to the covenant described under "—Incurrence of Indebtedness and Issuance of Preferred Stock;" *provided, however*, that such purchase or redemption shall be excluded in the calculation of the amount of Restricted Payments;

(5) the making of any Restricted Payment in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of MagnaChip) of, Equity Interests of MagnaChip (other than Disqualified Stock) or from the substantially concurrent contribution of common equity capital to MagnaChip; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clause (3)(b) of the preceding paragraph;

(6) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of MagnaChip or any Restricted Subsidiary that is contractually subordinated to the second priority notes or to any Note Guarantee with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness;

(7) payments to fund the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of MagnaChip, any Restricted Subsidiary of MagnaChip, or any direct or indirect parent of MagnaChip held by any current or former officer, director or employee of MagnaChip or any of its Restricted Subsidiaries or any direct or indirect Parent of MagnaChip pursuant to any equity subscription agreement, stock option agreement, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed $7,000,000 plus the amount of cash proceeds from any key man life insurance; *provided, further,* that such amount may be increased by an amount not to exceed the cash proceeds from the sale of Equity Interests of MagnaChip and, to the extent contributed to MagnaChip, Equity Interests of any of MagnaChip's direct or indirect parent corporations, in each case to current or former members of management, directors, managers or consultants of MagnaChip, any of its Subsidiaries or any of its direct or indirect parent corporations that occurs after the Issue Date, to the extent the cash proceeds from the sale of such Equity Interests have not otherwise been applied to the payment of Restricted Payments by virtue of clause (3)(b) of the preceding paragraph.

(8) the repurchase of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;

(9) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of MagnaChip or any Restricted Subsidiary issued on or after the date of the indenture in accordance with the Fixed Charge Coverage Ratio test described above under the caption "—Incurrence of Indebtedness and Issuance of Preferred Stock;"

(10) any purchase or redemption of Subordinated Obligations from Net Proceeds upon completion of an Asset Sale Offer; *provided, however*, that the purchase or redemption shall be excluded in the calculation of the amount of Restricted Payments; *provided, further,* that MagnaChip could, on the date of such transaction after giving pro forma effect thereto as if the same had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption "—Incurrence of Indebtedness and Issuance of Preferred Stock;"

(11) Permitted Tax Payments;

(12) the repurchase of, or payments in lieu of, fractional shares of Equity Interests in an amount not to exceed $200,000 in the aggregate; and

(13) other Restricted Payments in an aggregate amount not to exceed $15.0 million since the date of the indenture.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by MagnaChip or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The Fair Market Value of any assets or securities that are required to be valued by this covenant will be determined by the Board of Directors of MagnaChip whose resolution with respect thereto will be delivered to the trustee. For purposes of determining compliance with this covenant, in the event that a Restricted Payment meets the criteria of more than one of the exceptions described in (1) through (13) above or is entitled to be made pursuant to the first paragraph of this covenant, MagnaChip shall be permitted, in its sole discretion to classify (but not later reclassify) such Restricted Payment in any manner that complies with this covenant.

***Liens***

MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien of any kind on any asset now owned or hereafter acquired, except Permitted Liens.

***Dividend and Other Payment Restrictions Affecting Subsidiaries***

MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to MagnaChip or any of its Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any indebtedness owed to MagnaChip or any of its Restricted Subsidiaries;

(2) make loans or advances to MagnaChip or any of its Restricted Subsidiaries; or

(3) sell, lease or transfer any of its properties or assets to MagnaChip or any of its Restricted Subsidiaries.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements governing Existing Indebtedness and any other agreements, including the Credit Facilities, as in effect on the Issue Date and any amendments, restatements, modifications, renewals, increases, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, increases, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date;

(2) the indenture, the second priority notes and the Note Guarantees, the intercreditor agreement and the security documents;

(3) applicable law, rule, regulation or order;

(4) any instrument governing Indebtedness or Capital Stock of a Person acquired by MagnaChip or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the indenture to be incurred;

(5) customary non-assignment provisions in contracts and licenses entered into in the ordinary course of business;

(6) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (3) of the preceding paragraph;

(7) any agreement for the sale or other disposition of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending the sale or other disposition;

(8) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(9) restrictions contained in security agreements or mortgages securing Indebtedness of a Restricted Subsidiary permitted to be incurred under the Indenture so long as the restrictions solely restrict the transfer of the property governed by the security agreements or mortgages;

(10) Liens permitted to be incurred under the provisions of the covenant described above under the caption "—Liens" that limit the right of the debtor to dispose of the assets subject to such Liens;

(11) provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements entered into with the approval of MagnaChip's Board of Directors, which limitation is applicable only to the assets that are the subject of such agreements;

(12) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business; and

(13) any restriction in any agreement that is not more restrictive than the restrictions under the terms of the Senior Credit Agreement as in effect on the date of the indenture.

***Merger, Consolidation or Sale of Assets***

MagnaChip will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not MagnaChip is the surviving Person); or (2) sell, lease, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of MagnaChip and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(1) either: (a) MagnaChip is the surviving Person; or (b) the Person formed by or surviving any such consolidation or merger (if other than MagnaChip) or to which such sale, assignment, transfer, conveyance or other disposition has been made is a Person organized or existing under the laws of South Korea, Luxembourg, the Netherlands, Bermuda, the United States, any state of the United States or the District of Columbia;

(2) the Person formed by or surviving any such consolidation or merger (if other than MagnaChip) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of MagnaChip under the second priority notes, the security documents, the indenture and the registration rights agreement;

(3) immediately after such transaction, no Default or Event of Default shall have occurred and be continuing;

(4) MagnaChip or the Person formed by or surviving any such consolidation or merger (if other than MagnaChip), or to which such sale, assignment, transfer, conveyance or other disposition has been made would, on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption "—Incurrence of Indebtedness and Issuance of Preferred Stock;"

(5) if the merging corporation is organized and existing under the laws of South Korea and the Successor Company is organized and existing under the laws of the United States of America, any State thereof or the District of Columbia or if the merging corporation is organized and existing under the laws of the United States of America, any State thereof or the District of Columbia and the Successor Company is organized and existing under the laws of South Korea (any such event, a "*Foreign Jurisdiction Merger*"), MagnaChip shall have delivered to the trustee an opinion of counsel that the holders of notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the transaction and will be taxed in the same manner and on the same amounts and at the same times as would have been the case if the transaction had not occurred; and

(6) in the event of a Foreign Jurisdiction Merger, MagnaChip shall have delivered to the trustee an opinion of counsel from South Korea or other applicable jurisdiction that (A) any payment of interest or principal under or relating to the second priority notes or the Note Guarantees will, after the consolidation, merger, conveyance, transfer or lease of assets, be exempt from the Taxes described under "—Redemption Upon Changes in Withholding Taxes" and (B) no other taxes on income, including capital gains, will be payable by holders of the second priority notes under the laws of South Korea or any other jurisdiction where the Successor Company is or becomes organized, resident or engaged in business for tax purposes relating to the acquisition, ownership or disposition of the notes, including the receipt of interest or principal thereon, *provided* that the holder does not use or hold, and is not deemed to use or hold the second priority notes in carrying on a business in South Korea or other jurisdiction where the Successor Company is or becomes organized, resident or engaged in business for tax purposes.

This "Merger, Consolidation or Sale of Assets" covenant will not apply to:

(1) a merger of MagnaChip with an Affiliate solely for the purpose of reincorporating MagnaChip in another jurisdiction; or

(2) any consolidation or merger, or any sale, assignment, transfer, conveyance, lease or other disposition of assets between or among MagnaChip and any Restricted Subsidiary or the Restricted Subsidiaries.

***Transactions with Affiliates***

MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of MagnaChip (each, an "*Affiliate Transaction*"), unless:

(1) the Affiliate Transaction is on terms that are no less favorable to MagnaChip or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by MagnaChip or such Restricted Subsidiary with an unrelated Person; and

(2) MagnaChip delivers to the trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $10.0 million, a resolution of the Board of Directors of MagnaChip set forth in an officers' certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of MagnaChip; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $20.0 million, an opinion by (A) a nationally recognized investment banking firm that such Affiliate Transaction is fair, from a financial standpoint, to MagnaChip and the Restricted Subsidiaries or (B) an accounting or appraisal firm nationally recognized in making determinations of this kind that such Affiliate Transaction is on terms that are not less favorable to MagnaChip and the Restricted Subsidiaries than the terms that could be obtained in an arms-length transaction from a Person that is not an Affiliate.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) any employment agreement, employee benefit plan, stock options, stock ownership plans, officer or director indemnification agreement or any similar arrangement entered into by MagnaChip or any of its Restricted Subsidiaries in the ordinary course of business and payments pursuant thereto;

(2) transactions between or among MagnaChip and/or the Restricted Subsidiaries;

(3) transactions with a Person (other than an Unrestricted Subsidiary of MagnaChip) that is an Affiliate of MagnaChip solely because MagnaChip owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

(4) payment of reasonable directors' fees;

(5) any issuance of Equity Interests (other than Disqualified Stock) of US LLC or any of its Subsidiaries to Affiliates of such Person;

(6) Restricted Payments that do not violate the provisions of the indenture described above under the caption "—Restricted Payments;"

(7) transactions pursuant to any contract or agreement (including the Advisory Agreements) with MagnaChip or any of the Restricted Subsidiaries in effect on the Issue Date, as the same may be amended, modified or replaced from time to time so long as any such amendment, modification or replacement is not less favorable in any material respect to MagnaChip and the Restricted Subsidiaries than the original agreement as in effect on the Issue Date;

(8) the Note Guarantees;

(9) transactions pursuant to or under the Securityholders' Agreement, The MagnaChip LLC Equity Incentive Plan, the Restricted Unit Agreements or the Option Agreements as in effect on the Issue Date or any similar agreement or any amendment, modification or replacement of the Securityholders' Agreement, The MagnaChip LLC Equity Incentive Plan, Restricted Unit Agreements or the Option Agreements or similar agreement; provided that the terms of such amendment, modification or replacement are not more disadvantageous to the holders of the second priority notes in any material respect than the terms contained in the Securityholders' Agreement, The MagnaChip LLC Equity Incentive Plan, the Restricted Unit Agreements or the Option Agreements, as the case may be, as in effect on the Issue Date;

(10) the payment of management, consulting and advisory fees and related expenses made pursuant to the Advisory Agreements and the payment of other customary management, consulting and advisory fees and related expenses to the Principals and any of their respective Affiliates in connection with transactions of US LLC or its Subsidiaries or pursuant to any management, consulting, financial advisory, financing, underwriting or placement agreement or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which fees and expenses are made pursuant to arrangements approved by the Board of Directors of US LLC or such Subsidiary in good faith;

(11) the provision by an Affiliate of commercial banking or lending services or other similar services on terms that are no less favorable to MagnaChip or the relevant Restricted Subsidiary than those that would have been obtained by an unaffiliated party and that are approved in good faith by the Board of Directors;

(12) loans or advances to employees directors, officers or consultants (i) in the ordinary course of business or (ii) otherwise not to exceed $5.0 million in the aggregate at any one time outstanding; and

(13) Permitted Tax Payments.

***Business Activities***

MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, engage in any business other than Permitted Businesses, except to such extent as would not be material to MagnaChip and its Restricted Subsidiaries taken as a whole.

***Additional Note Guarantees***

If MagnaChip or any of its Restricted Subsidiaries acquires or creates another Subsidiary after the date of the indenture, then that newly acquired or created Subsidiary will become a Guarantor and execute a supplemental indenture and deliver an opinion of counsel satisfactory to the trustee within 10 business days of the date on which it was acquired or created; *provided* that any Subsidiary that constitutes an Immaterial Subsidiary need not become a Guarantor until such time as it ceases to be an Immaterial Subsidiary; *provided, further*, in the event MagnaChip or a Restricted Subsidiary forms or otherwise acquires, directly or indirectly, a Subsidiary organized under the laws of a jurisdiction other than the United States and such jurisdiction prohibits by law, regulation or order such Subsidiary from becoming a Guarantor, MagnaChip shall use all commercially reasonable efforts (including pursuing required waivers) over a period up to one year, to have such Subsidiary become a Guarantor; *provided, however*, that MagnaChip shall not be required to use such commercially reasonable efforts with respect to such Subsidiaries for more than a one-year period or such shorter period as it shall determine in good faith that it has used all commercially reasonable efforts and if MagnaChip or such Subsidiary is unable during such period to obtain an enforceable Guarantee in such jurisdiction, then such Subsidiary shall not be required to provide a Guarantee of the second priority notes pursuant to the Note Guarantee so long as such Subsidiary does not Guarantee any other Indebtedness of MagnaChip and its Restricted Subsidiaries.

***Designation of Restricted and Unrestricted Subsidiaries***

The Board of Directors of MagnaChip may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default; *provided* that in no event will the business currently

operated by MagnaChip Semiconductor Ltd. be transferred to or held by an Unrestricted Subsidiary. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by MagnaChip and its Restricted Subsidiaries in the Subsidiary designated as Unrestricted will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above under the caption "—Restricted Payments" or under one or more clauses of the definition of Permitted Investments, as determined by MagnaChip. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Board of Directors of MagnaChip may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause a Default.

Any designation of a Subsidiary of MagnaChip as an Unrestricted Subsidiary will be evidenced to the trustee by filing with the trustee a certified copy of a resolution of the Board of Directors giving effect to such designation and an officers' certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption "—Restricted Payments." If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of MagnaChip as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption "—Incurrence of Indebtedness and Issuance of Preferred Stock," MagnaChip will be in default of such covenant. The Board of Directors of MagnaChip may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary of MagnaChip; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of MagnaChip of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption "—Incurrence of Indebtedness and Issuance of Preferred Stock," calculated on a pro forma basis as if such designation had occurred at the beginning of the four-quarter reference period; and (2) no Default or Event of Default would be in existence and be continuing following such designation.

***Payments for Consent***

MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of second priority notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the indenture or the second priority notes unless such consideration is offered to be paid and is paid to all holders of the second priority notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

***Restrictions on Activities of Finance Company***

Finance Company will not hold any material assets, become liable for any material obligations or engage in any significant business activities; *provided*, that Finance Company may be a co-obligor or guarantor with respect to Indebtedness if MagnaChip is an obligor on such Indebtedness and the net proceeds of such Indebtedness are received by MagnaChip, Financing Corp. or one or more Guarantors.

**Reports**

Whether or not required by the rules and regulations of the SEC, so long as any second priority notes are outstanding, MagnaChip will furnish to the holders of second priority notes and the initial purchasers or cause the trustee to furnish to the holders of notes and the initial purchasers, within the time periods specified in the SEC's rules and regulations:

(1) all quarterly and annual reports that would be required to be filed with the SEC on Forms 10-Q and 10-K if MagnaChip were required to file such reports; and

(2) all current reports that would be required to be filed with the SEC on Form 8-K if MagnaChip were required to file such reports.

All such reports will be prepared in all material respects in accordance with all of the rules and regulations applicable to such reports. Each annual report on Form 10-K will include a report on US LLC's consolidated financial statements by US LLC's certified independent accountants. In addition, following the consummation of the exchange offer, MagnaChip will file a copy of each of the reports referred to in clauses (1) and (2) above with the SEC for public availability within the time periods specified in the rules and regulations applicable to such reports (unless the SEC will not accept such a filing) and will post the reports on its website within those time periods. US LLC's reporting obligations with respect to clauses (1) and (2) above shall be deemed satisfied in the event the Issuers file such reports with the SEC on EDGAR and deliver a copy of such reports to the trustee.

If, at any time after consummation of the exchange offer, MagnaChip is no longer subject to the periodic reporting requirements of the Exchange Act for any reason, MagnaChip will nevertheless continue filing the reports specified in the preceding paragraphs of this covenant with the SEC within the time periods specified above unless the SEC will not accept such a filing. MagnaChip will not take any action for the purpose of causing the SEC not to accept any such filings. If, notwithstanding the foregoing, the SEC will not accept MagnaChip's filings for any reason, MagnaChip will post the reports referred to in the preceding paragraphs on its website within the time periods that would apply if MagnaChip were required to file those reports with the SEC.

In addition, MagnaChip and the Guarantors agree that, for so long as any notes remain outstanding, if at any time they are not required to file with the SEC the reports required by the preceding paragraphs, they will furnish to the holders of notes and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

**Events of Default and Remedies**

Each of the following is an "*Event of Default*":

(1) default for 30 days in the payment when due of interest on, or Liquidated Damages, if any, with respect to, any second priority note;

(2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, any second priority note;

(3) failure by MagnaChip or any of its Restricted Subsidiaries to comply with the provisions described under the captions "—Repurchase at the Option of Holders—Change of Control," "—Repurchase at the Option of Holders—Asset Sales," or "—Certain Covenants—Merger, Consolidation or Sale of Assets;"

(4) failure by MagnaChip or any of its Restricted Subsidiaries for 60 days to comply with any of the other agreements in the indenture or any of the security documents;

(5) default under any mortgage, indenture or instrument under which there may be issued or Guaranteed or by which there may be secured or evidenced any Indebtedness for money borrowed by MagnaChip or any of its Restricted Subsidiaries (or the payment of which is guaranteed by MagnaChip or any of its Restricted Subsidiaries), whether such Indebtedness or Guarantee now exists, or is created after the date of the indenture, if that default:

(a) is caused by a failure to pay principal of, or interest or premium, if any, on, such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "*Payment Default*"); or

(b) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $25.0 million or more;

(6) failure by MagnaChip or any of its Restricted Subsidiaries to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of $25.0 million (net of any amounts covered by insurance), which judgments are not paid, discharged or stayed for a period of 60 days;

(7) the occurrence of any of the following:

(a) except as permitted by the indenture, any security document ceases for any reason to be fully enforceable; *provided*, that it will not be an Event of Default under this clause (7)(a) if the sole result of the failure of one or more security documents to be fully enforceable is that any Parity Lien purported to be granted under such security documents on Collateral, individually or in the aggregate, having a Fair Market Value of not more than $25.0 million ceases to be an enforceable and perfected second-priority Lien, subject only to Permitted Prior Liens;

(b) any Parity Lien purported to be granted under any security document on Collateral, individually or in the aggregate, having a Fair Market Value in excess of $25.0 million ceases to be an enforceable and perfected second-priority Lien, subject only to Permitted Prior Liens; or

(c) MagnaChip or any other Pledgor, or any Person acting on behalf of any of them, denies or disaffirms, in writing, any obligation of MagnaChip or any other Pledgor set forth in or arising under any security document;

(8) except as permitted by the indenture, any Note Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor, or any Person acting on behalf of any Guarantor, denies or disaffirms its obligations under its Note Guarantee; and

(9) certain events of bankruptcy or insolvency described in the indenture with respect to MagnaChip or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

However, the occurrence of an event described under clause (4) above will not constitute an Event of Default until the trustee or the holders of at least 25% in principal amount of the outstanding second lien notes notify MagnaChip of the default and MagnaChip does not cure such default within the time specified after receipt of such notice.

In the case of an Event of Default arising and continuing from certain events of bankruptcy or insolvency, with respect to MagnaChip, any Restricted Subsidiary of MagnaChip that is a Significant Subsidiary or any group of Restricted Subsidiaries of MagnaChip that, taken together, would constitute a Significant Subsidiary, all outstanding second priority notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the then outstanding second priority notes may declare all the second priority notes to be due and payable immediately.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding second priority notes may direct the trustee in its exercise of any trust or power. The trustee may withhold from holders of the second priority notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest or premium or Liquidated Damages, if any.

Subject to the provisions of the indenture relating to the duties of the trustee, in case an Event of Default occurs and is continuing, the trustee will be under no obligation to exercise any of the rights or powers under the indenture at the request or direction of any holders of second priority notes unless such holders have offered to the trustee reasonable indemnity or security against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, or interest or Liquidated Damages, if any, when due, no holder of a second priority note may pursue any remedy with respect to the indenture or the second priority notes unless:

(1) such holder has previously given the trustee notice that an Event of Default is continuing;

(2) holders of at least 25% in aggregate principal amount of the then outstanding second priority notes have requested the trustee to pursue the remedy;

(3) such holders have offered the trustee reasonable security or indemnity against any loss, liability or expense;

(4) the trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and

(5) holders of a majority in aggregate principal amount of the then outstanding notes have not given the trustee a direction inconsistent with such request within such 60-day period.

The holders of a majority in aggregate principal amount of the then outstanding second priority notes by notice to the trustee may, on behalf of the holders of all of the second priority notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the indenture except a continuing Default or Event of Default in the payment of interest or premium or Liquidated Damages, if any, on, or the principal of, the second priority notes.

MagnaChip is required to deliver to the trustee annually a statement regarding compliance with the indenture. Upon becoming aware of any Default or Event of Default, MagnaChip is required to deliver to the trustee a statement specifying such Default or Event of Default.

**No Personal Liability of Directors, Officers, Employees and Stockholders**

No director, officer, employee, incorporator, stockholder, member or partner of MagnaChip or any Guarantor, as such, will have any liability for any obligations of MagnaChip or the Guarantors under the second priority notes, the indenture, the Note Guarantees, the Note Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of second priority notes of a series by accepting a second priority note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the second priority notes. The waiver may not be effective to waive liabilities under the federal securities laws.

**Legal Defeasance and Covenant Defeasance**

MagnaChip may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an officers' certificate, elect to have all of its obligations discharged with respect to the outstanding second priority notes and the indenture and all obligations of the Guarantors discharged with respect to their Note Guarantees and the indenture ("*Legal Defeasance*") except for:

(1) the rights of holders of outstanding second priority notes to receive payments in respect of the principal of, or interest or premium and Liquidated Damages, if any, on, such second priority notes when such payments are due from the trust referred to below;

(2) MagnaChip's obligations with respect to the second priority notes concerning issuing temporary second priority notes, registration of second priority notes, mutilated, destroyed, lost or stolen second priority notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the trustee, and MagnaChip's and the Guarantors' obligations in connection therewith; and

(4) the Legal Defeasance and Covenant Defeasance provisions of the indenture.

In addition, MagnaChip may, at its option and at any time, elect to have the obligations of MagnaChip and the Guarantors released with respect to certain covenants (including its obligation to make Change of Control Offers and Asset Sale Offers) that are described in the indenture ("*Covenant Defeasance*") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the second priority notes. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under "—Events of Default and Remedies" will no longer constitute an Event of Default with respect to the notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) MagnaChip must irrevocably deposit with the trustee, in trust, for the benefit of the holders of the notes, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, or interest and premium and Liquidated Damages, if any, on, the outstanding second priority notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and MagnaChip must specify whether the second priority notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of Legal Defeasance, MagnaChip must deliver to the trustee an opinion of counsel reasonably acceptable to the trustee confirming that (a) MagnaChip has received from, or there has been published by, the Internal Revenue Service a ruling or (b) since the date of the indenture, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders of the outstanding notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, MagnaChip must deliver to the trustee an opinion of counsel reasonably acceptable to the trustee confirming that the holders of the outstanding second priority notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which MagnaChip or any Guarantor is a party or by which MagnaChip or any Guarantor is bound;

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the indenture) to which MagnaChip or any of its Subsidiaries is a party or by which MagnaChip or any of its Subsidiaries is bound;

(6) MagnaChip must deliver to the trustee an officers' certificate stating that the deposit was not made by MagnaChip with the intent of preferring the holders of second priority notes over the other creditors of MagnaChip with the intent of defeating, hindering, delaying or defrauding any creditors of MagnaChip or others; and

(7) MagnaChip must deliver to the trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with, such opinion to be subject to customary assumptions and exceptions.

The Collateral will be released from the Lien securing the second priority notes, as provided under the caption "—Intercreditor Agreement—Release of Liens in Respect of Notes," upon a Legal Defeasance or Covenant Defeasance in accordance with the provisions described above.

**Amendment, Supplement and Waiver**

Except as provided in the next three succeeding paragraphs, the indenture or the related second priority notes or the related Note Guarantees may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of each series of second priority notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, notes), and any existing Default or Event of Default or compliance with any provision of the indenture or the related second priority notes or the related Note Guarantees may be waived with the consent of the holders of a majority in aggregate principal amount of the applicable series of second priority notes then outstanding

(including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, the applicable second priority notes). Each of the floating rate second priority notes and the fixed rate second priority notes will be treated as separate classes for purposes of any vote or consent.

In addition, any amendment to, or waiver of, the provisions of either indenture or any security document that has the effect of releasing all or substantially all of the Collateral from the Liens securing the applicable series of second priority notes will require the consent of the holders of at least 66 2/3% in aggregate principal amount of each series of the second priority notes then outstanding.

With respect to each series of the second priority notes, without the consent of each holder of second priority notes affected, an amendment, supplement or waiver may not (with respect to any second priority notes held by a non-consenting holder):

(1) reduce the principal amount of second priority notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any second priority note or alter the provisions with respect to the redemption of the applicable series of second priority notes (other than provisions relating to the covenants described above under the caption "—Repurchase at the Option of Holders");

(3) reduce the rate of or change the time for payment of interest, including default interest, on any applicable second priority note;

(4) waive a Default or Event of Default in the payment of principal of, or interest or premium, or Liquidated Damages, if any, on, the applicable series of second priority notes (except a rescission of acceleration of the applicable series of second priority notes by the holders of at least a majority in aggregate principal amount of the applicable series of second priority notes then outstanding and a waiver of the payment default that resulted from such acceleration);

(5) make any second priority note payable in money other than that stated in the second priority notes;

(6) make any change in the provisions of the indenture relating to waivers of past Defaults or the rights of holders of the applicable series of second priority notes to receive payments of principal of, or interest or premium or Liquidated Damages, if any, on, the applicable series of the applicable series of second priority notes;

(7) waive a redemption payment with respect to any note (other than a payment required by one of the covenants described above under the caption "—Repurchase at the Option of Holders"); or

(8) release any Guarantor from any of its obligations under its Note Guarantee or the indenture, except in accordance with the terms of the indenture.

Notwithstanding the preceding, without the consent of any holder of the applicable series of second priority notes, MagnaChip, the Guarantors and the trustee may amend or supplement the indenture, the second priority notes or the Note Guarantees:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated second priority notes in addition to or in place of certificated second priority notes;

(3) to provide for the assumption of MagnaChip's or a Guarantor's obligations to holders of second priority notes and Note Guarantees in the case of a merger or consolidation or sale of all or substantially all of MagnaChip's or such Guarantor's assets, as applicable;

(4) to make any change that would provide any additional rights or benefits to the holders of second priority notes or that does not adversely affect the legal rights under the indenture of any such holder;

(5) to comply with requirements of the SEC in order to effect or maintain the qualification of the indenture under the Trust Indenture Act;

(6) to conform the text of the indenture, the Note Guarantees, the security documents or the second priority notes to any provision of this Description of Notes to the extent that such provision in this Description of Notes was intended by MagnaChip and the Initial Purchasers to be a verbatim recitation of a provision of the indenture, the Note Guarantees, the security documents or the second priority notes as represented by MagnaChip to the Trustee in an officers' certificate;

(7) to provide for the issuance of additional second priority notes in accordance with the limitations set forth in the indenture;

(8) to allow any Guarantor to execute a supplemental indenture and/or a Note Guarantee with respect to the second priority notes; or

(9) to make, complete or confirm any grant of Collateral permitted or required by the indenture or any of the security documents or any release of Collateral that becomes effective as set forth in the indenture or any of the security documents.

**Satisfaction and Discharge**

Each indenture will be discharged and will cease to be of further effect as to all second priority notes issued thereunder, when:

(1) either:

(a) all second priority notes that have been authenticated, except lost, stolen or destroyed second priority notes that have been replaced or paid and second priority notes for whose payment money has been deposited in trust and thereafter repaid to MagnaChip, have been delivered to the trustee for cancellation; or

(b) all second priority notes that have not been delivered to the trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and MagnaChip or any Guarantor has irrevocably deposited or caused to be deposited with the trustee as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the second priority notes not delivered to the trustee for cancellation for principal, premium and Liquidated Damages, if any, and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which MagnaChip or any Guarantor is a party or by which MagnaChip or any Guarantor is bound;

(3) MagnaChip or any Guarantor has paid or caused to be paid all sums payable by it under the indenture; and

(4) MagnaChip has delivered irrevocable instructions to the trustee under the indenture to apply the deposited money toward the payment of the second priority notes at maturity or on the redemption date, as the case may be.

In addition, MagnaChip must deliver an officers' certificate and an opinion of counsel to the trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

The Collateral will be released from the Lien securing the second priority notes, as provided under the caption "—Intercreditor Agreement—Release of Liens in Respect of Notes," upon a satisfaction and discharge in accordance with the provisions described above.

**Concerning the Trustee**

If the trustee becomes a creditor of MagnaChip or any Guarantor, the indenture limits the right of the trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The trustee will be permitted to engage in other transactions; however, if, following an event of default, it acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the SEC for permission to continue as trustee (if the indenture have been qualified under the Trust Indenture Act) or resign.

The holders of a majority in aggregate principal amount of the then outstanding second priority notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the trustee, subject to certain exceptions. The indenture provide that in case an Event of Default occurs and is continuing, the trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request of any holder of second priority notes, unless such holder has offered to the trustee security and indemnity satisfactory to it against any loss, liability or expense.

**Additional Information**

Anyone who receives this prospectus may obtain a copy of the indenture, the registration rights agreement, the intercreditor agreement and the security documents without charge by writing to c/o MagnaChip Semiconductor, Ltd. 891 Daechi-dong, Kangnam-gu, Seoul 135-738, Korea, Attention: General Counsel.

**Certain Definitions**

Set forth below are certain defined terms used in the indenture. Reference is made to the indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

"*Act of Required Debtholders*" means, as to any matter at any time:

(1) prior to the Discharge of Priority Lien Obligations, a direction in writing delivered to the Priority Lien Collateral Agent by or with the written consent of the holders of more than 50% of the sum of:

(a) the aggregate outstanding principal amount of Priority Lien Debt (including outstanding letters of credit whether or not then available or drawn); and

(b) other than in connection with the exercise of remedies, the aggregate unfunded commitments to extend credit which, when funded, would constitute Priority Lien Debt; and

(2) at any time after the Discharge of Priority Lien Obligations, a direction in writing delivered to the Priority Lien Collateral Agent by or with the written consent of the holders of Parity Debt representing the Required Parity Lien Debtholders.

For purposes of this definition, (a) Secured Debt registered in the name of, or beneficially owned by, MagnaChip or any Affiliate of MagnaChip will be deemed not to be outstanding, and (b) votes will be determined in accordance with the provisions described above under the caption "—Intercreditor Agreement—Voting."

"*Acquired Debt*" means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person; *provided* that Indebtedness of such Person that is redeemed, defeased, retired or otherwise repaid at the time, or immediately upon consummation, of the transaction by which such other Person is merged with or into or became a Restricted Subsidiary of such Person shall not be Acquired Debt; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person; provided that the amount of such Indebtedness shall be deemed to be the lesser of the value of such asset and the amount of the obligation so secured.

"*Acquisition*" means the purchase of the System IC division from Hynix Semiconductor Inc.

"*Advisory Agreements*" means the advisory agreements dated as of October 6, 2004, by and between US LLC, MagnaChip and each of (i) Francisco Partners Management, LLC, (ii) CVC Management LLC and (iii) CVC Capital Partners Asia Limited, as each may be amended, supplemented, modified, renewed, extended or replaced from time to time.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; *provided* that beneficial ownership of 10% or more of the Voting Stock of a Person will be deemed to be control. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

"Asset Sale" means:

(1) the sale, lease, conveyance or other disposition of any assets or rights; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of MagnaChip and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the indenture described above under the caption "—Repurchase at the Option of Holders—Change of Control" and/or the provisions described above under the caption "—Certain Covenants—Merger, Consolidation or Sale of Assets" and not by the provisions of the Asset Sale covenant; and

(2) the issuance or sale of Equity Interests in any of MagnaChip's Subsidiaries, other than directors' qualifying shares or shares required by applicable law to be held by a Person other than MagnaChip or a Restricted Subsidiary.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than $2.5 million;

(2) a transfer of assets between or among MagnaChip and its Restricted Subsidiaries (including to a Person that becomes a Restricted Subsidiary upon such transfer);

(3) an issuance of Equity Interests by a Restricted Subsidiary of MagnaChip to MagnaChip or to a Restricted Subsidiary of MagnaChip;

(4) the sale, lease, conveyance or other disposition of products, inventory, services or accounts receivable in the ordinary course of business and any sale or other disposition of damaged, worn out, uneconomical, surplus or obsolete assets in the ordinary course of business;

(5) the sale or other disposition of cash or Cash Equivalents;

(6) a Restricted Payment that does not violate the covenant described above under the caption "—Certain Covenants—Restricted Payments" or a Permitted Investment;

(7) Permitted Liens; and

(8) grants of licenses in intellectual property on terms customary for the semiconductor industry.

Notwithstanding the foregoing, the aggregate value of (i) all Permitted Investments in Restricted Subsidiaries that are not Guarantors (the value of which is measured at the time of such Permitted Investments)

and (ii) all transfers of assets to Restricted Subsidiaries that are not Guarantors (the value of which is measured at the time of such transfer of assets), shall not exceed an amount equal to 33 1/3% of the Total Assets of MagnaChip and its Restricted Subsidiaries.

"*Asset Sale Offer*" has the meaning assigned to that term in the indenture governing the second priority notes.

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act. The terms "Beneficially Owns" and "Beneficially Owned" have a corresponding meaning.

"Board of Directors" means:

(1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the Board of Directors of the general partner of the partnership;

(3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

"*Capital Lease Obligation*" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with GAAP, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"Capital Stock" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"Cash Equivalents" means:

(1) United States dollars, Korean Won, Pound Sterling, Hong Kong dollars, New Taiwan dollars, Euros and Japanese yen;

(2) securities issued or directly and fully guaranteed or insured by the United States government, Korean government, EU member states with a sovereign credit rating of A or better, the Japanese government, the Taiwan government, the Hong Kong government, or any agency or instrumentality of any such government (*provided* that the full faith and credit of any such government is pledged in support of those securities) having maturities of not more than one year from the date of acquisition;

(3) United States dollar denominated and Korean Won denominated certificates of deposit, eurodollar time deposits and other similar instruments in the United States, Hong Kong, Taiwan and Japan with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding one year and overnight bank deposits, in each case, with any lender party to the Senior Credit

Agreement or with any domestic commercial bank having capital and surplus in excess of $500.0 million and a Thomson Bank Watch Rating of "B" or better or comparable rating by a comparable rating agency in the relevant jurisdiction if a Moody's or S&P rating is unavailable;

(4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (3) above;

(5) commercial paper having one of the two highest ratings obtainable from Moody's or one of the three highest ratings obtainable from S&P or comparable rating by a comparable rating agency in the relevant jurisdiction if a Moody's or S&P rating is unavailable and, in each case, maturing within one year after the date of acquisition; and

(6) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (5) of this definition.

"*Casualty Event*" means any taking under power of eminent domain or similar proceeding and any insured loss, in each case relating to property or other assets that constituted Collateral.

"*Change of Control*" means the occurrence of any of the following:

(1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of US LLC and its Subsidiaries taken as a whole to any "person" (as that term is used in Section 13(d) of the Exchange Act) other than a Principal or a Related Party of a Principal;

(2) the adoption of a plan relating to the liquidation or dissolution of MagnaChip;

(3) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any "person" (as defined above), other than the Principals and their Related Parties, becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of MagnaChip, measured by voting power rather than number of shares; or

(4) after an initial public offering of MagnaChip or any direct or indirect parent of MagnaChip, the first day on which a majority of the members of the Board of Directors of such public company are not Continuing Directors.

"*Change of Control Offer*" has the meaning assigned to that term in the indenture governing the second priority notes.

"*Class*" means (1) in the case of Parity Lien Debt, every Series of Parity Lien Debt, taken together, and (2) in the case of Priority Lien Debt, every Series of Priority Lien Debt, taken together.

"*Collateral*" means all properties and assets at any time owned or acquired by MagnaChip or any of the other Pledgors, except:

(1) Excluded Assets;

(2) any properties and assets as to which Liens are required to be released pursuant to the provisions described above under the caption "—Intercreditor Agreement—Release of Liens on Collateral;" and

(3) any properties and assets that no longer secure the second priority notes or any Obligations in respect thereof pursuant to the provisions described above under the caption "—Intercreditor Agreement—Release of Liens in Respect of Second priority Notes,"

*provided* that, in the case of clauses (2) and (3), if such Liens are required to be released as a result of the sale, transfer or other disposition of any properties or assets of MagnaChip or any other Pledgor, such assets or properties will cease to be excluded from the Collateral if MagnaChip or any other Pledgor thereafter acquires or reacquires such assets or properties.

"*Collateral Trustee*" means the collateral trustee for the Priority Lien Collateral Agent and the Parity Lien Collateral Agent with respect to the guarantees of the Secured Obligations issued to such collateral trustee by MagnaChip Semiconductor, Ltd. and the various liens on Collateral owned by MagnaChip Semiconductor, Ltd. to secure such guarantees, together with its successors in such capacity.

"*Consolidated Cash Flow*" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period *plus*, without duplication:

(1) an amount equal to any extraordinary loss plus any net loss realized by such Person or any of its Restricted Subsidiaries in connection with an Asset Sale, to the extent such losses were deducted in computing such Consolidated Net Income; *plus*

(2) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; *plus*

(3) the Fixed Charges of such Person and its Restricted Subsidiaries for such period, to the extent that such Fixed Charges were deducted in computing such Consolidated Net Income; *plus*

(4) depreciation, amortization (including amortization of intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash expenses (excluding any such non-cash expense to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period) of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Net Income; *plus*

(5) other expenses incurred in connection with the Acquisition on or prior to the date of the indenture; *minus*

(6) non-cash items increasing such Consolidated Net Income for such period, other than the accrual of revenue in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with GAAP.

Notwithstanding the preceding, the provision for taxes based on the income or profits of, and the depreciation and amortization and other non-cash expenses of, a Restricted Subsidiary of MagnaChip will be added to Consolidated Net Income to compute Consolidated Cash Flow of MagnaChip only to the extent that a corresponding amount would be permitted at the date of determination to be dividended to MagnaChip by such Restricted Subsidiary without prior governmental approval (that has not been obtained), and without direct or indirect restriction pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to that Restricted Subsidiary or its stockholders.

"*Consolidated Net Income*" means, with respect to any specified Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP; *provided* that:

(1) the Net Income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary of the Person;

(2) the Net Income of any Restricted Subsidiary will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders, except to the extent that any dividend or similar distribution is actually and lawfully made and not otherwise included in Consolidated Net Income of such Person;

(3) the cumulative effect of a change in accounting principles will be excluded;

(4) any expenses associated with the Acquisition and the transactions contemplated thereby will be excluded;

(5) any transaction gains and losses due to fluctuations in currency values and the related tax effect will be excluded; and

(6) notwithstanding clause (1) above, the Net Income of any Unrestricted Subsidiary will be excluded, whether or not distributed to the specified Person or one of its Subsidiaries.

"*Continuing Directors*" means, as of any date of determination, any member of the Board of Directors of such Person who:

(1) was a member of such Board of Directors on the Issue Date;

(2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election; or

(3) was elected to the Board of Directors under the Securityholders' Agreement.

"*Credit Agreement Agent*" means, at any time, the Person serving at such time as the "Agent" or "Administrative Agent" under the Senior Credit Agreement or any other representative then most recently designated in accordance with the applicable provisions of the Senior Credit Agreement, together with its successors in such capacity.

"*Credit Facilities*" means, one or more debt facilities (including, without limitation, the Senior Credit Agreement) or commercial paper facilities, in each case, with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Discharge of Priority Lien Obligations*" means the occurrence of all of the following:

(1) termination or expiration of all commitments to extend credit that would constitute Priority Lien Debt;

(2) payment in full in cash of the principal of and interest and premium (if any) on all Priority Lien Debt (other than any undrawn letters of credit);

(3) discharge or cash collateralization (at the lower of (1) 105% of the aggregate undrawn amount and (2) the percentage of the aggregate undrawn amount required for release of liens under the terms of the applicable Priority Lien Document) of all outstanding letters of credit constituting Priority Lien Debt; and

(4) payment in full in cash of all other Priority Lien Obligations that are outstanding and unpaid at the time the Priority Lien Debt is paid in full in cash (other than any obligations for taxes, costs, indemnifications, reimbursements, damages and other liabilities in respect of which no claim or demand for payment has been made at such time).

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or

otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the second priority notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require MagnaChip to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that MagnaChip may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "—Certain Covenants—Restricted Payments." The amount of Disqualified Stock deemed to be outstanding at any time for purposes of the indenture will be the maximum amount that MagnaChip and its Restricted Subsidiaries may become obligated to pay upon the maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock, exclusive of accrued dividends.

"*equally and ratably*" means, in reference to sharing of Liens or proceeds thereof as between holders of Secured Obligations within the same Class, that such Liens or proceeds:

(1) will be allocated and distributed first to the Secured Debt Representative for each outstanding Series of Secured Debt within that Class, for the account of the holders of such Series of Secured Debt, ratably in proportion to the principal of, and interest and premium (if any) and reimbursement obligations (contingent or otherwise) with respect to letters of credit, if any, outstanding (whether or not drawings have been made under such letters of credit) on each outstanding Series of Secured Debt within that Class when the allocation or distribution is made, and thereafter

(2) will be allocated and distributed (if any remain after payment in full of all of the principal of, and interest and premium (if any) and reimbursement obligations (contingent or otherwise) with respect to letters of credit, if any, outstanding (whether or not drawings have been made on such letters of credit) on all outstanding Secured Obligations within that Class) to the Secured Debt Representative for each outstanding Series of Secured Obligations within that Class, for the account of the holders of any remaining Secured Obligations within that Class, ratably in proportion to the aggregate unpaid amount of such remaining Secured Obligations within that Class due and demanded (with written notice to the applicable Secured Debt Representative and the collateral agent) prior to the date such distribution is made.

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"*Excluded Assets*" means each of the following:

(1) all "securities," including membership interests, convertible preferred equity certificates, preferred equity certificates, units of contribution, stock, shares, and the like of MagnaChip and any of MagnaChip's "affiliates" (as the terms "securities" and "affiliates" are used in Rule 3-16 of Regulation S-X under the Securities Act);

(2) assets as to which the Priority Lien Collateral Agent does not obtain a Lien; and

(3) assets that are described as excluded assets in the security documents that secure Parity Lien Obligations.

"*Existing Indebtedness*" means Indebtedness of US LLC and its Subsidiaries (other than Indebtedness under the Senior Credit Agreement) in existence on the Issue Date, until such amounts are repaid.

"*Fair Market Value*" means the value that would be paid by a willing buyer to an unaffiliated willing seller, determined in good faith by the Board of Directors of MagnaChip (unless otherwise provided in the indenture).

"*Fixed Charge Coverage Ratio*" means with respect to any specified Person and its Restricted Subsidiaries for any period, the ratio of the Consolidated Cash Flow of such Person and its Restricted Subsidiaries for such period to the Fixed Charges of such Person and its Restricted Subsidiaries for such period. In the event that the

specified Person or any of its Restricted Subsidiaries incurs, assumes, Guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "*Calculation Date*"), then the Fixed Charge Coverage Ratio will be calculated giving pro forma effect to such incurrence, assumption, Guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four quarter reference period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Restricted Subsidiaries, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date will be given pro forma effect (in accordance with Regulation S-X under the Securities Act) as if they had occurred on the first day of the four-quarter reference period.

(2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date or that becomes a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date or would cease to be a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period; and

(6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months).

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortization of original issue discount, noncash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations in respect of interest rates; *plus*

(2) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period; *plus*

(3) any interest on Indebtedness of another Person that is guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries, whether or not such Guarantee or Lien is called upon; *plus*

(4) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of such Person or any of its Restricted Subsidiaries, other than dividends on Equity Interests payable solely in Equity Interests of MagnaChip (other than Disqualified Stock) or to MagnaChip or a Restricted Subsidiary of MagnaChip, *times* (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, determined on a consolidated basis in accordance with GAAP.

"*GAAP*" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect on the Issue Date.

"*Government Securities*" means securities that are

(a) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged, or

(b) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America,

which, in either case, are not callable or redeemable at the option of the issuers thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act), as custodian with respect to any such Government Securities or a specific payment of principal of or interest on any such Government Securities held by such custodian for the account of the holder of such depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Securities or the specific payment of principal of or interest on the Government Securities evidenced by such depository receipt.

"*Guarantee*" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

"*Guarantors*" means each of:

(1) MagnaChip Semiconductor LLC (USA), MagnaChip Semiconductor, Inc. (USA), MagnaChip Semiconductor B.V. (Netherlands), MagnaChip Semiconductor, Ltd. (Korea), MagnaChip Semiconductor SA Holdings LLC (USA), MagnaChip Semiconductor Ltd. (UK), MagnaChip Semiconductor Inc. (Japan), MagnaChip Semiconductor Ltd. (Hong Kong) and MagnaChip Semiconductor Ltd. (Taiwan); and

(2) any other Subsidiary of MagnaChip that executes a Note Guarantee in accordance with the provisions of the indenture,

and their respective successors and assigns, in each case, until the Note Guarantee of such Person has been released in accordance with the provisions of the indenture.

"*Hedging Obligations*" means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(2) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices, in each case, in reasonable relation to the business of MagnaChip and the Restricted Subsidiaries, and not for speculative purposes.

"*Hynix Agreements*" means each of the following as the same may be amended, restated, supplemented, modified, renewed, extended or replaced from time to time:

(1) Business Transfer Agreement dated as of June 12, 2004 by and between Hynix and MagnaChip Korea;

(2) First Amendment to Business Transfer Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea;

(3) General Services Supply Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea;

(4) each of the Overseas Sales Services Agreements dated as of October 6, 2004 by and between a Subsidiary of Hynix and a Subsidiary of MagnaChip;

(5) R&D Equipment Utilization Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea;

(6) IT & FA Service Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea;

(7) Wafer Foundry Service Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea;

(8) Mask Production and Supply Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea;

(9) each of the Building Lease Agreements dated as of October 6, 2004 by and between Hynix and MagnaChip Korea;

(10) Trademark License Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea; and

(11) Intellectual Property Licensing Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea.

"*Immaterial Subsidiary*" means, as of any date, any Restricted Subsidiary whose total assets, as of that date, are less than $250,000 and whose total revenues for the most recent 12-month period do not exceed $250,000; *provided* that a Restricted Subsidiary will not be considered to be an Immaterial Subsidiary if it, directly or indirectly, guarantees or otherwise provides direct credit support for any Indebtedness of MagnaChip; *provided, further,* that the revenues and total assets of all such subsidiaries shall not exceed $2.5 million in the aggregate.

"*Indebtedness*" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent:

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);

(3) in respect of banker's acceptances;

(4) representing Capital Lease Obligations;

(5) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed; or

(6) representing any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person and the amount of such obligation being deemed to be the lesser of the value of such asset and the amount of the obligation so secured) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person.

"insolvency or liquidation proceeding" means:

(1) any case commenced by or against MagnaChip or any other Pledgor under Title 11, U.S. Code or any similar federal, state or foreign law for the relief of debtors, any other proceeding for the reorganization, recapitalization or adjustment or marshalling of the assets or liabilities of MagnaChip or any other Pledgor, any receivership or assignment for the benefit of creditors relating to MagnaChip or any other Pledgor or any similar case or proceeding relative to MagnaChip or any other Pledgor or its creditors, as such, in each case whether or not voluntary;

(2) any liquidation, dissolution, marshalling of assets or liabilities or other winding up of or relating to MagnaChip or any other Pledgor, in each case whether or not voluntary and whether or not involving bankruptcy or insolvency; or

(3) any other proceeding of any type or nature in which substantially all claims of creditors of MagnaChip or any other Pledgor are determined and any payment or distribution is or may be made on account of such claims.

"*intercreditor agreement*" means the Intercreditor Agreement, dated as of the date of the Issue Date, among the Pledgors, the Priority Lien Credit Agreement Agent, the Priority Lien Collateral Agent, the trustee and the Parity Lien Collateral Agent, as amended, supplemented or otherwise modified from time to time.

"*Investments*" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations), advances or capital contributions (excluding (A) advances to customers in the ordinary course of business that are recorded as accounts receivable on the consolidated balance sheet of such Person and (B) commission, travel, moving and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. If MagnaChip or any Subsidiary of MagnaChip sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of MagnaChip such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of MagnaChip, MagnaChip will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of MagnaChip's Investments in such Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "—Certain Covenants—Restricted Payments." The acquisition by MagnaChip or any Subsidiary of MagnaChip of a Person that holds an Investment in a third Person will be deemed to be an Investment by MagnaChip or such Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the covenant described above under the caption "—Certain Covenants—Restricted Payments." Except as otherwise provided in the indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value.

"*Issue Date*" means December 23, 2004.

"*LIBOR Rate*" means, for each quarterly period during which any floating rate second priority note is outstanding subsequent to the initial quarterly period, the rate determined by MagnaChip (notice of such rate to be sent to the trustee by MagnaChip on the date of determination thereof) equal to the applicable British Bankers'

Association LIBOR rate for deposits in U.S. dollars for a period of three months as reported by any generally recognized financial information service as of 11:00 a.m. (London time) two business days prior to the first day of such quarterly period; provided that, if no such British Bankers' Association LIBOR rate is available to MagnaChip, the LIBOR Rate for the relevant quarterly period shall instead be the rate at which UBS Securities LLC or one of its affiliate banks offers to place deposits in U.S. dollars with first-class banks in the London interbank market for a period of three months at approximately 11:00 a.m. (London time) two business days prior to the first day of such quarterly period, in amounts equal to $1.0 million. Notwithstanding the foregoing, the LIBOR Rate for the initial quarterly period shall be 2.51%.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

"Lien Sharing and Priority Confirmation" means:

(1) as to any Series of Parity Lien Debt, the written agreement of the holders of such Series of Parity Lien Debt, as set forth in the indenture, credit agreement or other agreement governing such Series of Parity Lien Debt, for the enforceable benefit of all holders of each existing and future Series of Priority Lien Debt, each existing and future Priority Lien Representative and each existing and future holder of Permitted Prior Liens:

(a) that all Parity Lien Obligations will be and are secured equally and ratably by all Parity Liens at any time granted by MagnaChip or any other Pledgor to secure any Obligations in respect of such Series of Parity Lien Debt, whether or not upon property otherwise constituting collateral for such Series of Parity Lien Debt, and that all such Parity Liens will be enforceable by the Parity Lien Collateral Agent for the benefit of all holders of Parity Lien Obligations equally and ratably;

(b) that the holders of Obligations in respect of such Series of Parity Lien Debt are bound by the provisions of the intercreditor agreement, including the provisions relating to the ranking of Parity Liens and the order of application of proceeds from the enforcement of Parity Liens; and

(c) consenting to and directing the Parity Lien Collateral Agent to perform its obligations under the intercreditor agreement and the other security documents; and

(2) as to any Series of Priority Lien Debt, the written agreement of the holders of such Series of Priority Lien Debt, as set forth in the credit agreement or other agreement governing such Series of Priority Lien Debt, for the enforceable benefit of all holders of each existing and future Series of Parity Lien Debt, each existing and future Parity Lien Representative and each existing and future holder of Permitted Prior Liens:

(a) that all Priority Lien Obligations will be and are secured equally and ratably by all Priority Liens at any time granted by MagnaChip or any other Pledgor to secure any Obligations in respect of such Series of Priority Lien Debt, whether or not upon property otherwise constituting collateral for such Series of Priority Lien Debt, and that all such Priority Liens will be enforceable for the benefit of all holders of Priority Lien Obligations equally and ratably;

(b) that the holders of Obligations in respect of such Series of Priority Lien Debt are bound by the provisions of the intercreditor agreement, including the provisions relating to the ranking of Priority Liens and the order of application of proceeds from enforcement of Priority Liens; and

(c) consenting to and directing the collateral agent to perform its obligations under the intercreditor agreement and the other security documents.

"*Liquidated Damages*" means all liquidated damages then owing pursuant to the registration rights agreement.

"*Moody's*" means Moody's Investors Service, Inc.

"*Net Income*" means, with respect to any specified Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however:

(1) any gain (or loss), together with any related provision for taxes on such gain (or loss), realized in connection with: (a) any Asset Sale; or (b) the disposition of any securities by such Person or any of its Restricted Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Restricted Subsidiaries; and

(2) any extraordinary gain (or loss), together with any related provision for taxes on such extraordinary gain (or loss).

"*Net Proceeds*" means the aggregate cash proceeds received by MagnaChip or any of its Restricted Subsidiaries in respect of any Casualty Event or Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, and any repayment of Indebtedness that was permitted to be secured by the assets sold or lost in such Asset Sale or Casualty Event, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements, and any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with GAAP.

"*Non-Recourse Debt*" means Indebtedness:

(1) as to which neither MagnaChip nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender;

(2) no default with respect to which (including any rights that the holders of the Indebtedness may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness of MagnaChip or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment of the Indebtedness to be accelerated or payable prior to its Stated Maturity; and

(3) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of MagnaChip or any of its Restricted Subsidiaries.

"*Note Documents*" means the indenture, the second priority notes and the security documents.

"*Note Guarantee"* means the Guarantee by each Guarantor of MagnaChip's obligations under the indenture and the notes, executed pursuant to the provisions of the indenture.

"*Obligations*" means any principal (including reimbursement obligations with respect to letters of credit whether or not drawn), interest (including, with respect to the provisions described under "—Intercreditor Agreement," to the extent legally permitted, all interest accrued thereon after the commencement of any insolvency or liquidation proceeding at the rate, including any applicable postdefault rate, specified in the Priority Lien Documents, even if such interest is not enforceable, allowable or allowed as a claim in such proceeding), premium (if any), fees, indemnifications, reimbursements, expenses and other liabilities payable under the documentation governing any Indebtedness.

"*Parity Lien*" means a Lien granted by a security document to the Parity Lien Collateral Agent at any time, upon any property of MagnaChip or any other Pledgor to secure Parity Lien Obligations.

"*Parity Lien Collateral Agent*" means The Bank of New York, in its capacity as collateral agent for the trustee and the holders of second priority notes or other Parity Lien Obligations under the security documents, together with its successors in such capacity.

"Parity Lien Debt" means:

(1) the second priority notes issued on the Issue Date (including the related new notes); and

(2) any other Indebtedness of MagnaChip (including additional notes) that is secured equally and ratably with the second priority notes by a Parity Lien that was permitted to be incurred and so secured under each applicable Secured Debt Document; *provided* that:

(a) the net proceeds are used to refund, refinance, replace, defease, discharge or otherwise acquire or retire Priority Lien Debt or other Parity Lien Debt; or

(b) on the date of incurrence of such Indebtedness, after giving pro forma effect to the incurrence thereof and the application of the proceeds therefrom, the Secured Leverage Ratio would not be greater than 2.75 to 1.0;

*provided*, *further*, in the case of any Indebtedness referred to in clause (2) of this definition:

(a) on or before the date on which such Indebtedness is incurred by MagnaChip, such Indebtedness is designated by MagnaChip, in an officers' certificate delivered to each Parity Lien Representative and Collateral Trustee and the Parity Lien Collateral Agent, as "Parity Lien Debt" for the purposes of the indenture and the intercreditor agreement; *provided* that no Series of Secured Debt may be designated as both Parity Lien Debt and Priority Lien Debt;

(b) such Indebtedness is governed by an indenture, credit agreement or other agreement that includes a Lien Sharing and Priority Confirmation; and

(c) all requirements set forth in the intercreditor agreement as to the confirmation, grant or perfection of the Parity Lien Collateral Agent Liens to secure such Indebtedness or Obligations in respect thereof are satisfied (and the satisfaction of such requirements and the other provisions of this clause (c) will be conclusively established if MagnaChip delivers to the Parity Lien Collateral Agent an officers' certificate stating that such requirements and other provisions have been satisfied and that such Indebtedness is "Parity Lien Debt").

"*Parity Lien Documents*" means, collectively, the Note Documents, the indenture, credit agreement or other agreement governing each other Series of Parity Lien Debt and the security documents (other than any security documents that do not secure Parity Lien Obligations).

"*Parity Lien Obligations*" means Parity Lien Debt and all other Obligations in respect thereof.

"Parity Lien Representative" means:

(1) in the case of the second lien notes, the trustee;

(2) in the case of any other Series of Parity Debt, the trustee, agent or representative of the holders of such Series of Parity Lien Debt who maintains the transfer register for such Series of Parity Lien Debt and (a) is appointed as a Parity Lien Representative (for purposes related to the administration of the security documents) pursuant to the indenture, credit agreement or other agreement governing such Series of Parity Lien Debt, together with its successors in such capacity, and (b) has become a party to the intercreditor agreement by executing a joinder in the form required under the intercreditor agreement.

"*Permitted Business*" means the businesses of MagnaChip, its direct and indirect parents, and their respective subsidiaries as of the date of the indenture and any other business ancillary or supplementary to the semiconductor business.

"Permitted Investments" means:

(1) any Investment in MagnaChip or in a Restricted Subsidiary of MagnaChip;

(2) any Investment in Cash Equivalents;

(3) any Investment by MagnaChip or any Restricted Subsidiary of MagnaChip in a Person, if as a result of such Investment:

(a) such Person becomes a Restricted Subsidiary of MagnaChip; or

(b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, MagnaChip or a Restricted Subsidiary of MagnaChip;

(4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption "—Repurchase at the Option of Holders—Asset Sales;"

(5) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of MagnaChip or any of its direct or indirect parents;

(6) any Investments received in compromise or resolution of (A) obligations that were incurred in the ordinary course of business of MagnaChip or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (B) litigation, arbitration or other disputes with Persons who are not Affiliates;

(7) Investments represented by Hedging Obligations;

(8) loans or advances to employees, directors, officers or consultants made in the ordinary course of business of MagnaChip or any Restricted Subsidiary of MagnaChip in an aggregate principal amount not to exceed $5.0 million at any one time outstanding;

(9) repurchases of the second priority notes;

(10) (A) advances to customers in the ordinary course of business that are recorded as accounts receivable on the consolidated balance sheet of such Person and (B) payroll, travel and similar advances to cover matters that are expected at the time of the advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(11) receivables owing to MagnaChip or any Restricted Subsidiary of MagnaChip if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; provided, however, that such trade terms may include the concessionaire trade terms as MagnaChip or the Restricted Subsidiary deems reasonable under the circumstances;

(12) Investments in existence on the Issue Date;

(13) Investments in any Person to the extent such Investments consist of prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and other similar deposits made in the ordinary course of business by MagnaChip or any Restricted Subsidiary;

(14) Investment in any Person where such Investment was acquired by MagnaChip or any of the Restricted Subsidiaries (a) in exchange for any other Investment or accounts receivable held by MagnaChip or any such Restricted Subsidiary in connection with or as a result of a bankruptcy, workout, reorganization or recapitalization of the issuer of such other Investment or accounts receivable or (b) as a result of a foreclosure by MagnaChip or any of the Restricted Subsidiaries with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;

(15) dividends, payments or distributions to any of MagnaChip's direct or indirect parent entities that is not a Guarantor or a Restricted Subsidiary that is not a Guarantor;

(16) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (16) that are at the time outstanding that does not exceed the greater of (A) $50.0 million and (B) 5.0% of Total Assets (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value).

Provided that any cash return on capital in any such Permitted Investment (including through any dividend, distribution, repayment, redemption, payment of interest or other transfer) made pursuant to this clause (16) will reduce the amount of any such Permitted Investment for purposes of calculating the amount of Permitted Investments under this clause (16) and will be excluded from clauses 3(a), (d) and (e) of the first paragraph of the covenant described under the caption "—Certain Covenants—Restricted Payments"; provided, that the total reduction may not exceed the amount of the original investment.

Notwithstanding the foregoing, an Investment in a Restricted Subsidiary that is not a Guarantor will not be deemed a Permitted Investment if the aggregate value of (i) all Permitted Investments in Restricted Subsidiaries that are not Guarantors (the value of which is measured at the time of such Permitted Investments) and (ii) all transfers of assets to Restricted Subsidiaries that are not Guarantors (the value of which is measured at the time of such transfers of assets) exceeds an amount equal to 33 1/3% of the Total Assets of MagnaChip and its Restricted Subsidiaries.

"Permitted Liens" means:

(1) Liens held by the Collateral Trustee or the Priority Lien Collateral Agent securing (A) Priority Lien Debt in an aggregate principal amount not exceeding the Priority Lien Cap and (B) all related Priority Lien Obligations and (c) Hedging Obligations related thereto with parties to the Senior Credit Agreement.

(2) Liens held by the Collateral Trustee or the Parity Lien Collateral Agent equally and ratably securing the second priority notes to be issued on the Issue Date and all future Parity Lien Debt and other Parity Lien Obligations and Hedging Obligations related thereto with parties to the Senior Credit Agreement;

(3) Liens in favor of MagnaChip or the Guarantors;

(4) Liens on property of a Person existing at the time such Person is merged with or into or consolidated with MagnaChip or any Subsidiary of MagnaChip; *provided* that such Liens were in existence prior to the contemplation of such merger or consolidation and do not extend to any assets other than those of the Person merged into or consolidated with MagnaChip or the Subsidiary;

(5) Liens on property (including Capital Stock) existing at the time of acquisition of the property by MagnaChip or any Subsidiary of MagnaChip; *provided* that such Liens were in existence prior to, such acquisition, and not incurred in contemplation of, such acquisition;

(6) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business;

(7) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by clause (5) of the second paragraph of the covenant entitled "—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock" covering only the assets acquired with or financed by such Indebtedness;

(8) Liens existing on the Issue Date;

(9) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor;

(10) Liens imposed by law, such as carriers', warehousemen's, landlord's and mechanics' Liens, in each case, incurred in the ordinary course of business;

(11) pledges or deposits by a Person under worker's compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent, in each case incurred in the ordinary course of business;

(12) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other

restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(13) Liens created for the benefit of (or to secure) the second priority notes (or the Note Guarantees);

(14) attachment or judgment Liens not giving rise to an Event of Default;

(15) Liens arising solely by virtue of any statutory or common law provision relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; provided, however, that (A) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by MagnaChip or any of its Restricted Subsidiaries in excess of those set forth by regulations promulgated by the Federal Reserve Board and (B) such deposit account is not intended by MagnaChip or any Restricted Subsidiary to provide collateral to the depository institution;

(16) Liens securing Hedging Obligations so long as such Hedging Obligations relate to Indebtedness that is permitted to be incurred under the indenture;

(17) Liens arising from the filing of Uniform Commercial Code financing statements regarding leases;

(18) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under the indenture; *provided, however,* that:

(a) the new Lien shall be limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and

(b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge; and

(19) Leases or subleases granted to others that do not materially interfere with the ordinary course of business of MagnaChip and its Restricted Subsidiaries or materially impair the value of Collateral;

(20) Liens on deposits, in an aggregate amount not to exceed $250,000 at any one time outstanding, made in the ordinary course of business to secure liability to insurance carriers;

(21) Liens under licensing agreements for use of intellectual property entered into in the ordinary course of business;

(22) Customary liens on deposits required in connection with the purchase of property, plant, equipment, inventory and other assets;

(23) Liens to secure all loans which may not be prepaid prior to one year following the date such loan is made under the Senior Credit Facility between MagnaChip Semiconductor, Ltd. (Korea) and certain institutional lenders with the Korean Exchange Bank, as agent, and liens on deposits made in order to secure the payment of such debt when prepayment is permitted;

(24) Liens to secure Indebtedness permitted by clauses (2) and (17) of the second paragraph of the covenant entitled "—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock," provided, that with respect to such clause (17), such Liens cover only the assets owned by the Subsidiary incurring such Indebtedness;

(25) Liens incurred or deposits made in the ordinary course of business in connection with worker's compensation, unemployment insurance and other types of social security;

(26) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by MagnaChip or any of the Restricted Subsidiaries in the ordinary course of business; and

(27) Liens incurred in the ordinary course of business of MagnaChip or any Restricted Subsidiary of MagnaChip with respect to obligations that do not exceed $5.0 million at any one time outstanding.

"Permitted Prior Liens" means:

(1) Liens described in clause (1) of the definition of "Permitted Liens;"

(2) Liens described in clauses (4), (5), (6), (7), (8) (11), (16), (18) (provided that the original Lien was a Permitted Prior Lien), (19), (20), (21), (22), (23), (24), (25) and (26) of the definition of "Permitted Liens;" and

(3) Permitted Liens that arise by operation of law and are not voluntarily granted, to the extent entitled by law to priority over the Liens created by the security documents.

"*Permitted Refinancing Indebtedness*" means any Indebtedness of MagnaChip or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, extend, defease or discharge other Indebtedness of MagnaChip or any of its Restricted Subsidiaries (other than intercompany Indebtedness); *provided* that:

(1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness renewed, refunded, refinanced, replaced, extended, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being renewed, refunded, refinanced, replaced, extended, defeased or discharged;

(3) if the Indebtedness being renewed, refunded, refinanced, replaced, extended, defeased or discharged is subordinated in right of payment to the notes, such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and is subordinated in right of payment to, the second priority notes on terms at least as favorable to the holders of notes as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged; and

(4) such Indebtedness is incurred either by MagnaChip or by the Restricted Subsidiary who is the obligor on the Indebtedness being renewed under Section 951 of the Code, refunded, refinanced, replaced, extended, defeased or discharged.

"*Permitted Tax Payments*" means, for so long as US LLC is treated as a partnership for U.S. federal income tax purposes, payments in respect of tax liabilities of US LLC's investors arising from direct or indirect ownership of US LLC's equity interests under Section 951 of the Code. Permitted Tax Payments shall be calculated by reference to the amount of US LLC's and its Subsidiaries' income determined to be an amount required to be included in income under section 951 of the Code times 35%. A nationally recognized accounting firm chosen by US LLC shall determine the amount of Permitted Tax Payments.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*Pledgors*" means US LLC, MagnaChip, the Guarantors and any other Person (if any) that provides collateral security for any Secured Debt Obligations.

"*Principals*" means

(1) (A) Francisco Partners, L.P. ("FP"), any FP fund or co-investment partnership, (B) any general partner of any FP fund or co-investment partnership (collectively, an "FP Partner"), and any corporation,

partnership or other entity that is an Affiliate of any FP Partner (collectively "FP Affiliates"), (C) any managing director, general partner, director, officer or employee of an FP fund, any FP Partner or any FP Affiliate, or any spouse, lineal descendant, sibling, parent, heir, executor, administrator, testamentary trustee, legatee or beneficiary of any of the foregoing persons described in this clause (C) (collectively, "FP Associates") and (D) any trust, the beneficiaries of which, any charitable trust, the grantor of which, or any corporation, limited liability company or partnership, the stockholders, members or general or limited partners of which include only FP, FP Partners, FP Affiliates, FP Associates, their spouses or their lineal descendants;

(2) (A) Citigroup Venture Capital Equity Partners, L.P. ("CVC"), CVC/SSB Employee Fund, L.P., CVC Executive Fund LLC, Natasha Foundation, Citicorp Venture Capital Ltd., any CVC fund or co-investment partnership, Citigroup, any affiliate of Citigroup or any general partner of any CVC fund or co-investment partnership (collectively, a "CVC Partner"), and any corporation, partnership or other entity that is an Affiliate of Citigroup or any CVC Partner (collectively "CVC Affiliates"), (B) any managing director, general partner, director, officer or employee of any CVC fund, any CVC Partner or any CVC Affiliate, or any spouse, lineal descendant, sibling, parent, heir, executor, administrator, testamentary trustee, legatee or beneficiary of any of the foregoing persons described in this clause (B) (collectively, "CVC Associates") and (C) any trust, the beneficiaries of which, any charitable trust, the grantor of which, or any corporation, limited liability company or partnership, the stockholders, members or general or limited partners of which include only CVC, CVC Partners, CVC Affiliates, CVC Associates, their spouses or their lineal descendants;

(3) (A) CVC Capital Partners Asia II Limited ("CVC Asia Pacific"), CVC Capital Partners Asia Pacific LP, Asia Investors LLC, any CVC Asia Pacific fund or co-investment partnership, or any general partner of any CVC Asia Pacific fund or co-investment partnership (collectively, a "CVC Asia Pacific Partner"), and any corporation, partnership or other entity that is an Affiliate of any CVC Asia Pacific Partner (collectively "CVC Asia Pacific Affiliates"), (B) any managing director, general partner, director, officer or employee of any CVC Asia Pacific fund, any CVC Asia Pacific Partner or any CVC Asia Pacific Affiliate, or any spouse, lineal descendant, sibling, parent, heir, executor, administrator, testamentary trustee, legatee or beneficiary of any of the foregoing persons described in this clause (B) (collectively, "CVC Asia Pacific Associates") and (C) any trust, the beneficiaries of which, any charitable trust, the grantor of which, or any corporation, limited liability company or partnership, the stockholders, members or general or limited partners of which include only CVC Asia Pacific, CVC Asia Pacific Partners, CVC Asia Pacific Affiliates, CVC Asia Pacific Associates, their spouses or their lineal descendants; and

(4) officers and directors of US LLC or its Subsidiaries on the Issue Date.

Except for a Principal specifically identified by name, in determining whether Voting Stock is owned by a Principal, only Voting Stock acquired by a Principal in its described capacity shall be treated as "beneficially owned" by such Principal.

"*Priority Lien*" means a Lien granted by a security document to the Collateral Trustee or the Priority Lien Collateral Agent, at any time, upon any property of MagnaChip or any other Pledgor to secure Priority Lien Obligations.

"*Priority Lien Cap*" means, as of any date, the principal amount outstanding under the Senior Credit Agreement and/or the Indebtedness outstanding under any other Credit Facility, in an aggregate principal amount not to exceed the sum of the amount provided by clauses (1) and (2) of the definition of Permitted Debt, as of any date, *plus* the amount provided by clause (15) of the definition of Permitted Debt, *less* the amount of Parity Lien Debt incurred after the date of the indenture the net proceeds of which are used to repay Priority Lien Debt. For purposes of this definition, all letters of credit will be valued at the face amount thereof, whether or not drawn and all Hedging Obligations will be valued at zero.

"*Priority Lien Collateral Agent*" means UBS AG, Stamford Branch, in its capacity as collateral agent under the Priority Lien Security Documents, together with its successors in such capacity.

"Priority Lien Debt" means:

(1) Indebtedness of MagnaChip under the Senior Credit Agreement that was permitted to be incurred and secured under each applicable Secured Debt Document (or as to which the lenders under the Senior Credit Agreement obtained an officers' certificate at the time of incurrence to the effect that such Indebtedness was permitted to be incurred and secured by all applicable Secured Debt Documents);

(2) Indebtedness of MagnaChip under any other Credit Facility that is secured equally and ratably with the Senior Credit Agreement by a Priority Lien that was permitted to be incurred and so secured under each applicable Secured Debt Document; *provided*, in the case of any Indebtedness referred to in this clause (2), that:

(a) on or before the date on which such Indebtedness is incurred by MagnaChip, such Indebtedness is designated by MagnaChip, in an officers' certificate delivered to each Priority Lien Representative and each Parity Lien Representative, as "Priority Lien Debt" for the purposes of the Secured Debt Documents; *provided*, that no Series of Secured Debt may be designated as both Parity Lien Debt and Priority Lien Debt;

(b) such Indebtedness is governed by a credit agreement or other agreement that includes a Lien Sharing and Priority Confirmation; and

(c) all requirements set forth in the intercreditor agreement as to the confirmation, grant or perfection of the Collateral Trustee and Priority Lien Collateral Agent's Lien to secure such Indebtedness or Obligations in respect thereof are satisfied (and the satisfaction of such requirements and the other provisions of this clause (c) will be conclusively established if MagnaChip delivers to the collateral agent an officers' certificate stating that such requirements and other provisions have been satisfied and that such Indebtedness is "Priority Lien Debt"); and

(3) Hedging Obligations of MagnaChip incurred to hedge or manage interest rate, currency or commodity price-risk; *provided* that:

(a) such Hedging Obligations are secured by a Priority Lien on all of the assets and properties that secure Indebtedness under the Credit Facility in respect of which such Hedging Obligations are incurred; and

(b) such Priority Lien is senior to or on a parity with the Priority Liens securing Indebtedness under the Credit Facility in respect of which such Hedging Obligations are incurred.

"*Priority Lien Documents*" means the Senior Credit Agreement and any other Credit Facility pursuant to which any Priority Lien Debt is incurred and the security documents (other than any security documents that do not secure Priority Lien Obligations).

"*Priority Lien Obligations*" means the Priority Lien Debt and all other Obligations in respect of Priority Lien Debt.

"*Priority Lien Representative*" means (1) the Senior Credit Agreement Agent or (2) in the case of any other Series of Priority Lien Debt, the trustee, agent or representative of the holders of such Series of Priority Lien Debt who maintains the transfer register for such Series of Priority Lien Debt and is appointed as a representative of the Priority Debt (for purposes related to the administration of the security documents) pursuant to the credit agreement or other agreement governing such Series of Priority Lien Debt.

"*Priority Lien Security Documents*" means the intercreditor agreement, each Lien Sharing and Priority Confirmation, and all security agreements, pledge agreements, collateral assignments, mortgages, deeds of trust, collateral agency agreements, control agreements or other grants or transfers for security executed and delivered by MagnaChip or any other Pledgor creating (or purporting to create) a Priority Lien upon collateral in favor of the Priority Lien Collateral Agent or Collateral Trustee, in each case, as amended, modified, renewed, restated or replaced, in whole or in part, from time to time, in accordance with its terms.

"*Public Equity Offering*" means an offer and sale of Capital Stock (other than Disqualified Stock) of MagnaChip or any of its direct or indirect parents pursuant to a registration statement that has been declared effective by the SEC pursuant to the Securities Act (other than a registration statement on Form S-8 or otherwise relating to equity securities issuable under any employee benefit plan of MagnaChip).

"Related Party" means:

(1) any controlling stockholder, 80% (or more) owned Subsidiary, or immediate family member (in the case of an individual) of any Principal; or

(2) any trust, corporation, partnership, limited liability company or other entity, the beneficiaries, stockholders, partners, members, owners or Persons beneficially holding an 80% or more controlling interest of which consist of any one or more Principals and/or such other Persons referred to in the immediately preceding clause (1).

"*Required Parity Lien Debtholders*" means, at any time, the holders of more than 50% of the sum of:

(a) the aggregate outstanding principal amount of Parity Lien Debt (including outstanding letters of credit whether or not then available or drawn); and

(b) other than in connection with the exercise of remedies, the aggregate unfunded commitments to extend credit which, when funded, would constitute Parity Lien Debt.

For purposes of this definition, (a) Parity Lien Debt registered in the name of, or beneficially owned by, MagnaChip or any Affiliate of MagnaChip will be deemed not to be outstanding, and (b) votes will be determined in accordance with the provisions described above under the caption "—Intercreditor Agreement—Voting."

"*Required Priority Lien Debtholders*" means, at any time, the holders of more than 50% of the sum of:

(a) the aggregate outstanding principal amount of Priority Lien Debt (including outstanding letters of credit whether or not then available or drawn); and

(b) other than in connection with the exercise of remedies, the aggregate unfunded commitments to extend credit which, when funded, would constitute Priority Lien Debt.

For purposes of this definition, (a) Priority Lien Debt registered in the name of, or beneficially owned by, MagnaChip or any Affiliate of MagnaChip will be deemed not to be outstanding, and (b) votes will be determined in accordance with the provisions described above under the caption "—Intercreditor Agreement—Voting."

"*Restricted Investment*" means an Investment other than a Permitted Investment.

"*Restricted Subsidiary*" of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary; *provided*, that each of US LLC, MagnaChip Semiconductor SA Holdings LLC (USA) and MagnaChip Semiconductor, Inc. (USA) shall be deemed to be a Restricted Subsidiary of MagnaChip.

"S&P" means Standard & Poor's Ratings Group.

"*Sale of Collateral*" means any Asset Sale involving a sale or other disposition of Collateral.

"*Secured Debt*" means Parity Lien Debt and Priority Lien Debt.

"*Secured Debt Documents*" means the Parity Lien Documents and the Priority Lien Documents.

"*Secured Debt Representative*" means each Parity Lien Representative and each Priority Lien Representative.

"*Secured Leverage Ratio*" means, on any date, the ratio of:

(1) the aggregate principal amount of Secured Debt outstanding on such date plus all Indebtedness of Restricted Subsidiaries of MagnaChip that are not Guarantors outstanding on such date (and, for this purpose, letters of credit will be deemed to have a principal amount equal to the face amount thereof, whether or not drawn), to:

(2) the aggregate amount of MagnaChip's Consolidated Cash Flow for the most recent four-quarter period for which financial information is available.

In addition, for purposes of calculating the Secured Leverage Ratio:

(1) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations or acquisitions of assets, or any Person or any of its Restricted Subsidiaries acquired by merger, consolidation or the acquisition of all or substantially all of its assets by the specified Person or any of its Restricted Subsidiaries, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the date on which the event for which the calculation of the Secured Leverage Ratio is made (the "*Leverage Calculation Date*") will be given pro forma effect in accordance with Regulation S-X under the Securities Act as if they had occurred on the first day of the four-quarter reference period;

(2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Leverage Calculation Date will be excluded;

(3) any Person that is a Restricted Subsidiary on the Leverage Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period; and

(4) any Person that is not a Restricted Subsidiary on the Leverage Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period.

"*Secured Obligations*" means Parity Lien Obligations and Priority Lien Obligations.

"*security documents*" means the intercreditor agreement, each Lien Sharing and Priority Confirmation, and all security agreements, pledge agreements, collateral assignments, mortgages, deeds of trust, collateral agency agreements, control agreements or other grants or transfers for security executed and delivered by MagnaChip or any other Pledgor creating (or purporting to create) a Lien upon Collateral in favor of the Collateral Trustee, the Priority Lien Collateral Agent or the Parity Lien Collateral Agent, in each case, as amended, modified, renewed, restated or replaced, in whole or in part, from time to time, in accordance with its terms and the provisions described above under the caption "—Intercreditor Agreement—Amendment of Security Documents."

"*Securityholders' Agreement*" means the Amended and Restated Securityholders' Agreement dated as of October 6, 2004 by and among US LLC and the other parties thereto, as the same may be amended, restated, supplemented, modified or replaced from time to time.

"*Senior Credit Agreement*" means that certain Credit Agreement, to be dated as of December 23, 2004, by and among MagnaChip and the lenders thereto, providing for up to $100.0 million of revolving credit borrowings, including any related notes, Guarantees, collateral documents, instruments and agreements executed in connection therewith, and, in each case, as amended, restated, modified, extended, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time.

"*Series of Parity Lien Debt*" means, each series of the second priority notes and each other issue or series of Parity Lien Debt for which a single transfer register is maintained.

"*Series of Priority Lien Debt*" means severally, the Indebtedness outstanding under the Senior Credit Agreement and any other Credit Facility that constitutes Priority Lien Debt.

"*Series of Secured Debt*" means each Series of Parity Lien Debt and each Series of Priority Lien Debt "*Significant Subsidiary*" means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Issue Date.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the date of the indenture, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Obligations*" means any Indebtedness of MagnaChip, whether outstanding on the Issue Date or thereafter incurred, which is subordinate or junior in right of payment to, in the case of the Issuers, the second priority notes or, in the case of any Subsidiary Guarantor, its Guarantee, under a written agreement to that effect.

"*Subsidiary*" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

"*Tax*" means any tax, duty, levy, impost, assessment or other governmental charge (including penalties and interest related thereto.

*"Taxes*" and "*Taxation*" shall be construed to have corresponding meanings to Tax.

*"Total Assets"* means the total amount of all assets of a Person, determined on a consolidated basis in accordance with GAAP as shown on such Person's most recent consolidated balance sheet prepared in accordance with GAAP.

"*Treasury Rate*" means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to December 15, 2011; *provided, however*, that if the period from the redemption date to December 15, 2011, is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

"*Unrestricted Subsidiary*" means any Subsidiary of US LLC (other than the Issuers or any successor to them) that is designated by the Board of Directors of MagnaChip as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors, but only to the extent that such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) except as permitted by the covenant described above under the caption "—Certain Covenants—Transactions with Affiliates," on the date of such designation, is not party to any agreement, contract, arrangement or understanding with MagnaChip or any Restricted Subsidiary of MagnaChip unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to MagnaChip or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of MagnaChip;

(3) is a Person with respect to which neither MagnaChip nor any of its Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and

(4) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of MagnaChip or any of its Restricted Subsidiaries.

*"US LLC"* refers to MagnaChip Semiconductor LLC (USA), the direct parent company of MagnaChip, and any successor thereto.

"*Voting Stock*" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; *by*

(2) the then outstanding principal amount of such Indebtedness.

"*Wholly-Owned Restricted Subsidiary*" of any specified Person means a Subsidiary of such Person all of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) will at the time be owned by such Person or by one or more Wholly-Owned Restricted Subsidiaries of such Person.

**Description of the new senior subordinated notes**

You can find the definitions of certain terms used in this description under the subheading "Certain Definitions." In this description, the word "MagnaChip" or the "Company" refers only to MagnaChip Semiconductor S.A. and not to any of its subsidiaries.

The term "Issuers" refers collectively to MagnaChip and MagnaChip Semiconductor Finance Company ("Finance Company"), which is a wholly-owned subsidiary of MagnaChip as of the Issue Date. "US LLC" refers to MagnaChip Semiconductor LLC (USA). Each of MagnaChip Semiconductor SA Holdings LLC (USA) and MagnaChip Semiconductor, Inc. (USA) is a direct subsidiary of US LLC. US LLC and MagnaChip Semiconductor S.A. Holdings LLC (USA) own all of the equity interests in MagnaChip.

**Each of US LLC, MagnaChip Semiconductor SA Holdings LLC (USA) and MagnaChip Semiconductor, Inc. (USA) will be a Guarantor of the senior subordinated notes and will be treated as a "Restricted Subsidiary" (as defined) of MagnaChip for all purposes under the indenture.**

**MagnaChip Semiconductor Ltd. (Korea) will not be a guarantor of the senior subordinated notes but will be a guarantor of the Second Priority Notes.**

The Issuers issued the old senior subordinated notes under, and the new senior subordinated notes will be subject to, an indenture among MagnaChip, Finance Company, the Guarantors and The Bank of New York, as trustee. The terms of the new senior subordinated notes are the same as the terms of the old senior subordinated notes, and will include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, as amended, except that:

- the new notes will be registered under the Securities Act of 1933, as amended;
- the new notes will not bear legends restricting their transfer under the Securities Act; and
- holders of the new notes are not entitled to certain rights under the registration rights agreement

The following description is a summary of the material provisions of the indenture. It does not restate that agreement in its entirety. We urge you to read the indenture because it, and not this description, defines your rights as holders of the senior subordinated notes. Copies of the indenture are available as set forth below under "—Additional Information." Certain defined terms used in this description but not defined below under "—Certain Definitions" have the meanings assigned to them in the indenture.

The registered holder of a note will be treated as the owner of it for all purposes. Only registered holders will have rights under the indenture.

The new senior subordinated notes and the old senior subordinated notes are treated as one series of notes under the indenture. References in the following summary to the notes should be read to incorporate the old notes and the new notes.

**Brief Description of the Senior Subordinated Notes and the Note Guarantees**

***The Senior Subordinated Notes***

The senior subordinated notes will:

- be general unsecured obligations of the Issuers;
- will be subordinated in right of payment to all existing and future Senior Debt of the Issuers, including borrowings under the Senior Credit Agreement and the second lien notes;
- will be *pari passu* in right of payment with any future senior subordinated Indebtedness of the Issuers;

- rank effectively junior in right of payment to any secured Indebtedness of the Issuers, including the first priority liens securing the Senior Credit Agreement and the second priority liens securing the second lien notes and Permitted Liens, in each case, to the extent of the value of the assets securing such Indebtedness; and
- be unconditionally guaranteed by the Guarantors.

***The Senior Subordinated Note Guarantees***

The senior subordinated notes will be unconditionally guaranteed (the "Guarantees") on a senior subordinated basis by the Guarantors.

Each Guarantee will:

- be a general unsecured obligation of the Guarantor;
- be subordinated in right of payment to all existing and future Senior Debt of that Guarantor; and
- rank effectively junior in right of payment to any secured Indebtedness of the Guarantors, including the guarantees of the Senior Credit Agreement and the second lien notes and Permitted Liens, in each case, to the extent of the value of the assets securing such Indebtedness;
- rank equal in right of payment with all existing and future senior Indebtedness of that Guarantor; and
- be senior in right of payment to any future subordinated Indebtedness of that Guarantor, if any.

MagnaChip will be permitted to incur additional Senior Debt subject to the covenants described below under "Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock."

As of the date of the indenture, all of our Subsidiaries will be "Restricted Subsidiaries" and all of our Subsidiaries other than MagnaChip Semiconductor Ltd. (Korea) will be Guarantors. The senior subordinated notes will be effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of MagnaChip's present or future Subsidiaries that are not Guarantors. However, under the circumstances described below under the caption "—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries," we will be permitted to designate certain of our Subsidiaries as "Unrestricted Subsidiaries." Our Unrestricted Subsidiaries will not be subject to many of the restrictive covenants in the indenture. Our Unrestricted Subsidiaries will not guarantee the senior subordinated notes.

**Finance Company.**

Finance Company is a Delaware corporation and a wholly owned subsidiary of MagnaChip that has been formed for the purpose of facilitating the offering of the senior subordinated notes by acting as co-issuer. Finance Company will be nominally capitalized and will not have any operations or revenues.

As a result, prospective purchasers of the senior subordinated notes should not expect Finance Company to participate in servicing the interest and principal obligations on the senior subordinated notes. See "—Certain Covenants—Restrictions on Activities of Finance Company."

**Principal, Maturity and Interest**

The Issuers initially issued $250.0 million in aggregate principal amount of senior subordinated notes. The Issuers may issue additional senior subordinated notes under the indenture from time to time after this offering in an unlimited principal amount. Any issuance of additional senior subordinated notes is subject to all of the covenants in the indenture, including the covenant described below under the caption "—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock." The senior subordinated notes and any additional

senior subordinated notes subsequently issued under the indenture will be treated as a single class for all purposes under the indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. The Issuers will issue the senior subordinated notes in denominations of $1,000 and integral multiples of $1,000. The senior subordinated notes will mature on December 15, 2014.

Interest on the senior subordinated notes will accrue at the rate of 8% per annum and will be payable semi-annually in arrears on June 15 and December 15, commencing on June 15, 2005. MagnaChip will make each interest payment to the holders of record on the June 1 and December 1 immediately preceding the next interest payment date. Interest on the senior subordinated notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid.

Interest on overdue principal and interest and Liquidated Damages, if any, will accrue at a rate that is 1% higher than the then applicable interest rate on the senior subordinated notes.

Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. In no event will the interest rate on the senior subordinated notes be higher than the maximum rate permitted by law, if any.

**Methods of Receiving Payments on the Senior Subordinated Notes**

If a holder of senior subordinated notes has given wire transfer instructions to MagnaChip, MagnaChip will pay all principal, interest and premium and Liquidated Damages, if any, on that holder's senior subordinated notes in accordance with those instructions. All other payments on the senior subordinated notes will be made at the office or agency of the paying agent and registrar within the City and State of New York unless MagnaChip elects to make interest payments by check mailed to the noteholders at their address set forth in the register of holders.

**Paying Agent and Registrar for the Senior Subordinated Notes**

The trustee will initially act as paying agent and registrar. The Issuers may change the paying agent or registrar without prior notice to the holders of the senior subordinated notes, and MagnaChip or any of its Subsidiaries may act as paying agent or registrar.

**Transfer and Exchange**

A holder may transfer or exchange senior subordinated notes in accordance with the provisions of the indenture. The registrar and the trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents in connection with a transfer of senior subordinated notes. Holders will be required to pay all taxes due on transfer. The Issuers will not be required to transfer or exchange any senior subordinated note selected for redemption. Also, the Issuers will not be required to transfer or exchange any note for a period of 15 days before a selection of senior subordinated notes to be redeemed.

**Additional Amounts**

All payments made by the Issuers under or with respect to the senior subordinated notes or any of the Guarantors on its Guarantee will be made without withholding or deduction for, or on account of, any present or future Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of any jurisdiction in which the Issuers or any Guarantor (including any successor entity), is then incorporated, engaged in business or resident for tax purposes or any political subdivision thereof or therein or any jurisdiction by or through which payment is made (each, a "Tax Jurisdiction"), will at any time be required to be made from or Taxes imposed directly on any Holder or beneficial owner of the senior subordinated notes on any payments made by the Issuers under or with respect to the senior subordinated notes or any of the Guarantors with respect to any Guarantee, including

payments of principal, redemption price, purchase price, interest or premium, the Issuers or the relevant Guarantor, as applicable, will pay such additional amounts (the "Additional Amounts") as may be necessary in order that the net amounts received in respect of such payments by each Holder (including Additional Amounts) after such withholding or deduction will equal the respective amounts which would have been received in respect of such payments in the absence of such withholding, deduction or imposition; *provided, however*, that no Additional Amounts will be payable with respect to:

(1) any Tax imposed by the United States or by any political subdivision or taxing authority thereof or therein;

(2) any Taxes which would not have been imposed but for any present or former connection between the Holder or the beneficial owner of the senior subordinated notes, such as being a citizen or resident or national of, incorporated in or carrying on a business, and the relevant Taxing Jurisdiction in which such Taxes are imposed (other than by the mere holding of such note or enforcement of rights thereunder or the receipt of payments in respect thereof) or any other connection arising as a result of the holding of the senior subordinated notes;

(3) any Taxes that are imposed or withheld as a result of the failure of the Holder or beneficial owner of the senior subordinated notes to comply with any written request, made to that Holder or beneficial owner in writing at least 30 days before any such withholding or deduction would be payable, by the Issuers or any of the Guarantors or any other Person through whom payment may be made to provide timely or accurate information concerning the nationality, residence or identity of such Holder or beneficial owner or to make any valid or timely declaration or similar claim or satisfy any certification information or other reporting requirement, which is required or imposed by a statute, treaty, regulation or administrative practice of the relevant Tax Jurisdiction as a precondition to exemption from all or part of such Taxes;

(4) any Note presented for payment (where a senior subordinated note is in the form of a definitive senior subordinated note and presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the note been presented on the last day of such 30 day period);

(5) any estate, inheritance, gift, sale, transfer, personal property or similar tax or assessment;

(6) any Taxes withheld, deducted or imposed on a payment to an individual and which are required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to, such Directive; or

(7) any combination of items (1) through (6) above.

The Issuers and the Guarantors will also pay and indemnify the holder for any present or future stamp, issue, registration, transfer, court or documentary taxes, or any other excise or property taxes, charges or similar levies or Taxes which are levied by any jurisdiction in which the Issuers or any Guarantor (including any successor entity) is then incorporated, engaged in business or resident for tax purposes or any political subdivision thereof or therein on the execution, delivery, registration or enforcement of any of the senior subordinated notes, the indenture, any Guarantee, or any other document or instrument referred to therein, or the receipt of any payments with respect to the senior subordinated notes or the Guarantees.

If either Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the senior subordinated notes or any Guarantee, the relevant Issuer or the relevant Guarantor, as the case may be, will deliver to the Trustee on a date which is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment date, in which case the relevant Issuer or the relevant Guarantor shall notify the Trustee promptly thereafter) an officers' certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The officers' certificate must also set forth any other information reasonably necessary to enable the Paying Agent to pay Additional Amounts to Holders on the

relevant payment date. The relevant Issuer or the relevant Guarantor will provide the Trustee with documentation reasonably satisfactory to the Trustee evidencing the payment of Additional Amounts.

The relevant Issuer or the relevant Guarantor will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The relevant Issuer or the relevant Guarantor will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The relevant Issuer or the relevant Guarantor will furnish to the Holders, within 60 days after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the relevant Issuer or a Guarantor, as the case may be, or if, notwithstanding such entity's efforts to obtain receipts, receipts are not obtained, other evidence of payments by such entity.

Whenever in the Indenture or in this "Description of Senior subordinated notes" there is mentioned, in any context, the payment of amounts based upon the principal amount of the senior subordinated notes or of principal, interest or of any other amount payable under, or with respect to, any of the senior subordinated notes, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

**Note Guarantees**

The Issuers' Obligations under the senior subordinated notes will be jointly and severally guaranteed on a senior secured basis by the Guarantors. As of the date of the indenture all of our Subsidiaries other than MagnaChip Semiconductor, Ltd. (Korea) will be Guarantors. Each Note Guarantee will be subordinated to the prior payment in full of all Senior Debt of that Guarantor. The Obligations of each Guarantor under its Guarantee will be limited as necessary to prevent the Guarantee from constituting a fraudulent conveyance or fraudulent transfer under applicable law. Except as provided in agreements governing MagnaChip's other Indebtedness and in "Certain Covenants" below, MagnaChip is not restricted from selling or otherwise disposing of any of the Equity Interests of the Guarantors.

A Guarantor may not sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person) another Person, other than MagnaChip or another Guarantor, unless:

(1) immediately after giving effect to that transaction, no Default or Event of Default exists; and

(2) either:

(a) the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger assumes all the obligations of that Guarantor under the indenture, its Note Guarantees and the registration rights agreement pursuant to a supplemental indenture satisfactory to the trustee; or

(b) the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of the indenture.

The Note Guarantees of a Guarantor will be released:

(1) in connection with any liquidation or sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) MagnaChip or a Restricted Subsidiary of MagnaChip, if the sale or other disposition does not violate the "Asset Sale" provisions of the indenture or is made in connection with an enforcement of a first priority lien under the Senior Credit Agreement;

(2) in connection with any sale or other disposition of all of the Capital Stock of that Guarantor to a Person that is not (either before or after giving effect to such transaction) MagnaChip or a Restricted Subsidiary of MagnaChip, if the sale or other disposition does not violate the "Asset Sale" provisions of the indenture;

(3) if MagnaChip designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the indenture; or

(4) upon legal defeasance or satisfaction and discharge of the indenture as provided below under the captions "—Legal Defeasance and Covenant Defeasance" and "—Satisfaction and Discharge."

See "—Repurchase at the Option of Holders—Asset Sales."

**Subordination**

The payment of principal, interest and premium, if any, on the senior subordinated notes will be subordinated to the prior payment in full of all Senior Debt of the Issuers, including Senior Debt incurred after the date of the indenture.

The holders of Senior Debt will be entitled to receive payment in full of all Obligations due in respect of Senior Debt (including interest after the commencement of any bankruptcy proceeding at the rate specified in the applicable Senior Debt) before the holders of the senior subordinated notes will be entitled to receive any payment with respect to the senior subordinated notes (except that holders of the senior subordinated notes may receive and retain Permitted Junior Securities and payments made from either of the trusts described under "—Legal Defeasance and Covenant Defeasance" and "—Satisfaction and Discharge"), in the event of any distribution to creditors of the Issuers:

(1) in a liquidation or dissolution of the Issuers;

(2) in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Issuers or their property;

(3) in an assignment for the benefit of creditors; or

(4) in any marshaling of the Issuers' assets and liabilities.

The Issuers also may not make any payment in respect of the senior subordinated notes (except in Permitted Junior Securities or from the trusts described under "—Legal Defeasance and Covenant Defeasance" and "—Satisfaction and Discharge") if:

(1) a payment default on Designated Senior Debt occurs and is continuing beyond any applicable grace period; or

(2) any other default occurs and is continuing on any series of Designated Senior Debt that permits holders of that series of Designated Senior Debt to accelerate its maturity and the trustee receives a notice of such default (a "*Payment Blockage Notice*") from the Issuers or the holders of any Designated Senior Debt.

Payments on the senior subordinated notes may and will be resumed:

(1) in the case of a payment default, upon the date on which such default is cured or waived; and

(2) in the case of a nonpayment default, upon the earlier of the date on which such nonpayment default is cured or waived or 179 days after the date on which the applicable Payment Blockage Notice is received, unless the maturity of any Designated Senior Debt has been accelerated.

No new Payment Blockage Notice may be delivered unless and until:

(1) 360 days have elapsed since the delivery of the immediately prior Payment Blockage Notice; and

(2) all scheduled payments of principal, interest and premium and Liquidated Damages, if any, on the senior subordinated notes that have come due have been paid in full in cash.

No nonpayment default that existed or was continuing on the date of delivery of any Payment Blockage Notice to the trustee will be, or be made, the basis for a subsequent Payment Blockage Notice unless such default has been cured or waived for a period of not less than 90-180 days.

If the trustee or any holder of the senior subordinated notes receives a payment in respect of the senior subordinated notes (except in Permitted Junior Securities or from the trusts described under "—Legal Defeasance and Covenant Defeasance" and "—Satisfaction and Discharge") when:

(1) the payment is prohibited by these subordination provisions; and

(2) the trustee or the holder has actual knowledge that the payment is prohibited,

the trustee or the holder, as the case may be, will hold the payment in trust for the benefit of the holders of Senior Debt. Upon the proper written request of the holders of Senior Debt, the trustee or the holder, as the case may be, will deliver the amounts in trust to the holders of Senior Debt or their proper representative.

The Issuers must promptly notify holders of Senior Debt if payment on the senior subordinated notes is accelerated because of an Event of Default.

As a result of the subordination provisions described above, in the event of a bankruptcy, liquidation or reorganization of the Issuers, holders of the senior subordinated notes may recover less ratably than creditors of the Issuers who are holders of Senior Debt. As a result of the obligation to deliver amounts received in trust to holders of Senior Debt, holders of the senior subordinated notes may recover less ratably than trade creditors of the Issuers.

**Optional Redemption**

On or after December 15, 2009, MagnaChip may redeem all or a part of the senior subordinated notes, upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Liquidated Damages, if any, on the senior subordinated notes redeemed, to the applicable redemption date, if redeemed during the twelve-month period beginning December 15, 2009, subject to the rights of holders of senior subordinated notes on the relevant record date to receive interest due on the relevant interest payment date.

| Year | Percentage |
|---|---|
| 2009 | 104.000% |
| 2010 | 102.667% |
| 2011 | 101.333% |
| 2012 and thereafter | 100.000% |

Notwithstanding the foregoing, at any time prior to December 15, 2007, MagnaChip may on any one or more occasions redeem up to 35% of the aggregate principal amount of senior subordinated notes issued under the indenture (including any additional notes issued after the date of the indenture) at a redemption price of 108.0% of the principal amount, plus accrued and unpaid interest and Liquidated Damages, if any, to the redemption date, with the net cash proceeds of one or more Public Equity Offerings or a contribution to MagnaChip's common equity capital made with the net cash proceeds of a concurrent Public Equity Offering of US LLC or any of its Subsidiaries; *provided* that:

(1) at least 65% of the aggregate principal amount of senior subordinated notes originally issued under the indenture (including any additional notes issued after the date of the indenture) (excluding notes held by MagnaChip and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 90 days of the date of the closing of such Public Equity Offering or equity contributions.

Notwithstanding the foregoing, at any time prior to December 15, 2009, MagnaChip may also redeem all or a part of the senior subordinated notes (including any additional notes issued after the date of the indenture), upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at a redemption price equal to 100% of the principal amount of senior subordinated notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest and Liquidated Damages, if any, to the redemption date, subject to the rights of holders of the senior subordinated notes on the relevant record date to receive interest due on the relevant interest payment date.

The term "Applicable Premium" means the greater of:

(1) 1.0% of the principal amount of the note; or

(2) the excess of:

(a) the present value at such redemption date of (i) the redemption price of the note at December 15, 2009, (such redemption price being set forth in the table appearing above under the caption "—Optional Redemption") plus (ii) all required interest payments due on the note through December 15, 2009, (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over

(b) the principal amount of the note, if greater.

Unless MagnaChip defaults in the payment of the redemption price, interest will cease to accrue on the senior subordinated notes or portions thereof called for redemption on the applicable redemption date.

**Redemption for Changes in Taxes**

The Issuers may redeem each series of the senior subordinated notes, in whole but not in part, at their discretion at any time at a redemption price equal to the principal amount thereof, together with accrued and unpaid interest and Liquidated Damages, if any, to the date fixed by the Issuers for redemption (a "Tax Redemption Date") and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of Holders on the relevant record date to receive interest due on the relevant Interest Payment Date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the senior subordinated notes, the Issuers has or would be required to pay Additional Amounts, and the Issuers cannot avoid any such payment obligation taking reasonable measures available to them, as a result of:

(1) any change in, or amendment to, the laws or treaties (or any regulations, or rulings promulgated thereunder) of the relevant Tax Jurisdiction affecting taxation which change or amendment has not been publicly announced as formally adopted and which becomes effective on or after the date of the Indenture (or, if the relevant Tax Jurisdiction has changed since the date of the Indenture, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under the Indenture); or

(2) any change in, or amendment to, the existing official position or the introduction of an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change, amendment, application or interpretation has not been publicly announced as formally adopted and becomes effective on or after the date of the indenture (or, if the relevant Tax Jurisdiction has changed since the date of the Indenture, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under the indenture).

The Issuers will not give any such notice of redemption earlier than 90 days prior to the earliest date on which the Issuers would be obligated to make such payment or withholding if a payment in respect of the senior

subordinated notes were then due. Prior to the publication or, where relevant, mailing of any notice of redemption of the senior subordinated notes pursuant to the foregoing, the Issuers will deliver the Trustee an opinion of counsel, the choice of such counsel to be subject to the prior written approval of the Trustee (such approval not to be unreasonably withheld) to the effect that there has been such change or amendment which would entitle the Issuers to redeem the senior subordinated notes hereunder and the Issuers cannot avoid any obligation to pay Additional Amounts taking reasonable measures available.

**Mandatory Redemption**

MagnaChip is not required to make mandatory redemption or sinking fund payments with respect to the senior subordinated notes.

**Repurchase at the Option of Holders**

***Change of Control***

If a Change of Control occurs, each holder of senior subordinated notes will have the right to require the Issuers to repurchase all or any part (equal to $1,000 or an integral multiple of $1,000) of that holder's notes pursuant to a Change of Control Offer on the terms set forth in the indenture. In the Change of Control Offer, the Issuers will offer a Change of Control Payment in cash equal to 101% of the aggregate principal amount of senior subordinated notes repurchased plus accrued and unpaid interest and Liquidated Damages, if any, on the senior subordinated notes repurchased to the date of purchase subject to the rights of holders of senior subordinated notes on the relevant record date to receive interest due on the relevant interest payment date. Within 30 days following any Change of Control, the Issuers will mail a notice to each holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase notes on the Change of Control Payment Date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by the indenture and described in such notice. The Issuers will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the senior subordinated notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the indenture, the Issuers will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the indenture by virtue of such compliance.

On the Change of Control Payment Date, the Issuers will, to the extent lawful:

(1) accept for payment all senior subordinated notes or portions of senior subordinated notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all senior subordinated notes or portions of senior subordinated notes properly tendered; and

(3) deliver or cause to be delivered to the trustee the senior subordinated notes properly accepted together with an officers' certificate stating the aggregate principal amount of senior subordinated notes or portions of senior subordinated notes being purchased by MagnaChip.

The paying agent will promptly mail to each holder of senior subordinated notes properly tendered the Change of Control Payment for such senior subordinated notes, and the trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new senior subordinated note equal in principal amount to any unpurchased portion of the senior subordinated notes surrendered, if any. MagnaChip will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

Prior to complying with any of the provisions of this "Change of Control" covenant, but in any event within 90 days following a Change of Control, the Issuers will either repay all outstanding Senior Debt or obtain the requisite consents, if any, under all agreements governing outstanding Senior Debt to permit the repurchase of senior subordinated notes required by this covenant.

The provisions described above that require the Issuers to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the indenture are applicable. Except as described above with respect to a Change of Control, the indenture does not contain provisions that permit the holders of the senior subordinated notes to require that the Issuers repurchase or redeem the senior subordinated notes in the event of a takeover, recapitalization or similar transaction.

The Issuers will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the indenture applicable to a Change of Control Offer made by the Issuers and purchases all senior subordinated notes properly tendered and not withdrawn under the Change of Control Offer, or (2) notice of redemption has been given pursuant to the indenture as described above under the caption "—Optional Redemption," unless and until there is a default in payment of the applicable redemption price.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of MagnaChip and its Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of senior subordinated notes to require the Issuers to repurchase its senior subordinated notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of MagnaChip and its Subsidiaries taken as a whole to another Person or group may be uncertain.

***Asset Sales***

MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(1) MagnaChip (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75% of the consideration received in the Asset Sale by MagnaChip or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities, as shown on US LLC's most recent consolidated balance sheet, of MagnaChip or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the senior subordinated notes or any Note Guarantee) that are assumed by the transferee of any such assets pursuant to a customary arrangement that releases MagnaChip or such Restricted Subsidiary from further liability;

(b) any securities, notes or other obligations received by MagnaChip or any such Restricted Subsidiary from such transferee that are contemporaneously, subject to ordinary settlement periods, converted by MagnaChip or such Restricted Subsidiary into cash or Cash Equivalents, to the extent of the cash or Cash Equivalents received in that conversion; and

(c) any stock or assets of the kind referred to in clauses (2) or (4) of the next paragraph of this covenant.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, MagnaChip (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Proceeds at its option:

(1) to repay Senior Debt and, if the Senior Debt repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto;

(2) to acquire all or substantially all of the assets of, or any Capital Stock of, a Person engaged in a Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary of US LLC;

(3) to make a capital expenditure;

(4) to acquire other assets that are not classified as current assets under GAAP and that are used or useful in a Permitted Business; or

(5) any combination of (1) – (4) of this paragraph.

In the case of clauses (2) and (4) MagnaChip will also comply with its obligations above if it enters into a binding commitment to acquire such assets or Capital Stock within the required time frame above, provided that such binding commitment shall be subject only to customary conditions and such acquisition shall be consummated within six months from the date of signing such binding commitment. Pending the final application of any Net Proceeds pursuant to this paragraph, MagnaChip and the Restricted Subsidiaries may apply such Net Proceeds to temporarily reduce Indebtedness outstanding under a revolving credit facility or otherwise invest such Net Proceeds in any manner that is not prohibited by the indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second and third paragraphs of this covenant will constitute "*Excess Proceeds*." When the aggregate amount of Excess Proceeds exceeds $10 million, within 30 days thereof, MagnaChip will make an Asset Sale Offer to all holders of senior subordinated notes and all holders of other Indebtedness that is *pari passu* with the senior subordinated notes containing provisions similar to those set forth in the indenture with respect to offers to purchase or redeem with the proceeds of sales of assets to purchase the maximum principal amount of senior subordinated notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount plus accrued and unpaid interest and Liquidated Damages, if any, to the date of purchase (or, in respect of such other *pari passu* Indebtedness of MagnaChip, such lesser price, if any, as may be provided for by the terms of such *pari passu* Indebtedness), and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, MagnaChip may use those Excess Proceeds for any purpose not otherwise prohibited by the indenture. If the aggregate principal amount of senior subordinated notes and other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the trustee will select the senior subordinated notes and such other *pari passu* Indebtedness to be purchased on a *pro rata* basis. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

MagnaChip will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of senior subordinated notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sale provisions of the indenture, MagnaChip will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Asset Sale provisions of the indenture by virtue of such compliance.

The agreements governing MagnaChip's outstanding Senior Debt currently prohibit MagnaChip from purchasing any senior subordinated notes, and also provides that certain change of control or asset sale events with respect to MagnaChip would constitute a default under these agreements. Any future credit agreements or other agreements relating to Senior Debt to which MagnaChip becomes a party may contain similar restrictions and provisions. In the event a Change of Control or Asset Sale occurs at a time when MagnaChip is prohibited from purchasing the senior subordinated notes, MagnaChip could seek the consent of its senior lenders to the purchase of senior subordinated notes or could attempt to refinance the borrowings that contain such prohibition. If MagnaChip does not obtain such a consent or repay such borrowings, MagnaChip will remain prohibited from purchasing the senior subordinated notes. In such case, MagnaChip's failure to purchase tendered notes would constitute an Event of Default under the indenture, which would, in turn, constitute a default under such Senior Debt. In such circumstances, the subordination provisions in the indenture would likely restrict payments to the holders of the senior subordinated notes. Finally, MagnaChip's ability to pay cash to the holders of senior subordinated notes upon a repurchase may be limited by MagnaChip's then existing financial resources. See "Risk Factors—We may be unable to purchase the senior subordinated notes upon a change of control offer."

**Selection and Notice**

If less than all of the senior subordinated notes are to be redeemed at any time, the trustee will select senior subordinated notes for redemption on a pro rata basis unless otherwise required by law or applicable stock exchange requirements.

No senior subordinated notes of $1,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of senior subordinated notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the senior subordinated notes or a satisfaction and discharge of the indenture. Notices of redemption may not be conditional.

If any senior subordinated note is to be redeemed in part only, the notice of redemption that relates to that note will state the portion of the principal amount of that senior subordinated note that is to be redeemed. A new senior subordinated note in principal amount equal to the unredeemed portion of the original senior subordinated note will be issued in the name of the holder of the senior subordinated notes upon cancellation of the original senior subordinated note. Senior subordinated notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on senior subordinated notes or portions of senior subordinated notes called for redemption.

**Certain Covenants**

***Incurrence of Indebtedness and Issuance of Preferred Stock***

MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "*incur*") any Indebtedness (including Acquired Debt), and MagnaChip and US LLC will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries (other than US LLC) to issue any shares of preferred stock; *provided, however*, that MagnaChip and US LLC may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, and the Restricted Subsidiaries may incur Indebtedness (including Acquired Debt) or issue preferred stock, if the Fixed Charge Coverage Ratio for US LLC's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or such preferred stock is issued, as the case may be, would have been at least 2.0 to 1, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or the preferred stock had been issued, as the case may be, at the beginning of such four-quarter period.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "*Permitted Debt*"):

(1) the incurrence by MagnaChip and any Restricted Subsidiary of additional revolving credit Indebtedness and letters of credit under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of MagnaChip and its Restricted Subsidiaries thereunder) not to exceed the greater of (x) $100.0 million or (y) as of the date of the incurrence, the aggregate of (i) 85% of the book value, net of reserves, of all accounts receivable owned by MagnaChip and its Restricted Subsidiaries, as shown on US LLC's most recent consolidated balance sheet prepared in accordance with GAAP, as of the end of the most recent fiscal quarter preceding such date, *plus* (ii) 50% of the book value of all inventory, net of reserves, owned by MagnaChip and its Restricted Subsidiaries, as shown on US LLC's most recent consolidated balance sheet prepared in accordance with GAAP, as of the end of the most recent fiscal quarter preceding such date, *plus* (iii) $20.0 million; *less* the aggregate amount of all Net Proceeds of Asset Sales applied by MagnaChip or any of the Restricted Subsidiaries after the date of the indenture to repay

any term Indebtedness under a Credit Facility or to repay any revolving credit Indebtedness under a Credit Facility and effect a corresponding commitment reduction thereunder, in each case as to Indebtedness incurred under this clause (1) of the definition of Permitted Debt and as to Net Proceeds applied pursuant to clause (1) of the second paragraph of the covenant described above under the caption "Repurchase at the Option of Holders—Asset Sales;"

(2) the incurrence by MagnaChip and any Restricted Subsidiary of up to $100.0 million under one or more debt facilities or commercial paper facilities, in each case, with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced (but not including by means of sales of debt securities to institutional investors) in whole or in part from time to time; *less* the aggregate amount of all Net Proceeds of Asset Sales applied by MagnaChip or any of the Restricted Subsidiaries after the date of the indenture to repay any term Indebtedness under debt facilities or commercial paper facilities or to repay any revolving credit Indebtedness under a Credit Facility and effect a corresponding commitment reduction thereunder, in each case as to Indebtedness incurred under this clause (2) of the definition of Permitted Debt and as to Net Proceeds applied pursuant to clause (1) of the second paragraph of the covenant described above under the caption "Repurchase at the Option of Holders—Asset Sales;"

(3) the incurrence by MagnaChip and its Restricted Subsidiaries of the Existing Indebtedness;

(4) the incurrence on the Issue Date by MagnaChip and the Restricted Subsidiaries of (i) Indebtedness represented by the old senior subordinated notes and the indenture and guarantees thereof by the Guarantors and the related new notes to described here and (ii) Indebtedness represented by the old Second Priority Notes and the indenture governing the Second Priority Notes and guarantees thereof by MagnaChip's Restricted Subsidiaries and the related exchange described herein;

(5) the incurrence by MagnaChip or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property (real or personal), plant or equipment used in the business of MagnaChip or any of its Restricted Subsidiaries (whether through the direct purchase of assets or the Equity interests of any Person owning such assets), in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (5), not to exceed the greater of (a) $25.0 million at any time outstanding and (b) 5% of Total Assets as shown on US LLC's most recent consolidated balance sheet prepared in accordance with GAAP;

(6) the incurrence by MagnaChip or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by the indenture to be incurred under the first paragraph of this covenant or clauses (3), (4), (5), (6) or (14) of this paragraph;

(7) the incurrence by MagnaChip or any of its Restricted Subsidiaries of intercompany Indebtedness between or among MagnaChip and any of its Restricted Subsidiaries; *provided, however*, that:

(a) if MagnaChip or any Restricted Subsidiary is the obligor on such Indebtedness and the payee is not MagnaChip or a Restricted Subsidiary, such Indebtedness must be expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the senior subordinated notes, in the case of MagnaChip, or the Note Guarantee, in the case of a Guarantor; and

(b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than MagnaChip or a Restricted Subsidiary of MagnaChip and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either MagnaChip or a Restricted

Subsidiary of MagnaChip, will be deemed, in each case, to constitute an incurrence of such Indebtedness by MagnaChip or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (7);

(8) the issuance by any Restricted Subsidiary to MagnaChip or to any other Restricted Subsidiary of shares of preferred stock; *provided, however,* that:

(a) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than MagnaChip or a Restricted Subsidiary; and

(b) any sale or other transfer of any such preferred stock to a Person that is not either MagnaChip or a Restricted Subsidiary,

will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause (8);

(9) the incurrence by MagnaChip or any Restricted Subsidiaries of Hedging Obligations in the ordinary course of business;

(10) the guarantee by MagnaChip or any Restricted Subsidiary of Indebtedness of MagnaChip or a Restricted Subsidiary that was permitted to be incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the senior subordinated notes, then the Guarantee shall be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;

(11) the incurrence of Indebtedness by MagnaChip or any of its Restricted Subsidiaries in the form of performance bonds, completion guarantees and surety or appeal bonds entered into by MagnaChip or any of its Restricted Subsidiaries in the ordinary course of their business;

(12) the incurrence of Indebtedness by MagnaChip or any of its Restricted Subsidiaries owed to any Person in connection with worker's compensation, self-insurance, health, disability or other employee benefits or property, casualty or liability insurance provided by such Person to MagnaChip or such Restricted Subsidiary, pursuant to reimbursement or indemnification obligations to such person, in each case incurred in the ordinary course of business;

(13) the incurrence by MagnaChip or any of the Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within five business days;

(14) Indebtedness of MagnaChip or any Restricted Subsidiary issued to any of its directors, employees, officers or consultants or a Restricted Subsidiary in connection with the redemption or purchase of Capital Stock that, by its terms, is subordinated to the senior subordinated notes, is not secured by any of the assets of MagnaChip or the Restricted Subsidiaries and does not require cash payments prior to the Stated Maturity of the senior subordinated notes and Refinancing Indebtedness of the Indebtedness, in an aggregate principal amount which, when added with the amount of Indebtedness Incurred under this clause (14) and then outstanding, does not exceed $5.0 million;

(15) the incurrence by MagnaChip or any of the Restricted Subsidiaries of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (15), not to exceed $25.0 million;

(16) the incurrence of Indebtedness by MagnaChip or any of the Restricted Subsidiaries arising from agreements of MagnaChip or any of the Restricted Subsidiaries providing for adjustment of purchase price or other similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business, assets or a Restricted Subsidiary of MagnaChip LLC;

(17) Indebtedness of a Restricted Subsidiary organized outside the United States or Korea incurred to finance the working capital of such Restricted Subsidiary, in an aggregate principal amount at any time outstanding not to exceed $30.0 million; and

(18) Indebtedness incurred by MagnaChip or any of the Restricted Subsidiaries constituting reimbursement obligations under letters of credit issued in the ordinary course of business, including, without limitation, letters of credit to procure raw materials or relating to workers' compensation claims or self-insurance, or other Indebtedness relating to reimbursement-type obligations regarding workers' compensation claims.

MagnaChip will not incur, and will not permit any Guarantor to incur, any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of MagnaChip or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the senior subordinated notes and the applicable Note Guarantee on substantially identical terms; *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of MagnaChip solely by virtue of being unsecured or by virtue of being secured on a first or junior Lien basis.

For purposes of determining compliance with this "Incurrence of Indebtedness and Issuance of Preferred Stock" covenant, in the event that an item of proposed Indebtedness (or any portion thereof) meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (18) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, MagnaChip, in its sole discretion, will be permitted to classify such item of Indebtedness (or any portion thereof) on the date of its incurrence, or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant and will only be required to include the amount and type of such Indebtedness in one of the above clauses. The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on Disqualified Stock or preferred stock in the form of additional shares of the same class of Disqualified Stock or preferred stock, and the accrual of dividends on Disqualified Stock or preferred stock, will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Stock or preferred stock for purposes of this covenant; *provided*, in each such case, that the amount of any such accrual, accretion or payment is included in Fixed Charges of US LLC as accrued. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that MagnaChip or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

The amount of any Indebtedness outstanding as of any date will be:

(1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;

(2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

(a) the Fair Market Value of such assets at the date of determination; and

(b) the amount of the Indebtedness of the other Person.

***No Layering of Debt***

The Issuers will not incur, create, issue, assume, guarantee or otherwise become liable for any Indebtedness that is contractually subordinate or junior in right of payment to any Senior Debt of the Issuers and senior in right of payment to the senior subordinated notes. No Guarantor will incur, create, issue, assume, guarantee or otherwise become liable for any Indebtedness that is contractually subordinate or junior in right of payment to the Senior Debt of such Guarantor and senior in right of payment to such Guarantor's Note Guarantee. No such Indebtedness will be considered to be senior by virtue of being secured on a first or junior priority basis.

***Restricted Payments***

MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of MagnaChip's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving MagnaChip or any of its Restricted Subsidiaries) or to the direct or indirect holders of MagnaChip's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends, payments, or distributions payable in Equity Interests (other than Disqualified Stock) of MagnaChip, any of its direct or indirect parent entities or any of its Restricted Subsidiaries and other than dividends, payments, or distributions payable to MagnaChip, any of its direct or indirect parent entities or a Restricted Subsidiary of MagnaChip);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving MagnaChip) any Equity Interests of US LLC;

(3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of MagnaChip or any Restricted Subsidiary that is contractually subordinated to the senior subordinated notes or to any Note Guarantee (excluding any intercompany Indebtedness between or among MagnaChip, any of its direct or indirect parent entities and any of its Restricted Subsidiaries), except a payment of interest or principal at the Stated Maturity thereof; or

(4) make any Restricted Investment

(all such payments and other actions set forth in these clauses (1) through (4) above being collectively referred to as "*Restricted Payments*"),

unless, at the time of and after giving effect to such Restricted Payment:

(1) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(2) MagnaChip would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption "—Incurrence of Indebtedness and Issuance of Preferred Stock;" and

(3) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by MagnaChip and its Restricted Subsidiaries since the date of the indenture (excluding Restricted Payments permitted by clauses (2), (5), (6), (8), (9), (10) and (11) of the next succeeding paragraph) is less than the sum, without duplication of:

(a) 50% of the Consolidated Net Income of US LLC for the period (taken as one accounting period) from the beginning of the first fiscal quarter commencing after the date of the indenture to the end of US LLC's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*

(b) 100% of the aggregate net cash proceeds or Fair Market Value of assets (as to which an opinion or appraisal issued by an accounting, appraisal or investment bank firm of national standing shall be required if the Fair Market Value exceeds $15.0 million) received by MagnaChip or any of the Restricted Subsidiaries since the date of the indenture as a contribution to its common equity capital or from the issue or sale of Equity Interests of MagnaChip or any of the Restricted Subsidiaries (other than Disqualified Stock) or from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of MagnaChip or any of the Restricted Subsidiaries that have been converted into or exchanged for such Equity Interests (other than Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of US LLC); *plus*

(c) to the extent that any Restricted Investment that was made after the date of the indenture is sold for cash or otherwise liquidated or repaid for cash, the lesser of (i) the cash return of capital with respect to such Restricted Investment (less the cost of disposition, if any) and (ii) the initial amount of such Restricted Investment; *plus*

(d) to the extent that any Unrestricted Subsidiary of MagnaChip designated as such after the date of the indenture is redesignated as a Restricted Subsidiary after the date of the indenture, the lesser of (i) the Fair Market Value of MagnaChip's Investment in such Subsidiary as of the date of such redesignation or (ii) such Fair Market Value as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary after the date of the indenture; *plus*

(e) 100% of any dividends received by MagnaChip or a Restricted Subsidiary of MagnaChip after the date of the indenture from an Unrestricted Subsidiary of US LLC, to the extent that such dividends were not otherwise included in the Consolidated Net Income of US LLC for such period.

The preceding provisions will not prohibit:

(1) the payment of any dividend or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the indenture;

(2) dividends or advances made with the proceeds of the senior subordinated notes to any direct or indirect parent of MagnaChip, the proceeds of which are used by such Person to redeem its preferred equity interests as described in the prospectus and made within 90 days of the Issue Date; *provided*, that such dividends or advances shall be excluded from the calculation of the amount of Restricted Payments;

(3) upon the occurrence of a Change of Control and within 60 days after the completion of the offer to repurchase the senior subordinated notes pursuant to the covenant described under "Change of Control" above, any purchase or redemption of Subordinated Obligations required pursuant to the terms thereof as a result of such Change of Control at a purchase or redemption price not to exceed the outstanding principal amount thereof, plus any accrued and unpaid interest; provided, however, that (A) at the time of such purchase or redemption no Event of Default shall have occurred and be continuing (or would result therefrom); (B) MagnaChip would be able to incur an additional $1.00 of Indebtedness pursuant to paragraph (a) of the covenant described under ""—Incurrence of Indebtedness and Issuance of Preferred Stock" after giving pro forma effect to such Restricted Payment and the Change of Control; and (C) such purchase or redemption shall be included in the calculation of the amount of Restricted Payments;

(4) any purchase or redemption of Disqualified Stock of MagnaChip or a Restricted Subsidiary made by exchange for, or out of the proceeds of the substantially concurrent sale of, Disqualified Stock of MagnaChip or a Restricted Subsidiary which is permitted to be incurred pursuant to the covenant described under "—Incurrence of Indebtedness and Issuance of Preferred Stock;" *provided, however*, that such purchase or redemption shall be excluded in the calculation of the amount of Restricted Payments;

(5) the making of any Restricted Payment in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of MagnaChip) of, Equity Interests of MagnaChip (other than Disqualified Stock) or from the substantially concurrent contribution of common equity capital to MagnaChip; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clause (3)(b) of the preceding paragraph;

(6) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of MagnaChip or any Restricted Subsidiary that is contractually subordinated to the senior subordinated notes or to any Note Guarantee with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness;

(7) payments to fund the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of MagnaChip, any Restricted Subsidiary of MagnaChip, or any direct or indirect parent of

MagnaChip held by any current or former officer, director or employee of MagnaChip or any of its Restricted Subsidiaries or any direct or indirect Parent of MagnaChip pursuant to any equity subscription agreement, stock option agreement, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed $7,000,000 plus the amount of cash proceeds from any key man life insurance; *provided, further,* that such amount may be increased by an amount not to exceed the cash proceeds from the sale of Equity Interests of MagnaChip and, to the extent contributed to MagnaChip, Equity Interests of any of MagnaChip's direct or indirect parent corporations, in each case to current or former members of management, directors, managers or consultants of MagnaChip, any of its Subsidiaries or any of its direct or indirect parent corporations that occurs after the Issue Date, to the extent the cash proceeds from the sale of such Equity Interests have not otherwise been applied to the payment of Restricted Payments by virtue of clause (3)(b) of the preceding paragraph.;

(8) the repurchase of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;

(9) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of MagnaChip or any Restricted Subsidiary issued on or after the date of the indenture in accordance with the Fixed Charge Coverage Ratio test described above under the caption "—Incurrence of Indebtedness and Issuance of Preferred Stock;"

(10) any purchase or redemption of Subordinated Obligations from Net Proceeds upon completion of an Asset Sale Offer; *provided, however*, that the purchase or redemption shall be excluded in the calculation of the amount of Restricted Payments; *provided, further,* that MagnaChip could, on the date of such transaction after giving pro forma effect thereto as if the same had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption "—Incurrence of Indebtedness and Issuance of Preferred Stock;"

(11) Permitted Tax Payments;

(12) the repurchase of, or payments in lieu of, fractional shares of Equity Interests in an amount not to exceed $200,000 in the aggregate; and

(13) other Restricted Payments in an aggregate amount not to exceed $15.0 million since the date of the indenture.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by MagnaChip or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The Fair Market Value of any assets or securities that are required to be valued by this covenant will be determined by the Board of Directors of MagnaChip whose resolution with respect thereto will be delivered to the trustee. For purposes of determining compliance with this covenant, in the event that a Restricted Payment meets the criteria of more than one of the exceptions described in (1) through (13) above or is entitled to be made pursuant to the first paragraph of this covenant, MagnaChip shall be permitted, in its sole discretion to classify (but not later reclassify) such Restricted Payment in any manner that complies with this covenant.

***Liens***

MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien of any kind on any asset now owned or hereafter acquired, except Permitted Liens.

***Dividend and Other Payment Restrictions Affecting Subsidiaries***

MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to MagnaChip or any of its Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any indebtedness owed to MagnaChip or any of its Restricted Subsidiaries;

(2) make loans or advances to MagnaChip or any of its Restricted Subsidiaries; or

(3) sell, lease or transfer any of its properties or assets to MagnaChip or any of its Restricted Subsidiaries.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements governing Existing Indebtedness and any other agreements, including the Senior Credit Agreement, as in effect on the Issue Date and any amendments, restatements, modifications, renewals, increases, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, increases, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date;

(2) the indenture, the senior subordinated notes and the Note Guarantees, the Second Priority Notes, and the intercreditor agreement and security documents with respect to Second Priority Notes;

(3) applicable law, rule, regulation or order;

(4) any instrument governing Indebtedness or Capital Stock of a Person acquired by MagnaChip or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the indenture to be incurred;

(5) customary non-assignment provisions in contracts and licenses entered into in the ordinary course of business;

(6) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (3) of the preceding paragraph;

(7) any agreement for the sale or other disposition of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending the sale or other disposition;

(8) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(9) restrictions contained in security agreements or mortgages securing Indebtedness of a Restricted Subsidiary permitted to be incurred under the Indenture so long as the restrictions solely restrict the transfer of the property governed by the security agreements or mortgages;

(10) Liens permitted to be incurred under the provisions of the covenant described above under the caption "—Liens" that limit the right of the debtor to dispose of the assets subject to such Liens;

(11) provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements entered into with the approval of MagnaChip's Board of Directors, which limitation is applicable only to the assets that are the subject of such agreements;

(12) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business; and

(13) any restriction in any agreement that is not more restrictive than the restrictions under the terms of the Senior Credit Agreement as in effect on the closing date of the Senior Credit Agreement.

***Merger, Consolidation or Sale of Assets***

MagnaChip will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not MagnaChip is the surviving Person); or (2) sell, lease, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of MagnaChip and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(1) either: (a) MagnaChip is the surviving Person; or (b) the Person formed by or surviving any such consolidation or merger (if other than MagnaChip) or to which such sale, assignment, transfer, conveyance or other disposition has been made is a Person organized or existing under the laws of South Korea, Luxembourg, the Netherlands, Bermuda, the United States, any state of the United States or the District of Columbia;

(2) the Person formed by or surviving any such consolidation or merger (if other than MagnaChip) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of MagnaChip under the senior subordinated notes, the indenture and the registration rights agreement;

(3) immediately after such transaction, no Default or Event of Default shall have occurred and be continuing;

(4) MagnaChip or the Person formed by or surviving any such consolidation or merger (if other than MagnaChip), or to which such sale, assignment, transfer, conveyance or other disposition has been made would, on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption "—Incurrence of Indebtedness and Issuance of Preferred Stock;"

(5) if the merging corporation is organized and existing under the laws of South Korea and the Successor Company is organized and existing under the laws of the United States of America, any State thereof or the District of Columbia or if the merging corporation is organized and existing under the laws of the United States of America, any State thereof or the District of Columbia and the Successor Company is organized and existing under the laws of South Korea (any such event, a "*Foreign Jurisdiction Merger*"), MagnaChip shall have delivered to the trustee an opinion of counsel that the holders of the notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the transaction and will be taxed in the same manner and on the same amounts and at the same times as would have been the case if the transaction had not occurred; and

(6) in the event of a Foreign Jurisdiction Merger, MagnaChip shall have delivered to the trustee an opinion of counsel from South Korea or other applicable jurisdiction that (A) any payment of interest or principal under or relating to the senior subordinated notes or the Note Guarantees will, after the consolidation, merger, conveyance, transfer or lease of assets, be exempt from the Taxes described under "—Redemption Upon Changes in Withholding Taxes" and (B) no other taxes on income, including capital gains, will be payable by holders of the senior subordinated notes under the laws of South Korea or any other jurisdiction where the Successor Company is or becomes organized, resident or engaged in business for tax purposes relating to the acquisition, ownership or disposition of the senior subordinated notes, including the receipt of interest or principal thereon, *provided* that the holder does not use or hold, and is not deemed to use or hold the senior subordinated notes in carrying on a business in South Korea or other jurisdiction where the Successor Company is or becomes organized, resident or engaged in business for tax purposes.

This "Merger, Consolidation or Sale of Assets" covenant will not apply to:

(1) a merger of MagnaChip with an Affiliate solely for the purpose of reincorporating MagnaChip in another jurisdiction; or

(2) any consolidation or merger, or any sale, assignment, transfer, conveyance, lease or other disposition of assets between or among MagnaChip and any Restricted Subsidiary or the Restricted Subsidiaries.

***Transactions with Affiliates***

MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of MagnaChip (each, an "*Affiliate Transaction*"), unless:

(1) the Affiliate Transaction is on terms that are no less favorable to MagnaChip or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by MagnaChip or such Restricted Subsidiary with an unrelated Person; and

(2) MagnaChip delivers to the trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $10.0 million, a resolution of the Board of Directors of MagnaChip set forth in an officers' certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of MagnaChip; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $20.0 million, an opinion by (A) a nationally recognized investment banking firm that such Affiliate Transaction is fair, from a financial standpoint, to MagnaChip and the Restricted Subsidiaries or (B) an accounting or appraisal firm nationally recognized in making determinations of this kind that such Affiliate Transaction is on terms that are not less favorable to MagnaChip and the Restricted Subsidiaries than the terms that could be obtained in an arms-length transaction from a Person that is not an Affiliate.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) any employment agreement, employee benefit plan, stock options, stock ownership plans, officer or director indemnification agreement or any similar arrangement entered into by MagnaChip or any of its Restricted Subsidiaries in the ordinary course of business and payments pursuant thereto;

(2) transactions between or among MagnaChip and/or the Restricted Subsidiaries;

(3) transactions with a Person (other than an Unrestricted Subsidiary of MagnaChip) that is an Affiliate of MagnaChip solely because MagnaChip owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

(4) payment of reasonable directors' fees;

(5) any issuance of Equity Interests (other than Disqualified Stock) of US LLC or any of its Subsidiaries to Affiliates of such Person;

(6) Restricted Payments that do not violate the provisions of the indenture described above under the caption "—Restricted Payments;"

(7) transactions pursuant to any contract or agreement with MagnaChip or any of the Restricted Subsidiaries in effect on the Issue Date, as the same may be amended, modified or replaced from time to time so long as any such amendment, modification or replacement is not less favorable in any material respect to MagnaChip and the Restricted Subsidiaries than the original agreement as in effect on the Issue Date;

(8) the Note Guarantees;

(9) transactions pursuant to or under the Securityholders' Agreement, The MagnaChip LLC Equity Incentive Plan, the Restricted Unit Agreements or the Option Agreements as in effect on the Issue Date or any similar agreement or any amendment, modification or replacement of the Securityholders' Agreement, The MagnaChip LLC Equity Incentive Plan, the Restricted Unit Agreements or Option Agreements or similar agreement; provided that the terms of such amendment, modification or replacement are not more disadvantageous to the holders of the senior subordinated notes in any material respect than the terms contained in the Securityholders' Agreement, The MagnaChip LLC Equity Incentive Plan, the Restricted Unit Agreements or the Option Agreements, as the case may be, as in effect on the Issue Date;

(10) the payment of management, consulting and advisory fees and related expenses made pursuant to the Advisory Agreements and the payment of other customary management, consulting and advisory fees and related expenses to the Principals and any of their respective Affiliates in connection with transactions of US LLC or its Subsidiaries or pursuant to any management, consulting, financial advisory, financing, underwriting or placement agreement or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which fees and expenses are made pursuant to arrangements approved by the Board of Directors of US LLC or such Subsidiary in good faith;

(11) the provision by an Affiliate of commercial banking or lending services or other similar services on terms that are no less favorable to MagnaChip or the relevant Restricted Subsidiary than those that would have been obtained by an unaffiliated party and that are approved in good faith by the Board of Directors;

(12) loans or advances to employees, directors, officers or consultants (i) in the ordinary course of business or (ii) otherwise not to exceed $5.0 million in the aggregate at any one time outstanding; and

(13) Permitted Tax Payments.

***Business Activities***

MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, engage in any business other than Permitted Businesses, except to such extent as would not be material to MagnaChip and its Restricted Subsidiaries taken as a whole.

***Additional Note Guarantees***

If MagnaChip or any of its Restricted Subsidiaries acquires or creates another Subsidiary after the date of the indenture, then that newly acquired or created Subsidiary will become a Guarantor and execute a supplemental indenture and deliver an opinion of counsel satisfactory to the trustee within 10 business days of the date on which it was acquired or created; *provided* that any Subsidiary that constitutes an Immaterial Subsidiary need not become a Guarantor until such time as it ceases to be an Immaterial Subsidiary; *provided, further*, in the event MagnaChip or a Restricted Subsidiary forms or otherwise acquires, directly or indirectly, a Subsidiary organized under the laws of a jurisdiction other than the United States and such jurisdiction prohibits by law, regulation or order such Subsidiary from becoming a Guarantor, MagnaChip shall use all commercially reasonable efforts (including pursuing required waivers) over a period up to one year, to have such Subsidiary become a Guarantor; *provided, however*, that MagnaChip shall not be required to use such commercially reasonable efforts with respect to such Subsidiaries for more than a one-year period or such shorter period as it shall determine in good faith that it has used all commercially reasonable efforts and if MagnaChip or such Subsidiary is unable during such period to obtain an enforceable Guarantee in such jurisdiction, then such Subsidiary shall not be required to provide a Guarantee of the senior subordinated notes pursuant to the Note Guarantee so long as such Subsidiary does not Guarantee any other Indebtedness of MagnaChip and its Restricted Subsidiaries.

***Designation of Restricted and Unrestricted Subsidiaries***

The Board of Directors of MagnaChip may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default; *provided* that in no event will the business currently

operated by MagnaChip Semiconductor Ltd. be transferred to or held by an Unrestricted Subsidiary. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by MagnaChip and its Restricted Subsidiaries in the Subsidiary designated as Unrestricted will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above under the caption "—Restricted Payments" or under one or more clauses of the definition of Permitted Investments, as determined by MagnaChip. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Board of Directors of MagnaChip may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause a Default.

Any designation of a Subsidiary of MagnaChip as an Unrestricted Subsidiary will be evidenced to the trustee by filing with the trustee a certified copy of a resolution of the Board of Directors giving effect to such designation and an officers' certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption "—Restricted Payments." If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of MagnaChip as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption "—Incurrence of Indebtedness and Issuance of Preferred Stock," MagnaChip will be in default of such covenant. The Board of Directors of MagnaChip may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary of MagnaChip; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of MagnaChip of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption "—Incurrence of Indebtedness and Issuance of Preferred Stock," calculated on a pro forma basis as if such designation had occurred at the beginning of the four-quarter reference period; and (2) no Default or Event of Default would be in existence and be continuing following such designation.

***Payments for Consent***

MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of senior subordinated notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the indenture or the senior subordinated notes unless such consideration is offered to be paid and is paid to all holders of the senior subordinated notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

***Restrictions on Activities of Finance Company***

Finance Company will not hold any material assets, become liable for any material obligations or engage in any significant business activities; *provided*, that Finance Company may be a co-obligor or guarantor with respect to Indebtedness if MagnaChip is an obligor on such Indebtedness and the net proceeds of such Indebtedness are received by MagnaChip, Finance Company or one or more Restricted Subsidiaries.

**Reports**

Whether or not required by the rules and regulations of the SEC, so long as any senior subordinated notes are outstanding, MagnaChip will furnish to the holders of senior subordinated notes and the initial purchasers or cause the trustee to furnish to the holders of notes and the initial purchasers, within the time periods specified in the SEC's rules and regulations:

(1) all quarterly and annual reports that would be required to be filed with the SEC on Forms 10-Q and 10-K if MagnaChip were required to file such reports; and

(2) all current reports that would be required to be filed with the SEC on Form 8-K if MagnaChip were required to file such reports.

All such reports will be prepared in all material respects in accordance with all of the rules and regulations applicable to such reports. Each annual report on Form 10-K will include a report on US LLC's consolidated financial statements by US LLC's certified independent accountants. In addition, following the consummation of the exchange offer, MagnaChip will file a copy of each of the reports referred to in clauses (1) and (2) above with the SEC for public availability within the time periods specified in the rules and regulations applicable to such reports (unless the SEC will not accept such a filing) and will post the reports on its website within those time periods. US LLC's reporting obligations with respect to clauses (1) and (2) above shall be deemed satisfied in the event the Issuers file such reports with the SEC on EDGAR and deliver a copy of such reports to the trustee.

If, at any time after consummation of the exchange offer, MagnaChip is no longer subject to the periodic reporting requirements of the Exchange Act for any reason, MagnaChip will nevertheless continue filing the reports specified in the preceding paragraphs of this covenant with the SEC within the time periods specified above unless the SEC will not accept such a filing. MagnaChip will not take any action for the purpose of causing the SEC not to accept any such filings. If, notwithstanding the foregoing, the SEC will not accept MagnaChip's filings for any reason, MagnaChip will post the reports referred to in the preceding paragraphs on its website within the time periods that would apply if MagnaChip were required to file those reports with the SEC. In addition, MagnaChip and the Guarantors agree that, for so long as any senior subordinated notes remain outstanding, if at any time they are not required to file with the SEC the reports required by the preceding paragraphs, they will furnish to the holders of notes and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

**Events of Default and Remedies**

Each of the following is an "*Event of Default*":

(1) default for 30 days in the payment when due of interest on, or Liquidated Damages, if any, with respect to, any note, whether or not prohibited by the subordination provisions of the indenture;

(2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on any senior subordinated note, whether or not prohibited by the subordination provisions of the indenture;

(3) failure by MagnaChip or any of its Restricted Subsidiaries to comply with the provisions described under the captions "—Repurchase at the Option of Holders—Change of Control," "—Repurchase at the Option of Holders—Asset Sales," or "—Certain Covenants—Merger, Consolidation or Sale of Assets;"

(4) failure by MagnaChip or any of its Restricted Subsidiaries for 60 days to comply with any of the other agreements in the indenture;

(5) default under any mortgage, indenture or instrument under which there may be issued or Guaranteed or by which there may be secured or evidenced any Indebtedness for money borrowed by MagnaChip or any of its Restricted Subsidiaries (or the payment of which is guaranteed by MagnaChip or any of its Restricted Subsidiaries), whether such Indebtedness or Guarantee now exists, or is created after the date of the indenture, if that default:

(a) is caused by a failure to pay principal of, or interest or premium, if any, on, such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "*Payment Default*"); or

(b) results in the acceleration of such Indebtedness prior to its express maturity, and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $25.0 million or more;

(6) failure by MagnaChip or any of its Restricted Subsidiaries to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of $25.0 million (net of any amounts covered by insurance), which judgments are not paid, discharged or stayed for a period of 60 days;

(7) except as permitted by the indenture, any Note Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor, or any Person acting on behalf of any Guarantor, denies or disaffirms its obligations under its Note Guarantee; and

(8) certain events of bankruptcy or insolvency described in the indenture with respect to MagnaChip or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

However, the occurrence of an event described under clause (4) above will not constitute an Event of Default until the trustee or the holders of at least 25% in principal amount of the outstanding second lien notes notify MagnaChip of the default and MagnaChip does not cure such default within the time specified after receipt of such notice.

In the case of an Event of Default arising and continuing from certain events of bankruptcy or insolvency, with respect to MagnaChip, any Restricted Subsidiary of MagnaChip that is a Significant Subsidiary or any group of Restricted Subsidiaries of MagnaChip that, taken together, would constitute a Significant Subsidiary, all outstanding senior subordinated notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the then outstanding senior subordinated notes may declare all the senior subordinated notes to be due and payable immediately.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding senior subordinated notes may direct the trustee in its exercise of any trust or power. The trustee may withhold from holders of the senior subordinated notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest or premium or Liquidated Damages, if any.

Subject to the provisions of the indenture relating to the duties of the trustee, in case an Event of Default occurs and is continuing, the trustee will be under no obligation to exercise any of the rights or powers under the indenture at the request or direction of any holders of senior subordinated notes unless such holders have offered to the trustee reasonable indemnity or security against any loss, liability or expense.

Except to enforce the right to receive payment of principal, premium, if any, or interest or Liquidated Damages, if any, when due, no holder of a senior subordinated note may pursue any remedy with respect to the indenture or the senior subordinated notes unless:

(1) such holder has previously given the trustee notice that an Event of Default is continuing;

(2) holders of at least 25% in aggregate principal amount of the then outstanding senior subordinated notes have requested the trustee to pursue the remedy;

(3) such holders have offered the trustee reasonable security or indemnity against any loss, liability or expense;

(4) the trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and

(5) holders of a majority in aggregate principal amount of the then outstanding notes have not given the trustee a direction inconsistent with such request within such 60-day period.

The holders of a majority in aggregate principal amount of the then outstanding senior subordinated notes by notice to the trustee may, on behalf of the holders of all of the senior subordinated notes, rescind an

acceleration or waive any existing Default or Event of Default and its consequences under the indenture except a continuing Default or Event of Default in the payment of interest or premium or Liquidated Damages, if any, on, or the principal of, the senior subordinated notes.

MagnaChip is required to deliver to the trustee annually a statement regarding compliance with the indenture. Upon becoming aware of any Default or Event of Default, MagnaChip is required to deliver to the trustee a statement specifying such Default or Event of Default.

**No Personal Liability of Directors, Officers, Employees and Stockholders**

No director, officer, employee, incorporator, stockholder, member or partner of MagnaChip or any Guarantor, as such, will have any liability for any obligations of MagnaChip or the Guarantors under the senior subordinated notes, the indenture, or the Note Guarantees, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of senior subordinated notes of a series by accepting a senior subordinated note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the senior subordinated notes. The waiver may not be effective to waive liabilities under the federal securities laws.

**Legal Defeasance and Covenant Defeasance**

MagnaChip may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an officers' certificate, elect to have all of its obligations discharged with respect to the outstanding senior subordinated notes and the indenture and all obligations of the Guarantors discharged with respect to their Note Guarantees and the indenture ("*Legal Defeasance*") except for:

(1) the rights of holders of outstanding senior subordinated notes to receive payments in respect of the principal of, or interest or premium and Liquidated Damages, if any, on, such senior subordinated notes when such payments are due from the trust referred to below;

(2) MagnaChip's obligations with respect to the senior subordinated notes concerning issuing temporary senior subordinated notes, registration of senior subordinated notes, mutilated, destroyed, lost or stolen senior subordinated notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the trustee, and MagnaChip's and the Guarantors' obligations in connection therewith; and

(4) the Legal Defeasance and Covenant Defeasance provisions of the indenture.

In addition, MagnaChip may, at its option and at any time, elect to have the obligations of MagnaChip and the Guarantors released with respect to certain covenants (including its obligation to make Change of Control Offers and Asset Sale Offers) that are described in the indenture ("*Covenant Defeasance*") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the senior subordinated notes. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under "—Events of Default and Remedies" will no longer constitute an Event of Default with respect to the senior subordinated notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) MagnaChip must irrevocably deposit with the trustee, in trust, for the benefit of the holders of the senior subordinated notes, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, or interest and premium and Liquidated Damages, if any, on, the outstanding senior

subordinated notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and MagnaChip must specify whether the senior subordinated notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of Legal Defeasance, MagnaChip must deliver to the trustee an opinion of counsel reasonably acceptable to the trustee confirming that (a) MagnaChip has received from, or there has been published by, the Internal Revenue Service a ruling or (b) since the date of the indenture, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders of the outstanding notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, MagnaChip must deliver to the trustee an opinion of counsel reasonably acceptable to the trustee confirming that the holders of the outstanding senior subordinated notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which MagnaChip or any Guarantor is a party or by which MagnaChip or any Guarantor is bound;

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the indenture) to which MagnaChip or any of its Subsidiaries is a party or by which MagnaChip or any of its Subsidiaries is bound;

(6) MagnaChip must deliver to the trustee an officers' certificate stating that the deposit was not made by MagnaChip with the intent of preferring the holders of senior subordinated notes over the other creditors of MagnaChip with the intent of defeating, hindering, delaying or defrauding any creditors of MagnaChip or others; and

(7) MagnaChip must deliver to the trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with, such opinion to be subject to customary assumptions and exceptions.

**Amendment, Supplement and Waiver**

Except as provided in the next three succeeding paragraphs, the indenture or the related senior subordinated notes or the related Note Guarantees may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of each series of senior subordinated notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, notes), and any existing Default or Event of Default or compliance with any provision of the indenture or the related senior subordinated notes or the related Note Guarantees may be waived with the consent of the holders of a majority in aggregate principal amount of the applicable series of senior subordinated notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, the applicable senior subordinated notes).

With respect to each series of the senior subordinated notes, without the consent of each holder of senior subordinated notes affected, an amendment, supplement or waiver may not (with respect to any senior subordinated notes held by a non-consenting holder):

(1) reduce the principal amount of senior subordinated notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any senior subordinated note or alter the provisions with respect to the redemption of the applicable series of senior subordinated notes (other than provisions relating to the covenants described above under the caption "—Repurchase at the Option of Holders");

(3) reduce the rate of or change the time for payment of interest, including default interest, on any applicable senior subordinated note;

(4) waive a Default or Event of Default in the payment of principal of, or interest or premium, or Liquidated Damages, if any, on, the applicable series of senior subordinated notes (except a rescission of acceleration of the applicable series of senior subordinated notes by the holders of at least a majority in aggregate principal amount of the applicable series of senior subordinated notes then outstanding and a waiver of the payment default that resulted from such acceleration);

(5) make any senior subordinated note payable in money other than that stated in the senior subordinated notes;

(6) make any change in the provisions of the indenture relating to waivers of past Defaults or the rights of holders of the applicable series of senior subordinated notes to receive payments of principal of, or interest or premium or Liquidated Damages, if any, on, the applicable series of the applicable series of senior subordinated notes;

(7) waive a redemption payment with respect to any note (other than a payment required by one of the covenants described above under the caption "—Repurchase at the Option of Holders"); or

(8) release any Guarantor from any of its obligations under its Note Guarantee or the indenture, except in accordance with the terms of the indenture.

In addition, any amendment to, or waiver of, the provisions of the indenture relating to subordination that adversely affects the rights of the holders of the senior subordinated notes will require the consent of the holders of at least 75% in aggregate principal amount of senior subordinated notes then outstanding.

Notwithstanding the preceding, without the consent of any holder of the applicable series of senior subordinated notes, MagnaChip, the Guarantors and the trustee may amend or supplement the indenture, the senior subordinated notes or the Note Guarantees:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated senior subordinated notes in addition to or in place of certificated senior subordinated notes;

(3) to provide for the assumption of MagnaChip's or a Guarantor's obligations to holders of senior subordinated notes and Note Guarantees in the case of a merger or consolidation or sale of all or substantially all of MagnaChip's or such Guarantor's assets, as applicable;

(4) to make any change that would provide any additional rights or benefits to the holders of senior subordinated notes or that does not adversely affect the legal rights under the indenture of any such holder;

(5) to comply with requirements of the SEC in order to effect or maintain the qualification of the indenture under the Trust Indenture Act;

(6) to conform the text of the indenture, the Note Guarantees, or the senior subordinated notes to any provision of this Description of Notes to the extent that such provision in this Description of Notes was intended by MagnaChip and the Initial Purchasers to be a verbatim recitation of a provision of the indenture, the Note Guarantees, or the senior subordinated notes as represented by MagnaChip to the Trustee in an officers' certificate;

(7) to provide for the issuance of additional senior subordinated notes in accordance with the limitations set forth in the indenture; or

(8) to allow any Guarantor to execute a supplemental indenture and/or a Note Guarantee with respect to the senior subordinated notes.

**Satisfaction and Discharge**

The indenture will be discharged and will cease to be of further effect as to all senior subordinated notes issued thereunder, when:

(1) either:

(a) all senior subordinated notes that have been authenticated, except lost, stolen or destroyed senior subordinated notes that have been replaced or paid and senior subordinated notes for whose payment money has been deposited in trust and thereafter repaid to MagnaChip, have been delivered to the trustee for cancellation; or

(b) all senior subordinated notes that have not been delivered to the trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and MagnaChip or any Guarantor has irrevocably deposited or caused to be deposited with the trustee as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the senior subordinated notes not delivered to the trustee for cancellation for principal, premium and Liquidated Damages, if any, and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which MagnaChip or any Guarantor is a party or by which MagnaChip or any Guarantor is bound;

(3) MagnaChip or any Guarantor has paid or caused to be paid all sums payable by it under the indenture; and

(4) MagnaChip has delivered irrevocable instructions to the trustee under the indenture to apply the deposited money toward the payment of the senior subordinated notes at maturity or on the redemption date, as the case may be.

In addition, MagnaChip must deliver an officers' certificate and an opinion of counsel to the trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

**Concerning the Trustee**

If the trustee becomes a creditor of MagnaChip or any Guarantor, the indenture limits the right of the trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The trustee will be permitted to engage in other transactions; however, if, following an event of default, it acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the SEC for permission to continue as trustee (if the indenture have been qualified under the Trust Indenture Act) or resign.

The holders of a majority in aggregate principal amount of the then outstanding senior subordinated notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the trustee, subject to certain exceptions. The indenture provide that in case an Event of Default occurs and is continuing, the trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request of any holder of senior subordinated notes, unless such holder has offered to the trustee security and indemnity satisfactory to it against any loss, liability or expense.

**Additional Information**

Anyone who receives this prospectus may obtain a copy of the indenture and the registration rights agreement without charge by writing to c/o MagnaChip Semiconductor, Ltd. 891 Daechi-dong, Kangnam-gu, Seoul 135-738, Korea, Attention: General Counsel.

**Certain Definitions**

Set forth below are certain defined terms used in the indenture. Reference is made to the indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

"*Acquired Debt*" means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person; *provided* that Indebtedness of such Person that is redeemed, defeased, retired or otherwise repaid at the time, or immediately upon consummation, of the transaction by which such other Person is merged with or into or became a Restricted Subsidiary of such Person shall not be Acquired Debt; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person; provided that the amount of such Indebtedness shall be deemed to be the lesser of the value of such asset and the amount of the obligation so secured.

*"Acquisition"* means the purchase of the Systems IC division from Hynix Semiconductor Inc.

"*Advisory Agreements*" means the advisory agreements dated as of October 6, 2004, by and between US LLC, MagnaChip and each of (i) Francisco Partners Management, LLC, (ii) CVC Management LLC and (iii) CVC Capital Partners Asia Limited, as each may be amended, supplemented, modified, renewed, extended or replaced from time to time.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition,

"control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; *provided* that beneficial ownership of 10% or more of the Voting Stock of a Person will be deemed to be control. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

"Asset Sale" means:

(1) the sale, lease, conveyance or other disposition of any assets or rights; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of MagnaChip and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the indenture described above under the caption "—Repurchase at the Option of Holders—Change of Control" and/or the provisions described above under the caption "—Certain Covenants—Merger, Consolidation or Sale of Assets" and not by the provisions of the Asset Sale covenant; and

(2) the issuance or sale of Equity Interests in any of MagnaChip's Subsidiaries, other than directors' qualifying shares or shares required by applicable law to be held by a Person other than MagnaChip or a Restricted Subsidiary.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than $2.5 million;

(2) a transfer of assets between or among MagnaChip and its Restricted Subsidiaries (including to a Person that becomes a Restricted Subsidiary upon such transfer);

(3) an issuance of Equity Interests by a Restricted Subsidiary of MagnaChip to MagnaChip or to a Restricted Subsidiary of MagnaChip;

(4) the sale, lease, conveyance or other disposition of products, inventory, services or accounts receivable in the ordinary course of business and any sale or other disposition of damaged, worn out, uneconomical, surplus or obsolete assets in the ordinary course of business;

(5) the sale or other disposition of cash or Cash Equivalents;

(6) a Restricted Payment that does not violate the covenant described above under the caption "—Certain Covenants—Restricted Payments" or a Permitted Investment;

(7) Permitted Liens; and

(8) grants of licenses in intellectual property on terms customary for the semiconductor industry.

"*Asset Sale Offer"* has the meaning assigned to that term in the indenture governing the senior subordinated notes.

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act. The terms "Beneficially Owns" and "Beneficially Owned" have a corresponding meaning.

"Board of Directors" means:

(1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the Board of Directors of the general partner of the partnership;

(3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

"*Capital Lease Obligation*" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with GAAP, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"Capital Stock" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"Cash Equivalents" means:

(1) United States dollars, Korean Won, Pounds Sterling, Hong Kong dollars, New Taiwan Dollars, Euros and Japanese Yen;

(2) securities issued or directly and fully guaranteed or insured by the United States government, Korean government, EU member states with a sovereign credit rating of A or better, the Japanese government, the Taiwan government, the Hong Kong government, or any agency or instrumentality of any such government (*provided* that the full faith and credit of any such government is pledged in support of those securities) having maturities of not more than one year from the date of acquisition;

(3) United States dollar denominated and Korean Won denominated certificates of deposit, eurodollar time deposits with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding one year and overnight bank deposits, in each case, with any lender party to the Senior Credit Agreement or with any domestic commercial bank having capital and surplus in excess of $500.0 million and a Thomson Bank Watch Rating of "B" or better or comparable rating by a comparable rating agency in the relevant jurisdiction if a Moody's or S&P rating is unavailable;

(4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (3) above;

(5) commercial paper having one of the two highest ratings obtainable from Moody's or one of the three highest ratings obtainable from S&P or a comparable rating by a comparable rating agency in the relevant jurisdiction if a Moody's or S&P rating is unavailable and, in each case, maturing within one year after the date of acquisition; and

(6) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (5) of this definition.

"*Change of Control*" means the occurrence of any of the following:

(1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of US LLC and its Subsidiaries taken as a whole to any "person" (as that term is used in Section 13(d) of the Exchange Act) other than a Principal or a Related Party of a Principal;

(2) the adoption of a plan relating to the liquidation or dissolution of MagnaChip;

(3) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any "person" (as defined above), other than the Principals and their Related Parties, becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of MagnaChip, measured by voting power rather than number of shares; or

(4) after an initial public offering of MagnaChip or any direct or indirect parent of MagnaChip, the first day on which a majority of the members of the Board of Directors of such public company are not Continuing Directors.

*"Change of Control Offer"* has the meaning assigned to that term in the indenture governing the senior subordinated notes.

"*Consolidated Cash Flow*" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period *plus*, without duplication:

(1) an amount equal to any extraordinary loss plus any net loss realized by such Person or any of its Restricted Subsidiaries in connection with an Asset Sale, to the extent such losses were deducted in computing such Consolidated Net Income; *plus*

(2) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; *plus*

(3) the Fixed Charges of such Person and its Restricted Subsidiaries for such period, to the extent that such Fixed Charges were deducted in computing such Consolidated Net Income; *plus*

(4) depreciation, amortization (including amortization of intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash expenses (excluding any such non-cash expense to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period) of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Net Income; *plus*

(5) in connection with the Acquisition on or prior to the date of the indenture; *minus*

(6) non-cash items increasing such Consolidated Net Income for such period, other than the accrual of revenue in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with GAAP.

Notwithstanding the preceding, the provision for taxes based on the income or profits of, and the depreciation and amortization and other non-cash expenses of, a Restricted Subsidiary of MagnaChip will be added to Consolidated Net Income to compute Consolidated Cash Flow of MagnaChip only to the extent that a corresponding amount would be permitted at the date of determination to be dividended to MagnaChip by such Restricted Subsidiary without prior governmental approval (that has not been obtained), and without direct or indirect restriction pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to that Restricted Subsidiary or its stockholders.

"*Consolidated Net Income*" means, with respect to any specified Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP; *provided* that:

(1) the Net Income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary of the Person;

(2) the Net Income of any Restricted Subsidiary will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders, except to the extent that any dividend or similar distribution is actually and lawfully made and not otherwise included in Consolidated Net Income of such Person;

(3) the cumulative effect of a change in accounting principles will be excluded;

(4) any expenses associated with the Acquisition and the transactions completed thereby will be excluded;

(5) any transaction gains and losses due to fluctuations in currency values and the related tax effect will be excluded; and

(6) notwithstanding clause (1) above, the Net Income of any Unrestricted Subsidiary will be excluded, whether or not distributed to the specified Person or one of its Subsidiaries.

"*Continuing Directors*" means, as of any date of determination, any member of the Board of Directors of a Person who:

(1) was a member of such Board of Directors on the Issue Date;

(2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election; or

(3) was elected to the Board of Directors under the Securityholders' Agreement.

"*Credit Agreement Agent*" means, at any time, the Person serving at such time as the "Agent" or "Administrative Agent" under the Senior Credit Agreement or any other representative then most recently designated in accordance with the applicable provisions of the Senior Credit Agreement, together with its successors in such capacity.

"*Credit Facilities*" means, one or more debt facilities (including, without limitation, the Senior Credit Agreement) or commercial paper facilities, in each case, with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"Designated Senior Debt" means:

(1) Indebtedness outstanding under the Credit Facilities; and

(2) after payment in full of all Obligations under the Senior Credit Agreement, any other Senior Debt permitted under the indenture the principal amount of which is $25.0 million or more and that has been designated by the Issuers as "Designated Senior Debt."

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the senior subordinated notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require MagnaChip to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that MagnaChip may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "—Certain Covenants—Restricted Payments." The amount of Disqualified Stock deemed to be outstanding at any time for purposes of the indenture will be the maximum amount that MagnaChip and its Restricted Subsidiaries may become obligated to pay upon the maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock, exclusive of accrued dividends.

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"*Existing Indebtedness*" means Indebtedness of US LLC and its Subsidiaries (other than Indebtedness under the Senior Credit Agreement) in existence on the Issue Date, until such amounts are repaid.

"*Fair Market Value*" means the value that would be paid by a willing buyer to an unaffiliated willing seller, determined in good faith by the Board of Directors of MagnaChip (unless otherwise provided in the indenture).

"*Fixed Charge Coverage Ratio*" means with respect to any specified Person and its Restricted Subsidiaries for any period, the ratio of the Consolidated Cash Flow of such Person and its Restricted Subsidiaries for such period to the Fixed Charges of such Person and its Restricted Subsidiaries for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, Guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "*Calculation Date*"), then the Fixed Charge Coverage Ratio will be calculated giving pro forma effect to such incurrence, assumption, Guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable fourquarter reference period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Restricted Subsidiaries, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date will be given pro forma effect (in accordance with Regulation S-X under the Securities Act) as if they had occurred on the first day of the four-quarter reference period.

(2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date or that becomes a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date or would cease to be a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period; and

(6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months).

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortization of original issue discount, noncash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations in respect of interest rates; *plus*

(2) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period; *plus*

(3) any interest on Indebtedness of another Person that is guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries, whether or not such Guarantee or Lien is called upon; *plus*

(4) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of such Person or any of its Restricted Subsidiaries, other than dividends on Equity Interests payable solely in Equity Interests of MagnaChip (other than Disqualified Stock) or to MagnaChip or a Restricted Subsidiary of MagnaChip, *times* (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, determined on a consolidated basis in accordance with GAAP.

"*GAAP*" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect on the Issue Date.

*"Government Securities"* means securities that are

(a) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged, or

(b) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America,

which, in either case, are not callable or redeemable at the option of the issuers thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act), as custodian with respect to any such Government Securities or a specific payment of principal of or interest on any such Government Securities held by such custodian for the account of the holder of such depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Securities or the specific payment of principal of or interest on the Government Securities evidenced by such depository receipt.

"*Guarantee*" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

"*Guarantors*" means each of:

(1) MagnaChip Semiconductor LLC (USA), MagnaChip Semiconductor, Inc. (USA), MagnaChip Semiconductor B.V. (Netherlands), MagnaChip Semiconductor SA Holdings LLC (USA), MagnaChip Semiconductor Ltd. (UK), MagnaChip Semiconductor Inc. (Japan), MagnaChip Semiconductor Ltd. (Hong Kong) and MagnaChip Semiconductor Ltd. (Taiwan); and

(2) any other Subsidiary of MagnaChip that executes a Note Guarantee in accordance with the provisions of the indenture, and their respective successors and assigns, in each case, until the Note Guarantee of such Person has been released in accordance with the provisions of the indenture.

"*Hedging Obligations*" means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(2) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices, in each case, in reasonable relation to the business of MagnaChip and the Restricted Subsidiaries, and not for speculative purposes.

"*Hynix Agreements*" means each of the following as the same may be amended, restated, supplemented, modified, renewed, extended or replaced from time to time:

(1) Business Transfer Agreement dated as of June 12, 2004 by and between Hynix and MagnaChip Korea;

(2) First Amendment to Business Transfer Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea;

(3) General Services Supply Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea;

(4) each of the Overseas Sales Services Agreements dated as of October 6, 2004 by and between a Subsidiary of Hynix and a Subsidiary of MagnaChip;

(5) R&D Equipment Utilization Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea;

(6) IT & FA Service Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea;

(7) Wafer Foundry Service Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea;

(8) Mask Production and Supply Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea;

(9) each of the Building Lease Agreements dated as of October 6, 2004 by and between Hynix and MagnaChip Korea;

(10) Trademark License Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea; and

(11) Intellectual Property Licensing Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea.

"*Immaterial Subsidiary*" means, as of any date, any Restricted Subsidiary whose total assets, as of that date, are less than $250,000 and whose total revenues for the most recent 12-month period do not exceed $250,000; *provided* that a Restricted Subsidiary will not be considered to be an Immaterial Subsidiary if it, directly or indirectly, guarantees or otherwise provides direct credit support for any Indebtedness of MagnaChip; *provided, further,* that the revenues and total assets of all such subsidiaries shall not exceed $2.5 million in the aggregate.

"*Indebtedness*" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent:

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);

(3) in respect of banker's acceptances;

(4) representing Capital Lease Obligations;

(5) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed; or

(6) representing any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person and the amount of such obligation being deemed to be the lesser of the value of such asset and the amount of the obligation so secured) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person.

"*Investments*" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations), advances or capital contributions (excluding (A) advances to customers in the ordinary course of business that are recorded as accounts receivable on the consolidated balance sheet of such Person and (B) commission, travel, moving and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. If MagnaChip or any Subsidiary of MagnaChip sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of MagnaChip such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of MagnaChip, MagnaChip will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of MagnaChip's Investments in such Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "—Certain Covenants—Restricted Payments." The acquisition by MagnaChip or any Subsidiary of MagnaChip of a Person that holds an Investment in a third Person will be deemed to be an Investment by MagnaChip or such Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the covenant described above under the caption "—Certain Covenants—Restricted Payments." Except as otherwise provided in the indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value.

*"Issue Date"* means December 23, 2004.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

*"Liquidated Damages"* means all liquidated damages then owing pursuant to the registration rights agreement.

"*Moody's*" means Moody's Investors Service, Inc.

"*Net Income*" means, with respect to any specified Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however:

(1) any gain (or loss), together with any related provision for taxes on such gain (or loss), realized in connection with: (a) any Asset Sale; or (b) the disposition of any securities by such Person or any of its Restricted Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Restricted Subsidiaries; and

(2) any extraordinary gain (or loss), together with any related provision for taxes on such extraordinary gain (or loss).

"*Net Proceeds*" means the aggregate cash proceeds received by MagnaChip or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other

disposition of any non-cash consideration received in any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, and any repayment of Indebtedness that was permitted to be secured by the assets sold in such Asset Sale after taking into account any available tax credits or deductions and any tax sharing arrangements, and any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with GAAP.

"*Non-Recourse Debt*" means Indebtedness:

(1) as to which neither MagnaChip nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender;

(2) no default with respect to which (including any rights that the holders of the Indebtedness may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness of MagnaChip or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment of the Indebtedness to be accelerated or payable prior to its Stated Maturity; and

(3) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of MagnaChip or any of its Restricted Subsidiaries.

"*Note Guarantee"* means the Guarantee by each Guarantor of MagnaChip's obligations under the indenture and the senior subordinated notes, executed pursuant to the provisions of the indenture.

"*Obligations*" means any principal (including reimbursement obligations with respect to letters of credit whether or not drawn), interest, premium (if any), fees, indemnifications, reimbursements, expenses and other liabilities payable under the documentation governing any Indebtedness.

"*Permitted Business*" means the businesses of MagnaChip, its direct and indirect parents, and their respective subsidiaries as of the date of the indenture and any other business ancillary or supplementary to the semiconductor business.

"Permitted Investments" means:

(1) any Investment in MagnaChip or in a Restricted Subsidiary of MagnaChip;

(2) any Investment in Cash Equivalents;

(3) any Investment by MagnaChip or any Restricted Subsidiary of MagnaChip in a Person, if as a result of such Investment:

(a) such Person becomes a Restricted Subsidiary of MagnaChip; or

(b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, MagnaChip or a Restricted Subsidiary of MagnaChip;

(4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption "—Repurchase at the Option of Holders—Asset Sales;"

(5) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of MagnaChip or any of its direct or indirect parents;

(6) any Investments received in compromise or resolution of (A) obligations that were incurred in the ordinary course of business of MagnaChip or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (B) litigation, arbitration or other disputes with Persons who are not Affiliates;

(7) Investments represented by Hedging Obligations;

(8) loans or advances to employees, directors, officers or consultants made in the ordinary course of business of MagnaChip or any Restricted Subsidiary of MagnaChip in an aggregate principal amount not to exceed $5.0 million at any one time outstanding;

(9) repurchases of the Second Priority Notes and the senior subordinated notes;

(10) (A) advances to customers in the ordinary course of business that are recorded as accounts receivable on the consolidated balance sheet of such Person and (B) payroll, travel and similar advances to cover matters that are expected at the time of the advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(11) receivables owing to MagnaChip or any Restricted Subsidiary of MagnaChip if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; provided, however, that such trade terms may include the concessionaire trade terms as MagnaChip or the Restricted Subsidiary deems reasonable under the circumstances;

(12) Investments in existence on the Issue Date;

(13) Investments in any Person to the extent such Investments consist of prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and other similar deposits made in the ordinary course of business by MagnaChip or any Restricted Subsidiary;

(14) Investment in any Person where such Investment was acquired by MagnaChip or any of the Restricted Subsidiaries (a) in exchange for any other Investment or accounts receivable held by MagnaChip or any such Restricted Subsidiary in connection with or as a result of a bankruptcy, workout, reorganization or recapitalization of the issuer of such other Investment or accounts receivable or (b) as a result of a foreclosure by MagnaChip or any of the Restricted Subsidiaries with respect to any secured Investment or other transfer of title with respect to any secured Investment in default; and

(15) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (15) that are at the time outstanding that does not exceed the greater of (A) $50.0 million and (B) 5.0% of Total Assets (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value). Provided that any cash return on capital in any such Permitted Investment (including through any dividend, distribution, repayment, redemption, payment of interest or other transfer) made pursuant to this clause (15) will reduce the amount of any such Permitted Investment for purposes of calculating the amount of Permitted Investments under this clause (15) and will be excluded from clauses 3(a), (d) and (e) of the first paragraph of the covenant described under the caption "—Certain Covenants—Restricted Payments"; *provided*, that the total reduction may not exceed the amount of the original investment.

"Permitted Junior Securities" means:

(1) Equity Interests in the Issuers or any Guarantor; or

(2) debt securities that are subordinated to all Senior Debt and any debt securities issued in exchange for Senior Debt to substantially the same extent as, or to a greater extent than, the senior subordinated notes and the Note Guarantees are subordinated to Senior Debt under the indenture.

"Permitted Liens" means:

(1) Liens on assets of MagnaChip or any of its Restricted Subsidiaries securing Senior Debt that was permitted by the terms of the indenture to be incurred;

(2) Liens in favor of MagnaChip or the Restricted Subsidiaries;

(3) Liens on property of a Person existing at the time such Person is merged with or into or consolidated with MagnaChip or any Subsidiary of MagnaChip; *provided* that such Liens were in existence prior to the contemplation of such merger or consolidation and do not extend to any assets other than those of the Person merged into or consolidated with MagnaChip or the Subsidiary;

(4) Liens on property (including Capital Stock) existing at the time of acquisition of the property by MagnaChip or any Subsidiary of MagnaChip; *provided* that such Liens were in existence prior to, such acquisition, and not incurred in contemplation of, such acquisition;

(5) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business;

(6) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by clause (5) of the second paragraph of the covenant entitled "—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock" covering only the assets acquired with or financed by such Indebtedness;

(7) Liens existing on the Issue Date;

(8) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor;

(9) Liens imposed by law, such as carriers', warehousemen's, landlord's and mechanics' Liens, in each case, incurred in the ordinary course of business;

(10) pledges or deposits by a Person under worker's compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent, in each case incurred in the ordinary course of business;

(11) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(12) Liens created for the benefit of (or to secure) the senior subordinated notes (or the Note Guarantees);

(13) attachment or judgment Liens not giving rise to an Event of Default;

(14) Liens arising solely by virtue of any statutory or common law provision relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; provided, however, that (A) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by MagnaChip or any of its Restricted Subsidiaries in excess of those set forth by regulations promulgated by the Federal Reserve Board and (B) such deposit account is not intended by MagnaChip or any Restricted Subsidiary to provide collateral to the depository institution;

(15) Liens securing Hedging Obligations so long as such Hedging Obligations relate to Indebtedness that is permitted to be incurred under the indenture;

(16) Liens arising from the filing of Uniform Commercial Code financing statements regarding leases;

(17) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under the indenture; *provided, however,* that:

(a) the new Lien shall be limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and

(b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge; and

(18) Leases or subleases granted to others that do not materially interfere with the ordinary course of business of MagnaChip and its Restricted Subsidiaries;

(19) Liens on deposits, in an aggregate amount not to exceed $250,000 at any one time outstanding, made in the ordinary course of business to secure liability to insurance carriers;

(20) Liens under licensing agreements for use of intellectual property entered into in the ordinary course of business;

(21) Customary liens on deposits required in connection with the purchase of property, plant, equipment, inventory and other assets;

(22) Liens to secure all loans which may not be prepaid prior to one year following the date such loan is made under the Senior Credit Facility between MagnaChip Semiconductor, Ltd. (Korea) and certain institutional lenders with the Korean Exchange Bank, as agent, and liens on deposits made in order to secure the payment of such debt when prepayment is permitted.

(23) Liens to secure Indebtedness permitted by clauses (2) and (17) of the second paragraph of the covenant entitled "—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock", provided that, with respect to such clause (17), such Liens cover only the assets owned by the Subsidiary incurring such Indebtedness;

(24) Liens incurred or deposits made in the ordinary course of business in connection with worker's compensation, unemployment insurance and other types of social security;

(25) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by MagnaChip or any of the Restricted Subsidiaries in the ordinary course of business; and

(26) Liens incurred in the ordinary course of business of MagnaChip or any Restricted Subsidiary of MagnaChip with respect to obligations that do not exceed $5.0 million at any one time outstanding.

"*Permitted Refinancing Indebtedness*" means any Indebtedness of MagnaChip or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, extend, defease or discharge other Indebtedness of MagnaChip or any of its Restricted Subsidiaries (other than intercompany Indebtedness); *provided* that:

(1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness renewed, refunded, refinanced, replaced, extended, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being renewed, refunded, refinanced, replaced, extended, defeased or discharged;

(3) if the Indebtedness being renewed, refunded, refinanced, replaced, extended, defeased or discharged is subordinated in right of payment to the senior subordinated notes, such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and is subordinated in right of payment to, the senior subordinated notes on terms at least as favorable to the holders of notes as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged; and

(4) such Indebtedness is incurred either by MagnaChip or by the Restricted Subsidiary who is the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, extended, defeased or discharged.

*"Permitted Tax Payments"* means, for so long as US LLC is treated as a partnership for U.S. federal income tax purposes, payments in respect of tax liabilities of US LLC's investors arising from direct or indirect ownership of US LLC's equity interests under Section 951 of the Code. Permitted Tax Payments shall be calculated by reference to the amount of US LLC's and its Subsidiaries' income determined to be an amount required to be included in income under section 951 of the Code times 35%. A nationally recognized accounting firm chosen by US LLC shall determine the amount of Permitted Tax Payments.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"Principals" means

(1) (A) Francisco Partners, L.P. ("FP"), any FP fund or co-investment partnership, (B) any general partner of any FP fund or co-investment partnership (collectively, an "FP Partner"), and any corporation, partnership or other entity that is an Affiliate of any FP Partner (collectively "FP Affiliates"), (C) any managing director, general partner, director, officer or employee of an FP fund, any FP Partner or any FP Affiliate, or any spouse, lineal descendant, sibling, parent, heir, executor, administrator, testamentary trustee, legatee or beneficiary of any of the foregoing persons described in this clause (C) (collectively, "FP Associates") and (D) any trust, the beneficiaries of which, any charitable trust, the grantor of which, or any corporation, limited liability company or partnership, the stockholders, members or general or limited partners of which include only FP, FP Partners, FP Affiliates, FP Associates, their spouses or their lineal descendants;

(2) (A) Citigroup Venture Capital Equity Partners, L.P. ("CVC"), CVC/SSB Employee Fund, L.P., CVC Executive Fund LLC, Natasha Foundation, Citicorp Venture Capital Ltd., any CVC fund or co-investment partnership, Citigroup, any affiliate of Citigroup or any general partner of any CVC fund or co-investment partnership (collectively, a "CVC Partner"), and any corporation, partnership or other entity that is an Affiliate of Citigroup or any CVC Partner (collectively "CVC Affiliates"), (B) any managing director, general partner, director, officer or employee of any CVC fund, any CVC Partner or any CVC Affiliate, or any spouse, lineal descendant, sibling, parent, heir, executor, administrator, testamentary trustee, legatee or beneficiary of any of the foregoing persons described in this clause (B) (collectively, "CVC Associates") and (C) any trust, the beneficiaries of which, any charitable trust, the grantor of which, or any corporation, limited liability company or partnership, the stockholders, members or general or limited partners of which include only CVC, CVC Partners, CVC Affiliates, CVC Associates, their spouses or their lineal descendants;

(3) (A) CVC Capital Partners Asia II Limited ("CVC Asia Pacific"), CVC Capital Partners Asia Pacific LP, Asia Investors LLC, any CVC Asia Pacific fund or co-investment partnership, or any general partner of any CVC Asia Pacific fund or co-investment partnership (collectively, a "CVC Asia Pacific Partner"), and any corporation, partnership or other entity that is an Affiliate of any CVC Asia Pacific Partner (collectively "CVC Asia Pacific Affiliates"), (B) any managing director, general partner, director, officer or employee of any CVC Asia Pacific fund, any CVC Asia Pacific Partner or any CVC Asia Pacific Affiliate, or any spouse, lineal descendant, sibling, parent, heir, executor, administrator, testamentary trustee, legatee or beneficiary of any of the foregoing persons described in this clause (B) (collectively, "CVC Asia Pacific Associates") and (C) any trust, the beneficiaries of which, any charitable trust, the grantor of which, or any corporation, limited liability company or partnership, the stockholders, members or general or limited partners of which include only CVC Asia Pacific, CVC Asia Pacific Partners, CVC Asia Pacific Affiliates, CVC Asia Pacific Associates, their spouses or their lineal descendants; and

(4) officers and directors of US LLC or its Subsidiaries on the Issue Date.

Except for a Principal specifically identified by name, in determining whether Voting Stock is owned by a Principal, only Voting Stock acquired by a Principal in its described capacity shall be treated as "beneficially owned" by such Principal.

*"Public Equity Offering"* means an offer and sale of Capital Stock (other than Disqualified Stock) of MagnaChip or any of its direct or indirect parents pursuant to a registration statement that has been declared effective by the SEC pursuant to the Securities Act (other than a registration statement on Form S-8 or otherwise relating to equity securities issuable under any employee benefit plan of MagnaChip).

"Related Party" means:

(1) any controlling stockholder, 80% (or more) owned Subsidiary, or immediate family member (in the case of an individual) of any Principal; or

(2) any trust, corporation, partnership, limited liability company or other entity, the beneficiaries, stockholders, partners, members, owners or Persons beneficially holding an 80% or more controlling interest of which consist of any one or more Principals and/or such other Persons referred to in the immediately preceding clause (1).

"*Restricted Investment*" means an Investment other than a Permitted Investment.

"*Restricted Subsidiary*" of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary; *provided*, that each of US LLC, MagnaChip Semiconductor SA Holdings LLC (USA) and MagnaChip Semiconductor, Inc. (USA) shall be deemed to be a Restricted Subsidiary of MagnaChip.

"*S&P*" means Standard & Poor's Ratings Group.

*"Second Priority Notes"* means the Issuers' Floating Rate Second Priority Senior Secured Notes due 2011 and Fixed Rate Second Priority Senior Secured Notes due 2011 to be issued on the Issue Date.

*"Second Priority Notes Indenture"* means the indenture governing the Issuers' Second Priority Notes.

"*Securityholders' Agreement*" means the Amended and Restated Securityholders' Agreement dated as of October 6, 2004 by and among US LLC and the other parties thereto, as the same may be amended, restated, supplemented, modified or replaced from time to time.

"*Senior Credit Agreement*" means that certain Credit Agreement, to be dated as of December 23, 2004, by and among MagnaChip and the lenders thereto, providing for up to $100.0 million of revolving credit borrowings, including any related notes, Guarantees, collateral documents, instruments and agreements executed in connection therewith, and, in each case, as amended, restated, modified, extended, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time.

"Senior Debt" means:

(1) all Indebtedness of the Issuers or any Guarantor outstanding under Credit Facilities and all Hedging Obligations with respect thereto;

(2) any other Indebtedness of the Issuers or any Guarantor permitted to be incurred under the terms of the indenture, unless the instrument under which such Indebtedness is incurred expressly provides that it is on a parity with or subordinated in right of payment to the senior subordinated notes or any Note Guarantee; and

(3) all Obligations with respect to the items listed in the preceding clauses (1) and (2).

Notwithstanding anything to the contrary in the preceding, Senior Debt will not include:

(1) any liability for federal, state, local or other taxes owed or owing by the Issuers;

(2) any intercompany Indebtedness of the Issuers or any of their Subsidiaries or direct or indirect parents or to the Issuers or any of its Affiliates;

(3) any trade payables;

(4) the portion of any Indebtedness that is incurred in violation of the indenture; or

(5) Indebtedness which is classified as non-recourse in accordance with GAAP or any unsecured claim arising in respect thereof by reason of the application of section 1111(b)(1) of the Bankruptcy Code.

"*Significant Subsidiary*" means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Issue Date.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the date of the indenture, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

*"Subordinated Obligations"* means any Indebtedness of MagnaChip, whether outstanding on the Issue Date or thereafter incurred, which is subordinate or junior in right of payment to, in the case of the Issuers, the senior subordinated notes or, in the case of any Subsidiary Guarantor, its Guarantee, under a written agreement to that effect.

"*Subsidiary*" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

"*Tax*" means any tax, duty, levy, impost, assessment or other governmental charge (including penalties and interest related thereto.

*"Taxes*" and "*Taxation*" shall be construed to have corresponding meanings to Tax.

*"Total Assets"* means the total amount of all assets of a Person, determined on a consolidated basis in accordance with GAAP as shown on such Person's most recent consolidated balance sheet prepared in accordance with GAAP.

"*Treasury Rate*" means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar

market data)) most nearly equal to the period from the redemption date to December 15, 2014; *provided, however*, that if the period from the redemption date to December 15, 2014, is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

"*Unrestricted Subsidiary*" means any Subsidiary of US LLC (other than the Issuers or any successor to them) that is designated by the Board of Directors of MagnaChip as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors, but only to the extent that such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) except as permitted by the covenant described above under the caption "—Certain Covenants—Transactions with Affiliates," on the date of such designation, is not party to any agreement, contract, arrangement or understanding with MagnaChip or any Restricted Subsidiary of MagnaChip unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to MagnaChip or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of MagnaChip;

(3) is a Person with respect to which neither MagnaChip nor any of its Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and

(4) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of MagnaChip or any of its Restricted Subsidiaries.

*"US LLC"* refers to MagnaChip Semiconductor LLC (USA), the direct parent company of MagnaChip, and any successor thereto.

"*Voting Stock*" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; *by*

(2) the then outstanding principal amount of such Indebtedness.

"*Wholly-Owned Restricted Subsidiary*" of any specified Person means a Subsidiary of such Person all of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) will at the time be owned by such Person or by one or more Wholly-Owned Restricted Subsidiaries of such Person.

**Book-entry, delivery and form**

Except as set forth below, the new notes will be issued in registered, global form in minimum denominations of $1,000 and integral multiples of $1,000. New notes will be issued at the closing of the exchange offer only against surrender of corresponding old notes. The new notes will be in the form of one or more registered global notes without interest coupons (collectively, the "Global Notes"). The Global Notes will be deposited upon issuance with the trustee as custodian for The Depository Trust Company ("*DTC*"), in New York, New York, and registered in the name of DTC or its nominee, in each case, for credit to an account of a direct or indirect participant in DTC as described below.

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for definitive second priority notes in registered certificated form ("*Certificated Notes*") except in the limited circumstances described below. See "—Exchange of Global Notes for Certificated Notes." Except in the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of notes in certificated form.

**Depository Procedures**

The following description of the operations and procedures of DTC, Euroclear System ("Euroclear") and Clearstream Banking, Socíeté Anonyme, Luxembourg ("Clearstream")are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. MagnaChip takes no responsibility for these operations and procedures and urges investors to contact the system or their participants directly to discuss these matters.

DTC has advised MagnaChip that DTC is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the "*Participants*") and to facilitate the clearance and settlement of transactions in those securities between the Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations.

Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the "*Indirect Participants*"). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Participants or the Indirect Participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

DTC has also advised MagnaChip that, pursuant to procedures established by it:

(1) upon deposit of the Global Notes, DTC will credit the account of each Participants with the portion of the principal amount of the Global Notes that has been allocated to such Participant; and

(2) ownership of these interests in the Global Notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interest in the Global Notes).

Investors in the Global Notes who are Participants may hold their interests therein directly through DTC. Investors in the Global Notes who are not Participants may hold their interests therein indirectly through organizations (including Euroclear and Clearstream) which are Participants. All interests in a Global Note, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems. The laws of some states require that certain Persons take physical delivery in

definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Note to such Persons will be limited to that extent. Because DTC can act only on behalf of the Participants, which in turn act on behalf of the Indirect Participants, the ability of a Person having beneficial interests in a Global Note to pledge such interests to Persons that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

**Except as described below, owners of interests in the Global Notes will not have notes registered in their names, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or "holders" thereof under the indenture for any purpose.**

Payments in respect of the principal of, and interest and premium, if any, and Liquidated Damages, if any, on, a Global Note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the relevant indenture. Under the terms of the relevant indenture, MagnaChip and the trustee will treat the Persons in whose names the notes, including the Global Notes, are registered as the owners of the notes for the purpose of receiving payments and for all other purposes. Consequently, neither MagnaChip, the trustee nor any agent of MagnaChip or the trustee has or will have any responsibility or liability for:

(1) any aspect of DTC's records or any Participant's or Indirect Participant's records relating to or payments made on account of beneficial ownership interest in the Global Notes or for maintaining, supervising or reviewing any of DTC's records or any Participant's or Indirect Participant's records relating to the beneficial ownership interests in the Global Notes; or

(2) any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants.

DTC has advised MagnaChip that its current practice, upon receipt of any payment in respect of securities such as the notes (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date unless DTC has reason to believe that it will not receive payment on such payment date. Each relevant Participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the Participants and the Indirect Participants to the beneficial owners of notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC, the trustee or MagnaChip. Neither MagnaChip nor the trustee will be liable for any delay by DTC or any of the Participants or the Indirect Participants in identifying the beneficial owners of the second priority notes, and MagnaChip and the trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Transfers between the Participants will be effected in accordance with DTC's procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

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

DTC has advised MagnaChip that it will take any action permitted to be taken by a holder of notes only at the direction of one or more Participants to whose account DTC has credited the interests in the Global Notes and

only in respect of such portion of the aggregate principal amount of the notes as to which such Participant or Participants has or have given such direction. However, if there is an Event of Default under the notes, DTC reserves the right to exchange the Global Notes for legended notes in certificated form, and to distribute such notes to its Participants.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the Global Notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. None of MagnaChip, the trustee and any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

**Exchange of Global Notes for Certificated Notes**

A Global Note is exchangeable for Certificated Notes if:

(1) DTC (a) notifies MagnaChip that it is unwilling or unable to continue as depositary for the Global Notes or (b) has ceased to be a clearing agency registered under the Exchange Act and, in either case, MagnaChip fails to appoint a successor depositary;

(2) MagnaChip, at its option, notifies the trustee in writing that it elects to cause the issuance of the Certificated Notes; or

(3) there has occurred and is continuing a Default or Event of Default with respect to the notes.

In addition, beneficial interests in a Global Note may be exchanged for Certificated Notes upon prior written notice given to the trustee by or on behalf of DTC in accordance with customary procedures following the request of any beneficial owner seeking to exercise or enforce its rights under the notes. In all cases, Certificated Notes delivered in exchange for any Global Note or beneficial interests in Global Notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depositary (in accordance with its customary procedures).

**Exchange of Certificated Notes for Global Notes**

Certificated Notes may not be exchanged for beneficial interests in any Global Note unless the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes. See "Notice to Investors."

**Same Day Settlement and Payment**

MagnaChip will make payments in respect of the notes represented by the Global Notes (including principal, premium, if any, interest and Liquidated Damages, if any) by wire transfer of immediately available funds to the accounts specified by DTC or its nominee. MagnaChip will make all payments of principal, interest and premium, if any, and Liquidated Damages, if any, with respect to Certificated Notes by wire transfer of immediately available funds to the accounts specified by the holders of the Certificated Notes or, if no such account is specified, by mailing a check to each such holder's registered address. The notes represented by the Global Notes are expected to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such notes will, therefore, be required by DTC to be settled in immediately available funds. MagnaChip expects that secondary trading in any Certificated Notes will also be settled in immediately available funds.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a Participant will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day

(which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. DTC has advised MagnaChip that cash received in Euroclear or Clearstream as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream participant to a Participant will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

## Certain tax considerations

### United States Federal Income Tax Considerations

General

This section summarizes the material U.S. federal income tax consequences of the exchange offer to holders of old notes. However, the discussion is limited in the following ways:

- The discussion only covers you if you bought your old notes in the initial offering at their initial offering price.
- The discussion only covers you if you hold your old notes as capital assets (that is, for investment purposes), and you are not a person in a special tax situation, such as a financial institution, an insurance company, an expatriate, a regulated investment company, a dealer in securities or currencies, a partnership or other entity treated as a partnership for federal income tax purposes (or other pass-through entity), a person holding the old notes as a hedge against currency risks, as a position in a "straddle" or as part of a "hedging" or "conversion" transaction for tax purposes, or a person whose functional currency is not the United States dollar.
- The discussion does not cover tax consequences that depend upon your particular tax situation.
- The discussion is based on current law. Changes in the law may change the tax treatment of the exchange of notes.
- The discussion does not cover state, local or foreign law.

The discussion does not address alternative minimum tax consequences, if any.

- We have not requested a ruling from the Internal Revenue Service ("IRS") on any matter discussed herein. As a result, the IRS could disagree with portions of this discussion.

A "U.S. holder" is:

(1) a citizen or resident of the U.S.;

(2) a corporation (including an entity treated as a corporation for federal income tax purposes) created or organized in or under the laws of the U.S., any state thereof or the District of Columbia;

(3) an estate whose income is subject to U.S. federal income tax regardless of its source; or

(4) a trust if a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

Certain trusts not described in clause (4) above in existence on August 20, 1996 that elected to be treated as U.S. persons will also be U.S. holders for purposes of the following discussion. All references to "holders" (including U.S. holders) are to beneficial owners of the notes.

The term "non-U.S. holder" refers to a holder of a note who or which is neither a U.S. holder nor a partnership.

If you are considering exchanging notes, we urge you to consult your tax advisor about the particular U.S. federal, state, local and foreign tax consequences of the exchange of old notes for new notes, the ownership and disposition of the new notes and the application of the U.S. federal income tax laws to your particular situation.

**Exchange of Notes**

The exchange of notes for identical debt securities registered under the Securities Act will not constitute a taxable exchange. As a result, (1) you will not recognize a taxable gain or loss as a result of exchanging your old notes; (2) the holding period of the new notes you receive will include the holding period of the old notes you exchange; and (3) the adjusted tax basis of the new notes you receive will be the same as the adjusted tax basis of the old notes you exchange determined immediately before the registered exchange.

**U.S. Holders**

*Taxation of Interest*. U.S. holders will be required to recognize as ordinary income any interest paid or accrued on the new notes in accordance with such holder's regular method of accounting for U.S. federal income tax purposes.

Interest will be treated as foreign source income for U.S. federal income tax purposes, including any amounts paid in respect of Luxembourg withholding tax, if applicable. Any Luxembourg taxes imposed will be available for the foreign tax credit, subject to certain limitations. We do not expect that the interest will be subject to withholding tax in Luxembourg. Please see the discussion below regarding the Luxembourg tax consequences to U.S. holders. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific categories of income. For purposes of this calculation, and under current law, interest on the notes will generally constitute "passive income" or, in the case of certain taxpayers, "financial services income." The various categories of income for this purpose will be reduced to two categories, active and passive, for tax years beginning after December 31, 2006. You are urged to consult your tax advisor with respect to whether this change in law will affect you.

*Sale, Exchange or Redemption of Notes*. On the sale, retirement or redemption of your new note:

- You will have taxable gain or loss equal to the difference between the amount received by you (to the extent such amount does not represent accrued but unpaid interest, which will be treated as such) and your adjusted tax basis in the new note. Your adjusted tax basis in a new note generally will equal the cost of the old note exchanged by you.
- Your gain or loss will be capital gain or loss, and will be long-term capital gain or loss if you held the note for more than one year. Your holding period in the new note will include the holding period that you had in your old note. Capital gains of individuals derived in respect of capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

**Non-U.S. Holders**

Generally, non-U.S. holders will not be subject to United States federal withholding or income tax on interest payments made on the new notes or on gain realized on the sale, exchange or redemption of a new note, unless:

- the interest or gain is effectively connected with your conduct of a trade or business in the U.S.; or
- in the case of gain, you are an individual and are present in the U.S. for 183 days or more in the year of such sale, exchange or redemption and either (A) you have a "tax home" in the U.S. and certain other requirements are met, or (B) the gain from the disposition is attributable to your office or other fixed place of business in the U.S.

If interest or gain is effectively connected with your conduct of a trade or business in the U.S., you generally will be taxed in the same manner as a U.S. holder with respect to such interest or gain, except to the extent otherwise provided under an applicable tax treaty. If you are described in the second bullet point above, you generally will be subject to tax at a rate of 30% or the amount by which your U.S. source capital gains exceed your U.S. source capital losses.

**Backup Withholding and Information Reporting**

*U.S. Holders*. Information reporting will apply to payments of interest made on, or the proceeds of the sale or other disposition of, the new notes with respect to certain non-corporate U.S. holders, and backup withholding may apply unless the recipient of such payment supplies a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise establishes an exemption from backup withholding. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against that U.S. holder's U.S. federal income tax liability provided the required information is furnished to the IRS.

*Non-U.S. Holders*. Backup withholding and information reporting on Form 1099 will apply to payments of principal and interest on the new notes to a non-U.S. holder unless the non-U.S. holder provides an IRS Form W-8BEN (or other applicable form) to avoid backup withholding and information reporting.

## Luxembourg Tax Considerations

**General**

The following is a general discussion of the material Luxembourg tax consequences for your investment in and ownership and disposition of the notes. This discussion does not purport to be a comprehensive description of all tax considerations which may be relevant to your decision to purchase the notes. In particular, this discussion does not consider any specific facts or circumstances which may apply to a particular purchaser. This summary is based on the current laws of Luxembourg, as in effect and applied on the date of this prospectus. These laws are subject to change, possibly with retroactive effect.

Prospective purchasers of notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of notes, including the effect of any state or local taxes, under the tax laws in Luxembourg and in each country of which they are residents.

*Tax Residency of the Noteholders.* A noteholder will not become resident or be deemed to be resident in Luxembourg by reason only of the holding of the notes, or the execution, performance, delivery and/or enforcement of the notes.

*Withholding Tax*. Under Luxembourg tax law currently in effect, there is no withholding tax for Luxembourg resident and non-resident noteholders on payments of interest (including accrued but unpaid interest). There is also no Luxembourg withholding tax payable on payments received upon redemption, repurchase, repayment of the principal or upon an exchange of the notes.

Withholding tax on payments to individual noteholders (resident in another EU country than Luxembourg) may not earlier than July 1, 2005 be required to be made by a Luxembourg paying agent pursuant to European Council Directive 2003/48/EC (the "EU Savings Tax Directive") or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive (see infra section relating to the EU Savings Tax Directive).

**Luxembourg Tax Residents**

*General*. Noteholders who are resident of Luxembourg, or non-resident noteholders who have a permanent establishment or a fixed base of business in Luxembourg with which the holding of the notes is connected, must, for income tax purposes, include any interest received in their taxable income. They will not be liable to any Luxembourg income tax on repayment of principal.

*Luxembourg Resident Individuals.* Luxembourg resident individual noteholders or non-resident noteholders who have a fixed base of business with which the holding of the notes is connected are not subject to taxation on capital gains upon the disposal of the notes, unless the disposal of the notes precedes the acquisition of the notes or the notes are disposed of within six months of the date of acquisition of these notes. Upon a repurchase, redemption or exchange of the notes, individual Luxembourg resident noteholders or non-resident noteholders who have a fixed base of business with which the holding of the notes is connected must however include the portion of the repurchase, redemption or exchange price corresponding to accrued but unpaid interest in their taxable income.

It is the intention of the Luxembourg Government to introduce withholding tax on interest paid by a Luxembourg debtor to Luxembourg resident individuals; this withholding tax could be at the rate of 10%.

*Luxembourg Resident Companies.* Noteholders which are Luxembourg resident companies (*société de capitaux*) or foreign entities of the same type which have a permanent establishment in Luxembourg with which the holding of the notes is connected must include in their taxable income the difference between the sale or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the notes sold, redeemed or exchanged.

*Luxembourg Resident Companies Benefiting From a Special Tax Regime.* Noteholders which are holding companies subject to the law of July 31, 1929 or undertakings for collective investment subject to the law of December 20, 2002 are tax exempt entities in Luxembourg, and are thus not subject to any Luxembourg tax (i.e., corporate income tax, municipal business tax and net wealth tax).

**Non-Residents of Luxembourg**

Noteholders who are non-residents of Luxembourg and who have neither a permanent establishment nor a fixed base of business in Luxembourg with which the holding of the notes is connected are not liable to any Luxembourg income tax, whether they receive payments of principal, payments of interest (including accrued but unpaid interest), payments received upon redemption or repurchase of the notes, or realize capital gains on the sale or the exchange of any notes.

**Net Wealth Tax**

Luxembourg net wealth tax will not be levied on a noteholder, unless (i) such noteholder is a Luxembourg resident or (ii) such notes are attributable to an enterprise or part thereof which is carried on in Luxembourg through a permanent establishment or (iii) such notes are attributable to a fixed base of business in Luxembourg of the noteholder.

The net wealth tax for Luxembourg resident individual might, under proposals made by the Luxembourg Government, be abolished in the future.

**Inheritance and Gift Tax**

No gift, estate or inheritance taxes is levied on the transfer of the notes upon death of a noteholder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes.

**Other Taxes**

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by noteholders as a consequence of the issuance of the notes, nor will any of these taxes be payable as a consequence of a subsequent transfer, repurchase, redemption or exchange of the notes.

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the notes or in respect of the payment of interest or principal under the notes or the transfer of the notes. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuers, if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services.

**EU Savings Tax Directive**

On June 3, 2003, the European Union has adopted the EU Savings Tax Directive. Subject to a number of important conditions being met, it is proposed that Member States will be required from a date not earlier than July 1, 2005 to provide to the tax authorities of other European Union Member States details of payments of interest and other similar income paid by a paying agent (within the meaning of the Directive) to (or, under certain circumstances, to the benefit of) an individual in another Member State. Austria, Belgium and Luxembourg will instead impose a withholding system for a transitional period unless the beneficiary of the interest payments elects for the exchange of information or presents the relevant tax certificate to the paying agent. The withholding tax rate will initially be 15%, increasing steadily to 20% and to 35%, after respectively 3 and 6 years as from the entry into force of the EU Savings Tax Directive. The ending of such transitional period depends on the conclusion of certain other agreements relating to information exchange with certain other countries.

## Plan of distribution

The exchange offer is not being made to, nor will we accept surrenders of old notes for exchange from, holders of old notes in any jurisdiction in which the exchange offer or the acceptance thereof would not be in compliance with the securities or blue sky laws of such jurisdiction.

This communication is directed solely at persons who (1) are outside the United Kingdom, or (2) are persons falling within Article 43(2)(a) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (all such persons together are referred to as "relevant persons"). This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons.

The distribution of this prospectus and the offer and sale of the new notes may be restricted by law in certain jurisdictions. Persons who come into possession of this prospectus or any of the new notes must inform themselves about and observe any such restrictions. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the new notes or possess or distribute this prospectus and, in connection with any purchase, offer or sale by you of the new notes, must obtain any consent, approval or permission required under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchase, offer or sale.

Under existing SEC interpretations, the new notes will be freely transferable by holders other than our affiliates after the exchange offer without further registration under the Securities Act if the holder of the new notes represents that it is acquiring the new notes in the ordinary course of its business, that it has no arrangement or understanding with any person to participate in the distribution of the new notes and that it is not an affiliate of ours, as such terms are interpreted by the SEC; provided that broker-dealers receiving new notes in the exchange offer will have a prospectus delivery requirement with respect to resales of such new notes. While the SEC has not taken a position with respect to this particular transaction, under existing SEC interpretations relating to transactions structured substantially like this exchange offer, participating broker-dealers may fulfill their prospectus delivery requirements with respect to new notes (other than a resale of an unsold allotment of the notes) with the prospectus contained in the exchange offer registration statement.

Each broker-dealer that receives new notes for its own account in the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new notes received in exchange for old notes where such old notes were acquired as a result of market-making activities or other trading activities. We have agreed that, for a period of 180 days after the registration statement of which this prospectus forms a part is declared effective, or, if earlier, until the date on which broker-dealers have sold their respective allotments of new notes, we will make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale. Any broker-dealers required to use this prospectus and any amendments or supplements to this prospectus for resales of the new notes must notify us of this fact by checking the box on the letter of transmittal, requesting additional copies of these documents.

We will not receive any proceeds from any sales of the new notes by broker-dealers. New notes received by broker-dealers for their own account pursuant to the exchange offer may be sold from time to time in one or more transaction in the over-the-counter market, in negotiated transactions, through the writing of options on the new notes or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or at negotiated prices. Any such resale may be made directly to the purchaser or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from the broker-dealer and/or the purchasers of the new notes. Any broker-dealer that resells the new notes that were received by it for its own account pursuant to the exchange offer and any broker or dealer that participates in a distribution of the new notes may be deemed to be an "underwriter" within the meaning of

the Securities Act of 1933 and any profit on any resale of new notes and any commissions or concessions received by any of those persons may be deemed to be underwriting compensation under the Securities Act. The letter of transmittal states that, by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

For a period of 180 days after the expiration date of the exchange offer, we will promptly send additional copies of this prospectus and any amendment or supplement to this prospectus to any broker-dealer that requests such documents in the letter of transmittal. We have agreed to pay all expenses incident to the exchange offer (including the expenses of one counsel for the holder of the old notes) other than commissions or concessions of any brokers or dealers and will indemnify the holders of the old notes (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

## Legal matters

Certain legal matters with regard to the validity of the new notes and related guarantees will be passed upon for us and the guarantors by Dechert LLP, New York, New York, Dechert Luxembourg, Luxembourg, Dechert, London, England, NautaDutilh N.V., Amsterdam, The Netherlands, Kim & Chang, Seoul, Korea, Lee, Tsai & Partners, Taipei, Taiwan, White & Case LLP, Hong Kong, Squire, Sanders & Dempsey L.L.P., Tokyo, Japan, Conyers Dill & Pearman, Cayman Islands, Harney Westwood & Riegels, British Virgin Islands and Greenberg Traurig, LLP, East Palo Alto, California.

## Experts

Our consolidated financial statements as of December 31, 2003, September 30, 2004, and December 31, 2004, for each of the years ended December 31, 2002, and 2003, for the nine-month period ended September 30, 2004, and for the three-month period ended December 31, 2004, included in this prospectus, have been so included in reliance on the reports of Samil PricewaterhouseCoopers, an independent registered public accounting firm, given on the authority of said firm as experts in accounting and auditing. The address of Samil PricewaterhouseCoopers is Kukje Center Building, 191 Hangangro 2ga, Yongsan-gu, Seoul 140-702, Korea. Samil PricewaterhouseCoopers is a member of the Korean Institute of Certified Public Accountants, and the Korean member firm of PricewaterhouseCoopers. PricewaterhouseCoopers refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

## Where you can find more information

We have filed with the SEC a registration statement on Form S-4 under the Securities Act of 1933, covering the notes to be issued in the exchange offer (Registration No. 333- ). This prospectus, which is a part of the registration statement, does not contain all of the information included in the registration statement. Any statement made in this prospectus concerning the contents of any contract, agreement or other document is not necessarily complete. For further information regarding our company and the notes to be issued in the exchange offer, please reference the registration statement, including its exhibits. If we have filed any contract, agreement or other document as an exhibit to the registration statement, you should read the exhibit for a more complete understanding of the documents or matter involved.

As a result of the exchange offer, we will become subject to the periodic reporting and other informational requirements of the Securities Exchange Act of 1934, as amended. You may read and copy any reports or other information filed by us at the SEC's public reference room at 450 Fifth Street, N.W., Washington, DC 20549. Copies of this material can be obtained from the Public Reference Section of the SEC upon payment of fees prescribed by the SEC. You may call the SEC at 800-SEC-0350 for further information on the operation of the public reference room. Our filings will also be available to the public from commercial document retrieval services and at the SEC Web site at "www.sec.gov." In addition, you may request a copy of any of these filings, at no cost, by writing or telephoning us at the following address or phone number: c/o MagnaChip Semiconductor, Ltd., 891 Daechi-dong, Kangnam-gu, Seoul 135-738, Korea, Attention: General Counsel; the telephone number at that address is 82-2-3459-3691.

If for any reason we are not required to comply with the reporting requirements of the Securities and Exchange Act of 1934, as amended, we are still required under the terms of the indenture, so long as any notes are outstanding, to furnish to the trustee and the holders of the notes, file with the SEC (unless the SEC will not accept such a filing) and post on our website, (i) all quarterly and annual reports that would be required to be filed with the SEC on Forms 10-Q and 10-K if we were required to file such reports, and, with respect to the annual report on Form 10-K only, a report thereon by our certified independent accountants and (ii) all current reports that would be required to be filed with the SEC on Form 8-K if we were required to file such reports, in each case within the time period specified in the rules and regulations of the SEC. In addition, for so long as any of the notes remain outstanding, at any time when we are not required to file reports with the SEC, we have agreed to make available to any holder of the notes, securities analysts and prospective investors, at their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

## Index to financial statements

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Consolidated Balance Sheet**
**April 3, 2005**
**(Unaudited)**

| | | *(in thousands of US dollars, except unit data)* |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ | 35,690 |
| Restricted cash | | 7,316 |
| Accounts receivable, net | | 92,432 |
| Inventories, net | | 72,402 |
| Other current assets | | 18,349 |
| Total current assets | | 226,189 |
| Property, plant and equipment, net | | 566,174 |
| Intangibles, net | | 232,383 |
| Other non-current assets | | 45,170 |
| Total assets | $ | 1,069,916 |
| **Liabilities and Unitholders' equity** | | |
| Current liabilities | | |
| Accounts payable | $ | 64,587 |
| Other accounts payable | | 25,068 |
| Accrued expenses | | 30,464 |
| Other current liabilities | | 9,423 |
| Total current liabilities | | 129,542 |
| Long-term borrowings | | 750,000 |
| Accrued severance benefits, net | | 53,051 |
| Other non-current liabilities | | 11,348 |
| Total liabilities | $ | 943,941 |
| Commitments and contingencies | | |
| Series A redeemable convertible preferred units; 60,000 units authorized, 50,091 units issued and 0 units outstanding | $ | — |
| Series B redeemable convertible preferred units; 550,000 units authorized, 450,693 units issued and 93,997 units outstanding | | 98,929 |
| Total redeemable convertible preferred units | $ | 98,929 |
| Unitholders' equity | | |
| Common units; 65,000,000 units authorized and 52,533,003 units issued and outstanding | $ | 52,533 |
| Additional paid in capital—warrants | | 2,100 |
| Accumulated deficit | | (52,939) |
| Accumulated other comprehensive income | | 25,352 |
| Total unitholders' equity | | 27,046 |
| Total liabilities, redeemable convertible preferred units and unitholders' equity | $ | 1,069,916 |

The accompanying notes are an integral part of these financial statements.

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Consolidated Statement of Operations**
**For the three-month period ended April 3, 2005**
**(Unaudited)**

| | *(in thousands of US dollars, except unit data)* |
|---|---|
| Net sales | $ 213,390 |
| Cost of sales | 187,438 |
| Gross profit | 25,952 |
| Selling, general and administrative expenses | 28,479 |
| Research and development expenses | 26,099 |
| Operating loss | (28,626) |
| Other income (expenses) | |
| Interest income | 239 |
| Interest expense | (14,140) |
| Foreign currency gain | 22,099 |
| Foreign currency loss | (8,498) |
| | (300) |
| Loss before income taxes | (28,926) |
| Income tax expenses | 2,352 |
| Net loss | $ (31,278) |
| Dividends to preferred unitholders | $ 2,395 |
| Net loss attributable to common units | $ (33,673) |
| Net loss per common unit—basic and diluted | $ (0.64) |
| Weighted average number of units—basic and diluted | 52,533,003 |

The accompanying notes are an integral part of these financial statements.

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Consolidated Statement of Changes in Unitholders' Equity**
**For the three-month period ended April 3, 2005**
**(Unaudited)**

| | Common Units | | Additional Paid-In Capital - warrants | Retained Earnings | Accumulated Other Comprehensive Income (loss) | Total |
|---|---|---|---|---|---|---|
| | Units | Amount | | | | |
| | *(in thousands of US dollars, except unit data)* | | | | | |
| **Balance at January 1, 2005** | 52,533,003 | $ 52,533 | $ 2,100 | $ (19,266) | $ 20,505 | $ 55,872 |
| Dividends accrued for Series B redeemable convertible preferred units | | — | — | (2,395) | — | (2,395) |
| Comprehensive income (loss) : | | | | | | |
| Net loss | | — | — | (31,278) | — | (31,278) |
| Foreign currency translation adjustments | | — | — | — | 4,847 | 4,847 |
| Total comprehensive income | | | | | | (26,431) |
| **Balance at April 3, 2005** | 52,533,003 | $ 52,533 | $ 2,100 | $ (52,939) | $ 25,352 | $ 27,046 |

The accompanying notes are an integral part of these financial statements.

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Consolidated Statement of Cash Flows**
**For the three-month period ended April 3, 2005**
**(Unaudited)**

| | | *(in thousands of US dollars)* |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net loss | $ | (31,278) |
| Adjustments to reconcile net loss to net cash provided by operating activities | | |
| Depreciation and amortization | | 55,306 |
| Provision for severance benefits | | 3,656 |
| Amortization of debt issuance costs | | 862 |
| Gain on foreign currency translation, net | | (14,862) |
| Others, net | | 183 |
| Changes in operating assets and liabilities | | |
| Accounts receivable | | (3,544) |
| Inventories | | 14,915 |
| Accounts payable | | (2,602) |
| Other accounts payable | | (67,366) |
| Accrued expenses | | (2,016) |
| Other current assets | | 65,259 |
| Other current liabilities | | (2,201) |
| Payment of severance benefits | | (2,756) |
| Others, net | | (2,672) |
| Net cash provided by operating activities | $ | 10,884 |
| **Cash flows from investing activities** | | |
| Purchases of plant, property and equipment | | (12,444) |
| Purchases of intangibles, net | | (537) |
| Acquisition of business | | (14,581) |
| Decrease in restricted cash | | 5,779 |
| Others, net | | 50 |
| Net cash used in investing activities | $ | (21,733) |
| **Cash flows from financing activities** | | |
| Repayment of short-term borrowings | | (13,556) |
| Debt issuance cost paid | | (363) |
| Net cash used in financing activities | | (13,919) |
| Effect of exchange rates on cash and cash equivalents | | 504 |
| Net decrease in cash and cash equivalents | $ | (24,264) |
| **Cash and cash equivalents** | | |
| Beginning of the period | | 58,396 |
| Net increase (decrease) in cash and cash equivalents from changes of consolidated subsidiaries | | 1,558 |
| End of the period | $ | 35,690 |

The accompanying notes are an integral part of these financial statements.

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Notes to Consolidated Financial Statements**
**April 3, 2005**
**(Unaudited)**

## 1. Basis of Presentation

The accompanying unaudited interim consolidated financial statements of MagnaChip Semiconductor LLC and its subsidiaries (successor company) (the "Company") have been prepared in accordance with Accounting Principles Board ("APB") Opinion No. 28, *Interim Financial Reporting* regarding interim financial information and, accordingly, do not include all of the information and note disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the three-month period ended December 31, 2004, included in this prospectus. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and reflect all adjustments (consisting solely of normal, recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of results for this interim period. The results of operations for the three-month period ended April 3, 2005, are not necessarily indicative of the results that may be expected for the year ending December 31, 2005.

## 2. Inventories

Inventories as of April 3, 2005 consist of the following:

| | | *(in thousands of US dollars)* |
|---|---|---|
| Finished goods | $ | 21,154 |
| Semi-finished goods and work-in-process | | 60,482 |
| Raw materials and supplies | | 4,629 |
| Materials in-transit | | 3,532 |
| Less: valuation allowances | | (17,395) |
| Inventories, net | $ | 72,402 |

## 3. Product Warranties

Accrued warranty liabilities as of April 3, 2005 were as follows:

| | | *(in thousands of US dollars)* |
|---|---|---|
| Balance at January 1, 2005 | $ | 1,448 |
| Accrued warranty reserve | | 1,140 |
| Costs incurred | | (161) |
| Translation adjustments | | 43 |
| Balance at April 3, 2005 | $ | 2,470 |

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Notes to Consolidated Financial Statements—(Continued)**
**April 3, 2005**
**(Unaudited)**

**4. Accrued Severance Benefits**

Changes in accrued severance benefits for the three-month period ended April 3, 2005 are as follows:

| | *(in thousands of US dollars)* |
|---|---|
| Beginning balance | $ 52,925 |
| Provisions | 3,656 |
| Transferred from acquired company | 196 |
| Severance payments | (2,756) |
| Effect of foreign currency translation | 1,216 |
| | 55,237 |
| Less: cumulative contributions to the National Pension Fund | (1,189) |
| group severance insurance plan | (997) |
| Accrued severance benefits, net | $ 53,051 |

The severance benefits are funded approximately 1.81% as of April 3, 2005 through severance insurance deposits for payment of severance benefits, and the account is deducted from accrued severance benefits.

In addition, the Company expects to pay the following future benefits to its employees upon their normal retirement age:

| | *(in thousands of US dollars)* |
|---|---|
| *2005* | $ — |
| *2006* | 51 |
| *2007* | — |
| *2008* | 64 |
| *2009* | 179 |
| *2010 – 2014* | 2,099 |

The above amounts were determined based on the employees' current salary rate and the number of service years that will be accumulated upon their retirement date. These amounts do not include amounts that might be paid to employees that will cease working with the Company before their normal retirement age.

**5. Series B Redeemable Convertible Preferred Units**

Changes in series B redeemable convertible preferred units for the three-month period ended April 3, 2005 are as follows:

| | Series B | |
|---|---|---|
| | Units | Amount |
| | *(in thousands of US dollars, except unit data)* | |
| January 1, 2005 | 93,997 | $ 96,534 |
| Accrual of dividends | | 2,395 |
| April 3, 2005 | 93,997 | $ 98,929 |

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Notes to Consolidated Financial Statements—(Continued)**
**April 3, 2005**
**(Unaudited)**

**6. Earnings per Unit**

The following table sets forth the computation of basic net loss attributable to common unitholders per common unit.

| | *(in thousands of US dollars, except unit data)* |
|---|---|
| Net loss | $ (31,278) |
| Dividends to preferred unitholders | 2,395 |
| Net loss attributable to common units | $ (33,673) |
| Weighted-average common units outstanding | 52,533,003 |
| Net loss per unit—basic | $ (0.64) |

The following outstanding redeemable convertible preferred units issued, options granted and warrants issued were excluded from the computation of diluted net loss per unit as they had antidilutive effects:

| | *(in thousands of units)* |
|---|---|
| Redeemable convertible preferred units | 94 |
| Options | 3,067 |
| Warrants | 5,079 |

**7. Unit-Based Compensation**

On January 5, 2005, the Company granted 478,000 common units and 1,444,500 options to purchase common units to its management and employees, respectively, with exercise prices ranging from $1 to $3 per unit and a vesting term of 25% of the units on September 30, 2005 and 6.25% of the units on the last day of each calendar quarter thereafter according to the resolution at the board of directors' meeting. In addition, 68,000 options to purchase common units granted on January 5, 2005 were subsequently forfeited.

Subsequent to the grants on January 5, 2005, the Company additionally granted 66,000 options to purchase common units to its employees with exercise prices of $2 per unit and a vesting term of 25% of the units on the first anniversary of the grant date and 6.25% of the units on the last day of each calendar quarter thereafter according to the resolution at the board of directors' meeting.

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Notes to Consolidated Financial Statements—(Continued)**
**April 3, 2005**
**(Unaudited)**

The Company accounts for unit-based awards to employees using the intrinsic value method prescribed by Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*, accordingly, no compensation cost was recorded for the three-month period ended April 3, 2005. The Company utilizes the Black-Scholes option valuation model to value options for pro forma presentation of income as if the fair value-based accounting method in SFAS No. 123, *Accounting for Stock-Based Compensation,* had been used to account for unit-based compensation and the Company's net loss would have increased to the pro forma amounts indicated below:

| | *(in thousands of US dollars)* |
|---|---|
| Net loss, as reported for the three-month period ended April 3, 2005 | $ (31,278) |
| Add : Amortization of non-cash deferred unit compensation expense determined under the intrinsic value method as reported in net income, net of related tax effects | — |
| Deduct : Total unit-based employee compensation expense determined under the fair value method for all awards, net of related tax effects | (134) |
| Pro forma net loss for the three-month period ended April 3, 2005 | $ (31,412) |
| Pro forma loss per unit for the three-month period ended April 3, 2005 | $ (0.64) |

The weighted average fair value of options granted during the three-month period ended April 3, 2005 was $0.22.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions (average-weight):

| | |
|---|---|
| Expected life | 2.0 Years |
| Expected volatility | 61.9% |
| Risk-free interest rate | 2.8% |
| Expected dividends | — |

**8. Condensed Consolidating Financial Statement**

The senior secured credit facility and Second Priority Senior Secured Notes are each fully and unconditionally guaranteed by MagnaChip Semiconductor LLC and all of its subsidiaries. The Senior Subordinated Notes are fully and unconditionally guaranteed by MagnaChip Semiconductor LLC and all of its subsidiaries, except for MagnaChip Semiconductor, Ltd. (Korea). Below are the condensed consolidating balance sheets as of April 3, 2005 and the condensed consolidating statements of operations and cash flows for the three-month period ended April 3, 2005 of those entities that guarantee the Senior Subordinated Notes, those that do not, MagnaChip Semiconductor LLC, and the co-issuers.

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Notes to Consolidated Financial Statements—(Continued)**
**April 3, 2005**
**(Unaudited)**

**Condensed Consolidating Balance Sheet**
**April 3, 2005**

| | MagnaChip Semiconductor LLC (Parent) | MagnaChip Semiconductor Finance Company & MagnaChip Semiconductor S.A. (Co-Issuers) | MagnaChip Semiconductor, Ltd. (Korea) (Non-Guarantor) | All other subsidiaries (Guarantors) | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| | | | *(in thousands of US dollars)* | | | |
| **Assets** | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | $ 983 | $ 4,806 | $ 15,026 | $ 14,875 | $ — | $ 35,690 |
| Restricted cash | — | — | 7,316 | — | — | 7,316 |
| Accounts receivable, net | — | — | 98,199 | 44,577 | (50,344) | 92,432 |
| Inventories, net | — | — | 63,587 | 9,730 | (915) | 72,402 |
| Short-term inter-company loans | — | 10,625 | — | 14,000 | (24,625) | — |
| Other current assets | 35,014 | 14,824 | 19,577 | 13,856 | (64,922) | 18,349 |
| Total current assets | 35,997 | 30,255 | 203,705 | 97,038 | (140,806) | 226,189 |
| Property, plant and equipment, net | — | — | 564,964 | 1,210 | — | 566,174 |
| Intangibles, net | — | — | 204,117 | 28,266 | — | 232,383 |
| Investments in subsidiaries | 89,978 | 11,071 | — | 196,331 | (297,380) | — |
| Long-term inter-company loans | — | 787,547 | — | 621,000 | (1,408,547) | — |
| Other non-current assets | — | 21,391 | 48,781 | 3,662 | (28,664) | 45,170 |
| Total assets | $ 125,975 | $ 850,264 | $ 1,021,567 | $ 947,507 | $(1,875,397) | $ 1,069,916 |
| **Liabilities and Unitholders' equity** | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable | $ — | $ — | $ 63,239 | $ 51,692 | $ (50,344) | $ 64,587 |
| Other accounts payable | — | 435 | 56,996 | 3,369 | (35,732) | 25,068 |
| Accrued expenses | — | 10,568 | 31,188 | 14,675 | (25,967) | 30,464 |
| Other current liabilities | — | 27 | 7,230 | 28,038 | (25,872) | 9,423 |
| Total current liabilities | — | 11,030 | 158,653 | 97,774 | (137,915) | 129,542 |
| Long-term borrowings | — | 750,000 | 621,000 | 789,522 | (1,410,522) | 750,000 |
| Accrued severance benefits, net | — | — | 52,839 | 212 | — | 53,051 |
| Other non-current liabilities | — | — | 9,012 | 31,001 | (28,665) | 11,348 |
| Total liabilities | $ — | $ 761,030 | $ 841,504 | $ 918,509 | $(1,577,102) | $ 943,941 |

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Notes to Consolidated Financial Statements—(Continued)**
**April 3, 2005**
**(Unaudited)**

**Condensed Consolidating Balance Sheet**
**April 3, 2005**

| | MagnaChip Semiconductor LLC (Parent) | MagnaChip Semiconductor Finance Company & MagnaChip Semiconductor S.A. (Co-Issuers) | MagnaChip Semiconductor, Ltd. (Korea) (Non-Guarantor) | All other subsidiaries (Guarantors) | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| | | | *(in thousands of US dollars)* | | | |
| Commitments and contingencies | | | | | | |
| Series A redeemable convertible preferred units | $ — | — | — | — | — | $ — |
| Series B redeemable convertible preferred units | 98,929 | — | — | — | — | 98,929 |
| Total redeemable convertible preferred units | $ 98,929 | — | — | — | — | $ 98,929 |
| Unitholders' equity | | | | | | |
| Common units | $ 52,533 | $ 102,985 | $ 38,845 | $ 4,063 | $ (145,893) | $ 52,533 |
| Additional paid-in capital | 2,100 | 1,026 | 155,212 | 57,856 | (214,094) | 2,100 |
| Accumulated deficit | (52,939) | (40,129) | (39,278) | (58,513) | 137,920 | (52,939) |
| Accumulated other comprehensive income | 25,352 | 25,352 | 25,284 | 25,592 | (76,228) | 25,352 |
| Total unitholders' equity | 27,046 | 89,234 | 180,063 | 28,998 | (298,295) | 27,046 |
| Total liabilities, redeemable convertible preferred units and unitholders' equity | $ 125,975 | $ 850,264 | $ 1,021,567 | $ 947,507 | $(1,875,397) | $1,069,916 |

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Notes to Consolidated Financial Statements—(Continued)**
**April 3, 2005**
**(Unaudited)**

**Condensed Consolidating Statement of Operations**
**For the three-month period ended April 3, 2005**

| | MagnaChip Semiconductor LLC (Parent) | MagnaChip Semiconductor Finance Company & MagnaChip Semiconductor S.A. (Co-Issuers) | MagnaChip Semiconductor, Ltd. (Korea) (Non-Guarantor) | All other subsidiaries (Guarantors) | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| | | | *(in thousands of US dollars)* | | | |
| Net sales | $ — | $ — | $ 207,965 | $ 93,622 | $ (88,197) | $ 213,390 |
| Cost of sales | — | — | 186,720 | 89,502 | (88,784) | 187,438 |
| Gross profit | — | — | 21,245 | 4,120 | 587 | 25,952 |
| Selling, general and administrative expenses | 3 | 220 | 25,361 | 2,560 | 335 | 28,479 |
| Research and development expenses | — | — | 26,434 | — | (335) | 26,099 |
| Operating loss | (3) | (220) | (30,550) | 1,560 | 587 | (28,626) |
| Other income (expenses) | 3 | (8,162) | 692 | 7,167 | — | (300) |
| Income before income taxes, equity in earnings (loss) of related equity investment | — | (8,382) | (29,858) | 8,727 | 587 | (28,926) |
| Income tax expense | — | 27 | — | 2,325 | — | 2,352 |
| Income before equity in earnings (loss) of related investment | — | (8,409) | (29,858) | 6,402 | 587 | (31,278) |
| Earnings (loss) of related investment | (31,278) | (23,005) | — | (30,933) | 85,216 | — |
| Net income (loss) | $ (31,278) | $ (31,414) | $ (29,858) | $ (24,531) | $ 85,803 | $ (31,278) |
| Dividends to preferred unitholders | $ 2,395 | — | — | — | — | $ 2,395 |
| Net loss attributable to common units | $ (33,673) | $ (31,414) | $ (29,858) | $ (24,531) | $ 85,803 | $ (33,673) |

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Notes to Consolidated Financial Statements—(Continued)**
**April 3, 2005**
**(Unaudited)**

**Condensed Consolidating Statement of Cash Flow**
**For the three-month period ended April 3, 2005**

| | MagnaChip Semiconductor LLC (Parent) | MagnaChip Semiconductor Finance Company & MagnaChip Semiconductor S.A. (Co-Issuers) | MagnaChip Semiconductor, Ltd. (Korea) (Non-Guarantor) | All other subsidiaries (Guarantor) | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| | | | *(in thousands of US dollars)* | | | |
| **Cash flow from operating activities:** | | | | | | |
| Net loss | $ (31,278) | $ (31,414) | $ (29,858) | $ (24,531) | $ 85,803 | $ (31,278) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities | | | | | | |
| Depreciation and amortization | — | — | 54,974 | 332 | — | 55,306 |
| Provision for severance benefits | — | — | 3,651 | 5 | — | 3,656 |
| Amortization of debt issuance costs | — | 660 | 202 | — | — | 862 |
| Gain on foreign currency translation, net | — | 8,267 | (15,463) | (7,666) | — | (14,862) |
| Loss (earnings) of related investment | 31,278 | 23,005 | — | 30,933 | (85,216) | — |
| Others, net | — | — | 175 | 8 | — | 183 |
| Changes in operating assets and liabilities: | | | | | | |
| Accounts receivable | — | — | 3,061 | (1,691) | (4,914) | (3,544) |
| Inventories | — | — | 15,104 | 411 | (600) | 14,915 |
| Accounts payable | — | — | (2,223) | (5,293) | 4,914 | (2,602) |
| Other accounts payable | (1,162) | 183 | (65,105) | (1,867) | 585 | (67,366) |
| Accrued expenses | — | 9,440 | 565 | 8,002 | (20,023) | (2,016) |
| Other current assets | (241) | (7,371) | 63,491 | (10,058) | 19,438 | 65,259 |
| Other current liabilities | — | 27 | (2,811) | 583 | — | (2,201) |
| Payment of severance benefits | — | — | (2,756) | — | — | (2,756) |
| Others, net | — | — | (31,284) | 28,612 | — | (2,672) |
| Net cash provided by (used in) operating activities | $ (1,403) | $ 2,797 | $ (8,277) | $ 17,780 | $ (13) | $ 10,884 |
| **Cash flows from investing activities:** | | | | | | |
| Purchases of plant, property and equipment | — | — | (12,436) | (8) | — | (12,444) |
| Purchase of intangibles, net | — | — | (537) | — | — | (537) |
| Acquisition of business | — | — | — | (14,581) | — | (14,581) |
| Decrease (increase) of intercompany loans | — | (1,009) | — | (15,010) | 16,019 | — |
| Decrease in restricted cash | — | — | 5,779 | — | — | 5,779 |
| Others, net | — | — | 47 | 3 | — | 50 |
| Net cash used in investing activities | $ — | $ (1,009) | $ (7,147) | $ (29,596) | $ 16,019 | $ (21,733) |

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Notes to Consolidated Financial Statements—(Continued)**
**April 3, 2005**
**(Unaudited)**

**Condensed Consolidating Statement of Cash Flow—(Continued)**
**For the three-month period ended April 3, 2005**

| | MagnaChip Semiconductor LLC (Parent | MagnaChip Semiconductor Finance Company & MagnaChip Semiconductor S.A. (Co-Issuers) | MagnaChip Semiconductor, Ltd. (Korea) (Non-Guarantor) | All other subsidiaries (Guarantor) | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| | | | *(in thousands of US dollars)* | | | |
| **Cash flow from financing activities:** | | | | | | |
| Proceeds from short-term borrowings | — | — | — | 13,898 | (13,898) | — |
| Proceeds from long-term borrowings | — | — | 1,014 | 1,009 | (2,023) | — |
| Repayments of short-term borrowings | — | — | (759) | (12,797) | — | (13,556) |
| Increase of debt issuance cost | — | (183) | (180) | — | — | (363) |
| Net cash provided by (used in) financing activities | $ — | $ (183) | $ 75 | $ 2,110 | $ (15,921) | $ (13,919) |
| Effect of exchange rate on cash and cash equivalents | — | — | 704 | (115) | (85) | 504 |
| Net increase in cash and cash equivalents | $ (1,403) | $ 1,605 | $ (14,645) | $ (9,821) | $ — | $ (24,264) |
| **Cash and cash equivalents:** | | | | | | |
| Beginning of the period | 2,386 | 3,201 | 29,671 | 23,138 | — | 58,396 |
| Net increase in cash and cash equivalent from change of consolidation subsidiaries | — | — | — | 1,558 | — | 1,558 |
| End of the period | $ 983 | $ 4,806 | $ 15,026 | $ 14,875 | $ — | $ 35,690 |

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Consolidated Balance Sheet**
**March 31, 2004**
**(Unaudited)**

| | | *(in thousands of US dollars)* |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Accounts receivable, net | $ | 85,697 |
| Inventories, net | | 93,389 |
| Other current assets | | 12,613 |
| Total current assets | | 191,699 |
| Property, plant and equipment, net | | 505,054 |
| Intangibles, net | | 32,314 |
| Other non-current assets | | 24,894 |
| Total assets | $ | 753,961 |
| **Liabilities and Owners' equity** | | |
| Current liabilities | | |
| Accounts payable | $ | 78,271 |
| Other accounts payable | | 5,159 |
| Short-term borrowings | | 30,158 |
| Accrued expenses | | 23,213 |
| Other current liabilities | | 5,247 |
| Total current liabilities | $ | 142,048 |
| Long-term borrowings | | 383,608 |
| Accrued severance benefits, net | | 43,755 |
| Other non-current liabilities | | 11,925 |
| Total liabilities | $ | 581,336 |
| Commitments and contingencies | | |
| Owners' equity | | |
| Owners' equity | $ | 143,813 |
| Deferred stock compensation | | 5,274 |
| Accumulated other comprehensive income | | 23,538 |
| Total owners' equity | $ | 172,625 |
| Total liabilities and owners' equity | $ | 753,961 |

The accompanying notes are an integral part of these financial statements.

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Consolidated Statement of Operations**
**For the three-month period ended March 31, 2004**
**(Unaudited)**

| | *(in thousands of US dollars)* |
|---|---|
| Net sales | |
| Related party | $ 62,651 |
| Others | 201,155 |
| | 263,806 |
| Cost of sales | 207,752 |
| Gross profit | 56,054 |
| Selling, general and administrative | 19,890 |
| Research and development | 23,922 |
| Operating income | 12,242 |
| Other income (expenses) | |
| Interest expense, net | (7,326) |
| Foreign currency gain | 7,939 |
| Foreign currency loss | (4,131) |
| Others, net | 372 |
| | (3,146) |
| Income before income taxes | 9,096 |
| Income tax expenses | 1,064 |
| Net income | $ 8,032 |

The accompanying notes are an integral part of these financial statements.

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Consolidated Statement of Changes in Owner's Equity**
**For the three-month period ended March 31, 2004**
**(Unaudited)**

| | Owners' Equity | Deferred Stock Compensation | Accumulated Other Comprehensive Income | Total |
|---|---|---|---|---|
| | | *(in thousands of US dollars)* | | |
| **Balance at January 1, 2004** | $135,781 | $ 2,350 | $ 17,183 | $155,314 |
| Comprehensive income: | | | | |
| Net income | 8,032 | — | — | 8,032 |
| Foreign currency translation adjustments | — | — | 6,355 | 6,355 |
| Total comprehensive income | | | | 14,387 |
| Deferred stock compensation | — | 2,924 | — | 2,924 |
| **Balance at March 31, 2004** | $143,813 | $ 5,274 | $ 23,538 | $172,625 |

The accompanying notes are an integral part of these financial statements.

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Consolidated Statement of Cash Flows**
**For the three-month period ended March 31, 2004**
**(Unaudited)**

| | | *(in thousands of US dollars)* |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income | $ | 8,032 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation and amortization | | 81,149 |
| Provision for severance benefits | | 6,449 |
| Gain on foreign currency translation, net | | (3,640) |
| Gain on disposal of property, plant and equipment, net | | (313) |
| Stock compensation expenses | | 2,924 |
| Others, net | | 124 |
| Changes in operating assets and liabilities | | |
| Accounts receivable | | 7,434 |
| Inventories | | (8,773) |
| Accounts payable | | (762) |
| Other account payables | | (375) |
| Accrued expenses | | (3,401) |
| Other current assets | | (727) |
| Other current liabilities | | (857) |
| Payment of severance benefits | | (1,708) |
| Others, net | | 637 |
| Net cash provided by operating activities | $ | 86,193 |
| **Cash flows from investing activities** | | |
| Proceeds from sales of plant, property and equipment | | 412 |
| Purchases of plant, property and equipment | | (16,506) |
| Purchases of intangibles, net | | (689) |
| Others, net | | (232) |
| Net cash used in investing activities | $ | (17,015) |
| **Cash flows from financing activities:** | | |
| Net decrease in short-term borrowings | | (18,820) |
| Net decrease in long-term borrowings | | (50,012) |
| Net cash used in financing activities | | (68,832) |
| Effect of exchange rates on cash and cash equivalents | | (346) |
| Net increase in cash and cash equivalents | $ | — |
| **Cash and cash equivalents:** | | |
| Beginning of the period | | — |
| End of the period | $ | — |

The accompanying notes are an integral part of these financial statements.

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Notes to Consolidated Financial Statements**
**March 31, 2004**
**(Unaudited)**

## 1. Basis of Presentation

On October 6, 2004, MagnaChip Semiconductor LLC and its subsidiaries (the "Company") completed its purchase of the non-memory business (the "Business"), as outlined in the Business Transfer Agreement, as amended (the "BTA") from Hynix Semiconductor, Inc. ("Hynix"), for approximately $757 million in cash, plus 5,079,254 warrants to purchase common equity interests in Magnachip Semiconductor LLC.

The accompanying unaudited interim consolidated (carve-out) financial statements of the Company have been prepared in accordance with Accounting Principles Board ("APB") Opinion No. 28, *Interim Financial Reporting* regarding interim financial information and, accordingly, do not include all of the information and note disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the nine-month period ended September 30, 2004, included in this prospectus. The accompanying consolidated (carve-out) financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and reflect all adjustments (consisting solely of normal, recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of results for this interim period. The results of operations for the three-month period ended March 31, 2004, are not necessarily indicative of the results that may be expected for the year ending December 31, 2004.

## 2. Inventories

Inventories as of March 31, 2004 consist of the following:

| | *(in thousands of US dollars)* |
|---|---|
| Finished goods | $ 23,172 |
| Semi-finished goods and work-in-process | 63,288 |
| Raw materials and supplies | 8,742 |
| Materials in-transit | 5,196 |
| Less: valuation allowances | (7,009) |
| Inventories, net | $ 93,389 |

## 3. Product Warranties

Accrued warranty liabilities as of March 31, 2004 were as follows:

| | *(in thousands of US dollars)* |
|---|---|
| Balance at January 1, 2004 | $ 794 |
| Costs incurred | (380) |
| Period end reduction of accrual | (12) |
| Translation adjustments | 22 |
| Balance at March 31, 2004 | $ 424 |

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Notes to Consolidated Financial Statements—(Continued)**
**March 31, 2004**
**(Unaudited)**

**4. Accrued Severance Benefits**

Changes in accrued severance benefits for the three-month period ended March 31, 2004 are as follows:

| | *(in thousands of US dollars)* |
|---|---|
| Beginning balance | $ 40,015 |
| Provisions | 6,449 |
| Severance payments | (1,708) |
| Effect of foreign currency translation | 1,687 |
| | 46,443 |
| Less: Cumulative contributions to the National Pension Fund | (1,539) |
| Group severance insurance plan | (1,149) |
| Accrued severance benefits, net | $ 43,755 |

The severance benefits are funded approximately 2.47% as of March 31, 2004 through severance insurance deposits for payment of severance benefits, and the account is deducted from accrued severance benefits.

In addition, the Company expects to pay the following future benefits to its employees upon their normal retirement age:

| | *(in thousands of US dollars)* |
|---|---|
| 2005 | $ 44 |
| 2006 | 4 |
| 2007 | 113 |
| 2008 | 61 |
| 2009 | 920 |
| 2010 – 2014 | 2,162 |

The above amounts were determined based on the employees' current salary rate and the number of service years that will be accumulated upon their retirement date. These amounts do not include amounts that might be paid to employees that will cease working with the Company before their normal retirement age.

**5. Stock-Based Compensation**

Employee stock plans are accounted for using the intrinsic value method prescribed by APB Opinion No. 25, *Accounting for Stock Issued to Employees*. The Business utilizes the Black-Scholes option valuation model to value options for pro forma presentation of income as if the fair value-based accounting method in Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock-Based Compensation,* had been used to account for stock-based compensation.

On March 26, 2004, Hynix modified all the outstanding options by reducing the vesting period from three years to two years. As the outstanding options were accounted for as variable awards prior to the modification, they will continue to be accounted for as variable awards after the modification. Any impacts of creating a new measurement date due to the modification of the options are reflected in the stock compensation expense in accordance with APB No. 25 and the pro forma disclosures of SFAS 123.

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Notes to Consolidated Financial Statements—(Continued)**
**March 31, 2004**
**(Unaudited)**

The compensation cost for its performance-based plan was $2,924 thousand for the three-month period ended March 31, 2004. If compensation cost for the Business' stock-based compensation plan was determined based on the fair value at the grant dates for awards under those plans consistent with the method of SFAS No. 123, the Business' net loss would have been increased to the pro forma amounts indicated below.

| | *(in thousands of US dollars)* | |
|---|---|---|
| Net income, as reported for the three-month period ended March 31, 2004 | $ | 8,032 |
| Add: Amortization of non-cash deferred stock compensation expense determined under the intrinsic value method as reported in net loss, net of related tax effects | | 2,924 |
| Deduct: Total stock-based employee compensation expense determined under fair value method for all, awards net of related tax effects | | (941) |
| Pro forma net income for the three-month period ended March 31, 2004 | $ | 10,015 |

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Unitholders of
MagnaChip Semiconductor LLC (Successor Company)

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, of changes in unitholders' equity and of cash flows present fairly, in all material respects, the financial position of MagnaChip Semiconductor LLC and its subsidiaries (successor company) (the "Company") at December 31, 2004, and the results of their operations and their cash flows for the three-month period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

/s/ Samil PricewaterhouseCoopers

Seoul, Korea
June 15, 2005

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Consolidated Balance Sheet**
**December 31, 2004**

| | *(in thousands of US dollars, except unit data)* |
|---|---|
| **Assets** | |
| Current assets | |
| Cash and cash equivalents | $ 58,396 |
| Restricted cash | 12,962 |
| Accounts receivable, net | 86,592 |
| Inventories, net | 86,169 |
| Other receivables | 72,918 |
| Other current assets | 6,915 |
| Total current assets | 323,952 |
| Property, plant and equipment, net | 581,636 |
| Intangibles, net | 211,987 |
| Other non-current assets | 36,955 |
| Total assets | $ 1,154,530 |
| **Liabilities and Unitholders' equity** | |
| Current liabilities | |
| Accounts payable | $ 66,163 |
| Other accounts payable | 86,462 |
| Accrued expenses | 31,413 |
| Income tax payable | 6,987 |
| Other current liabilities | 3,654 |
| Total current liabilities | 194,679 |
| Long-term borrowings | 750,000 |
| Accrued severance benefits, net | 50,714 |
| Other non-current liabilities | 6,731 |
| Total liabilities | $ 1,002,124 |
| Commitments and contingencies | |
| Series A redeemable convertible preferred units; 60,000 units authorized, 50,091 units issued and 0 unit outstanding | $ — |
| Series B redeemable convertible preferred units; 550,000 units authorized, 450,693 units issued and 93,997 units outstanding | 96,534 |
| Total redeemable convertible preferred units | $ 96,534 |
| Unitholders' equity | |
| Common units; 65,000,000 units authorized and 52,533,003 units issued and outstanding | $ 52,533 |
| Additional paid in capital—warrants | 2,100 |
| Accumulated deficit | (19,266) |
| Accumulated other comprehensive income | 20,505 |
| Total unitholders' equity | 55,872 |
| Total liabilities, redeemable convertible preferred units and unitholders' equity | $ 1,154,530 |

The accompanying notes are an integral part of these financial statements.

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Consolidated Statement of Operations**
**For the three-month period ended December 31, 2004**

| | *(in thousands of US dollars, except unit data)* |
|---|---|
| Net sales | $ 243,582 |
| Cost of sales | 204,461 |
| Gross profit | 39,121 |
| Selling, general and administrative expenses | 29,784 |
| Research and development expenses | 22,058 |
| Operating loss | (12,721) |
| Other income (expenses) | |
| Interest income | 710 |
| Interest expense | (17,526) |
| Foreign currency gain | 43,321 |
| Foreign currency loss | (12,884) |
| | 13,621 |
| Income before income taxes | 900 |
| Income tax expenses | 6,725 |
| Net loss | $ (5,825) |
| Dividends to preferred unitholders | $ 13,428 |
| Net loss attributable to common units | $ (19,253) |
| Net loss per common unit—basic and diluted | $ (0.38) |
| Weighted average number of units—basic and diluted | 50,061,910 |

The accompanying notes are an integral part of these financial statements.

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Consolidated Statement of Changes in Unitholders' Equity**
**For the three-month period ended December 31, 2004**

| | Common Units | | Additional Paid-In Capital —warrants | Retained Earnings | Accumulated Other Comprehensive Income (loss) | Total |
|---|---|---|---|---|---|---|
| | Units | Amount | | | | |
| | *(in thousands of US dollars, except unit data)* | | | | | |
| **Balance at October 1, 2004** | 49,713 | $49,713 | $ — | $ (13) | $ (116) | $ 49,584 |
| Issuance of common units | 364 | 364 | — | — | — | 364 |
| Exercise of common options | 2,456 | 2,456 | — | — | — | 2,456 |
| Issuance of warrants in connection with the Acquisition | | — | 2,100 | — | — | 2,100 |
| Payment of accumulated accrued dividends | | — | — | (10,891) | — | (10,891) |
| Dividends accrued for Series B redeemable convertible preferred units | | — | — | (2,537) | — | (2,537) |
| Comprehensive income (loss): | | | | | | |
| Net loss | | — | — | (5,825) | — | (5,825) |
| Foreign currency translation adjustments | | — | — | — | 20,621 | 20,621 |
| Total comprehensive income | | | | | | 14,796 |
| **Balance at December 31 , 2004** | 52,533 | $52,533 | $ 2,100 | $(19,266) | $ 20,505 | $ 55,872 |

The accompanying notes are an integral part of these financial statements.

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Consolidated Statement of Cash Flows**
**For the three-month period ended December 31, 2004**

| | | *(in thousands of US dollars)* |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net loss | $ | (5,825) |
| Adjustments to reconcile net loss to net cash used in operating activities | | |
| Depreciation and amortization | | 45,855 |
| Provision for severance benefits | | 3,397 |
| Amortization of debt issuance costs | | 4,411 |
| Gain on foreign currency translation | | (33,263) |
| Others, net | | 301 |
| Changes in operating assets and liabilities | | |
| Accounts receivable | | (43,270) |
| Other receivables | | (56,917) |
| Inventories | | 36,513 |
| Accounts payable | | (33,061) |
| Other accounts payable | | 81,509 |
| Accrued expenses | | 17,711 |
| Other current assets | | (6,009) |
| Other current liabilities | | 9,842 |
| Payment of severance benefits | | (2,898) |
| Others, net | | (1,011) |
| Net cash used in operating activities | $ | 17,285 |
| **Cash flows from investing activities** | | |
| Purchases of plant, property and equipment | | (23,346) |
| Purchases of intangibles, net | | (108) |
| Acquisition of business | | (488,152) |
| Increase in restricted cash | | (12,350) |
| Others, net | | (2,027) |
| Net cash used in investing activities | $ | (525,983) |
| **Cash flows from financing activities** | | |
| Proceeds from issuance of Senior Secured and Subordinated Notes | | 750,000 |
| Proceeds from long-term borrowings | | 45,867 |
| Debt issuance costs paid | | (27,635) |
| Issuance of common units | | 2,820 |
| Issuance of redeemable convertible preferred units | | 3,636 |
| Prepayment of long term borrowings | | (347,718) |
| Redemption of redeemable convertible preferred units | | (406,786) |
| Payment of preferred dividends | | (10,891) |
| Others, net | | 704 |
| Net cash used in financing activities | | 9,997 |
| Effect of exchange rates on cash and cash equivalents | | 10,217 |
| Net decrease in cash and cash equivalents | $ | (488,484) |
| **Cash and cash equivalents** | | |
| Beginning of year | | 546,880 |
| End of year | $ | 58,396 |
| **Supplemental cash flow information** | | |
| Cash paid for interest | $ | 11,862 |
| Cash paid for income taxes | $ | 76 |

The accompanying notes are an integral part of these financial statements.

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Notes to Consolidated Financial Statements**
**December 31, 2004**

## 1. General

### The Company

MagnaChip Semiconductor LLC was created on November 26, 2003 and was capitalized on September 10, 2004, with the issuance of 60,822 common units for total cash and stock consideration of $61 thousand. It was created with the sole purpose of acquiring the non-memory business (the "Business") of Hynix Semiconductor, Inc ("Hynix"), which acquisition was completed with effect from October 1, 2004 (the "Acquisition"). On September 23, 2004, the Company issued 49,727 Series A redeemable convertible preferred units and 447,420 series B redeemable convertible preferred units, for a total cash consideration of $49,727 thousand and $447,420 thousand respectively. During the period from November 26, 2003 through October 1, 2004, MagnaChip Semiconductor LLC owned no assets or liabilities, other than the cash raised from its equity offerings in preparation for the Acquisition and the stock of its holding company and acquisition subsidiaries. In addition, during this period, MagnaChip Semiconductor LLC had no operations other than interest income from the cash totaling $22 thousand, and various bank fees and administrative expenses incurred in connection with its formation and the formation of its subsidiaries totaling $35 thousand. The accumulated other comprehensive income of $116 thousand was generated by the translation of the portion of the assets described above in its two consolidated subsidiaries at October 1, 2004, MagnaChip Semiconductor S.A. and MagnaChip Semiconductor B.V. At October 1, 2004, MagnaChip Semiconductor S.A. and MagnaChip Semiconductor B.V. were holding companies, with no significant operations, assets or liabilities other than holding some cash raised in the equity offerings.

MagnaChip Semiconductor LLC and its subsidiaries (successor company) (the "Company") is a designer, developer and manufacturer of mixed-signal and digital multimedia semiconductors addressing the convergence of consumer electronics and communications devices. The Company has five wafer fabrication facilities located in Cheongju and Gumi in the Republic of Korea.

## 2. Summary of Significant Accounting Policies

### Basis of Presentation

The consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Significant accounting policies followed by the Company in the preparation of the accompanying financial statements are summarized below.

### Principles of Consolidation

The consolidated financial statements include the accounts of MagnaChip Semiconductor LLC and its wholly-owned subsidiaries. All significant intercompany transactions and balances are eliminated in consolidation.

### Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the accompanying financial statements and disclosures. The most significant estimates and assumptions relate to the useful life of property, plant and equipment, allowance for uncollectible accounts receivable, contingent liabilities, inventory valuation and impairment of long-lived assets. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results may be different from the estimates.

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Notes to Consolidated Financial Statements—(Continued)**
**December 31, 2004**

**Foreign Currency Translation**

MagnaChip Semiconductor LLC and the majority of its subsidiaries uses their local currency as their functional currencies, while its subsidiaries in Luxembourg, the Netherlands and the United Kingdom use the U.S. dollar as their functional currencies. The financial statements of the subsidiaries are translated into the U.S. dollar in accordance with Statements of Financial Accounting Standards ("SFAS") 52, *Foreign Currency Translation*. All the assets and liabilities are translated to the U.S. dollar at the end-of-period exchange rates. Capital accounts are determined to be of a permanent nature and are translated using historical exchange rates. Revenues and expenses are translated using average exchange rates. Foreign currency translation adjustments arising from differences in exchange rates from period to period are included in the foreign currency translation adjustment account in accumulated comprehensive income (loss) of unitholders' equity. Transactions in currencies other than the functional currency are included as a component of other income (expenses) in the statement of operations.

**Cash and Cash Equivalents**

Cash equivalents consist of highly liquid investments with an original maturity date of three months or less. Restricted cash includes amounts placed in deposits at Korean banks, subject to certain withdrawal restraints for government grants, other payables and checking accounts plus amounts pledged as collateral for the Second Priority Senior Secured Notes and the senior secured credit facility.

**Accounts receivable reserves**

An allowance for doubtful accounts is provided based on the aggregate estimated collectibility of their accounts receivable. The Company records an allowance for cash returns, presented within accounts receivable, based on the historical experience of the amount of goods that will be returned and refunded. In addition, the company also includes in accounts receivable, an allowance for additional products that may have to be provided, free of charge, to compensate customers for products that do not meet previously agreed yield criteria, the low yield compensative reserve.

**Inventories**

Inventories are stated at the lower of cost or market, using the average method, which approximates the first in, first out method. If net realizable value is less than cost at the balance sheet date, the carrying amount is reduced to the realizable value, and the difference is recognized as a loss on valuation of inventories. Inventory reserves are established when conditions indicate that the net realizable value is less than cost due to physical deterioration, obsolescence, changes in price levels, or other causes. Reserves are also established for excess inventory based on inventory levels in excess of six months of demand, as judged by management, for each specific product.

**Property, Plant and Equipment**

Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as set forth below.

| | |
|---|---|
| Buildings | 30 – 40 years |
| Building related structures | 10 – 20 years |
| Machinery and equipment | 5 – 10 years |
| Vehicles and others | 5 years |

Routine maintenance and repairs are charged to expense as incurred. Expenditures that enhance the value or significantly extend the useful lives of the related assets are capitalized.

Borrowing costs incurred during the construction period of assets are capitalized as part of the related assets.

**Impairment of Long-Lived Assets**

The Company reviews property, plant and equipment and other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability is measured by comparison of its carrying amount with the future net cash flows the assets are expected to generate. If such assets are considered to be impaired, the impaired amount is measured as the amount by which the carrying amount of the asset exceeds the present value of the future net cash flows generated by the respective long-lived assets.

**Lease Transactions**

The Company accounts for lease transactions as either operating leases or capital leases, depending on the terms of the underlying lease agreements. Machinery and equipment acquired under capital lease agreements are recorded at cost as property, plant and equipment and depreciated using the straight-line method over their estimated useful lives. In addition, the aggregate lease payments are recorded as capital lease obligations, net of unaccrued interest. Interest is amortized over the lease period using the effective interest rate method. Leases that do not qualify as capital leases are classified as operating leases, and the related rental payments are expensed on a straight-line basis over the lease term.

**Software**

The Company capitalizes certain external costs that are incurred to purchase and implement internal-use computer software. Direct costs relating to the development of software for internal use are capitalized after technological feasibility has been established, in accordance with Statement Of Position No. 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. Depreciation is calculated on a straight line basis over five years.

**Intangibles**

Intangibles acquired from Hynix include technology and customer relationships which are amortized on a straight-line basis over periods ranging from 4 to 8 years. Other intellectual property assets acquired represent rights under patents, trademarks and property use rights and are amortized over the periods of benefit, ranging up to 10 years, on a straight-line basis.

**Fair Value Disclosures of Financial Instruments**

The estimated fair value of financial instruments is determined by the Company, using available market information and valuation methodologies considered to be appropriate. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies could have a significant effect on the estimated fair value amounts. Carrying amounts of accounts receivable and accounts payable approximate fair value due to the short maturity of these financial instruments.

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Notes to Consolidated Financial Statements—(Continued)**
**December 31, 2004**

**Accrued Severance Benefits**

Employees with one or more years of service are entitled to receive a lump-sum payment upon termination of their employment with the Company, based on their length of employment and rate of pay at the time of termination. The accrual for the severance liability approximates the amount that would be payable assuming all eligible employees were to terminate their employment at the balance sheet date.

Accrued severance benefits are funded through a group severance insurance plan. The amounts funded under this insurance plan are classified as a deduction to the accrued severance benefits. Subsequent accruals are to be funded at the discretion of the Company.

In accordance with the National Pension Act of the Republic of Korea, a certain portion of accrued severance benefits is deposited with the National Pension Fund and deducted from the accrued severance benefits. The contributed amount is refunded to employees from the National Pension Fund upon their retirement.

**Revenue Recognition**

Product revenue is primarily recognized upon shipment, when persuasive evidence of a sales arrangement exists, the price is fixed or determinable, title has transferred and collection of resulting receivables is reasonably assured or probable. For certain distributors, standard products are sold to the distributors subject to specific rights to return products, in these situations, revenue recognition is deferred until the distributor sells the product to a third party. All amounts billed to a customer related to shipping and handling are classified as sales while all costs incurred by the Company for shipping and handling are classified as selling expenses amounting to $412 thousand for the three-month period ended December 31, 2004.

**Advertising**

The Company expenses advertising costs as incurred. Advertising expense was approximately $173 thousand for the three-month period ended December 31, 2004.

**Product Warranties**

The Company records warranty liabilities for the estimated costs that may be incurred under its basic limited warranty included in other current liabilities. This warranty covers defective products and is normally applicable for 12 months from the date of purchase and these liabilities are accrued when product revenues are recognized. Warranty costs include the costs to replace the defective product. Factors that affect the Company's warranty liability include historical and anticipated rate of warranty claims on those repairs and cost per claim to satisfy the Company's warranty obligation. As these factors are impacted by actual experience and future expectations, the Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

Accrued warranty liabilities as of December 31, 2004 were as follows:

| | *(in thousands of US dollars)* |
|---|---|
| Balance at October 1, 2004 | $ 2,677 |
| Costs incurred | (477) |
| Year end reduction of accrual | (977) |
| Translation adjustments | 225 |
| Balance at December 31, 2004 | $ 1,448 |

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Notes to Consolidated Financial Statements—(Continued)**
**December 31, 2004**

**Research and Development**

Research and development costs are expensed as incurred and include employee salaries, contractor fees, building costs, utilities, and administrative expenses.

**Government Grants**

Grants received from the Korean government to assist with specific research and development activities, are recognized in the statement of operations as a credit to research and development expenses, in the period in which the related expense is incurred, to the extent that they are non-refundable. Grants from the Korean government recognized as a reduction of research and development expenses were $3,265 thousand, for the three-month period ended December 31, 2004.

**Licensed Patents and Technologies**

The Company has entered into a number of royalty agreements to license patents and technology used in the design and manufacture of its products. The payments under these agreements include an initial payment to acquire the rights, and a royalty payment, calculated based upon the sales of the related products. The initial payment, usually paid in installments, represents a non-refundable commitment, such that the total present value of these payments is recorded as a liability upon execution of the agreement, and the costs are deferred over the period of the agreement. The royalty payments are charged to the statement of operations as incurred.

**Unit-Based Compensation**

Employee unit plans are accounted for using the intrinsic value method prescribed by Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees.* Under this method, the Company's grants of options to purchase common units were granted at the exercise price equal to the fair market value of the underlying unit price on the date of grant and accordingly, no compensation cost was recorded for the three-month period ended December 31, 2004.

The Company utilizes the Black-Scholes option valuation model to value options for pro forma presentation of income as if the fair value-based accounting method in SFAS No. 123, *Accounting for Stock-Based Compensation,* had been used to account for unit-based compensation and the Company's net loss would have increased to the pro forma amounts indicated below.

| | | *(in thousands of US dollars)* |
|---|---|---|
| Net loss, as reported for the three-month period ended December 31, 2004 | $ | (5,825) |
| Add : Amortization of non-cash deferred unit compensation expense determined under the intrinsic value method as reported in net income, net of related tax effects | | — |
| Deduct : Total unit-based employee compensation expense determined under the fair value method for all awards, net of related tax effects | | (995) |
| Pro forma net loss for the three-month period ended December 31, 2004 | $ | (6,820) |
| Pro forma loss per unit for the three-month period ended December 31, 2004 | $ | (0.40) |

The weighted average fair value of options granted during the three-month period ended December 31, 2004 was $0.38.

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Notes to Consolidated Financial Statements—(Continued)**
**December 31, 2004**

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions (average-weight):

| | |
|---|---|
| Expected life | 2.2 Years |
| Expected volatility | 64.8% |
| Risk-free interest rate | 2.6% |
| Expected dividends | — |

**Earnings per Unit**

In accordance with SFAS No. 128, *Earnings Per Share*, the Company computes basic earnings per unit by dividing net income available to common unitholders by the weighted average number of common units outstanding during the period, which would include, to the extent their effect is dilutive: redeemable convertible preferred units, options and warrants. Diluted earnings per share reflect the dilution of potential common units outstanding during the period. In determining the hypothetical units repurchased, the Company uses the average unit price for the period.

**Income Taxes**

MagnaChip Semiconductor LLC has elected to be treated as a partnership for U.S. federal income tax purposes, and therefore is not subject to income taxes on its income. Taxes on its income are the responsibility of the individual equity owners of MagnaChip Semiconductor LLC. The Company is subject to local income taxes in the jurisdictions in which it operates.

The Company accounts for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes*. SFAS No. 109 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in a company's financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based upon the difference between the financial statement carrying amounts and the tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable for the period and the change during the period in deferred tax assets and liabilities.

**Concentration of Credit Risk**

The Company performs periodic credit evaluations of their customers' financial condition and generally does not require collateral for customers on accounts receivable. The Company maintains reserves for potential credit losses, but historically has not experienced significant losses related to individual customers or groups of customers in any particular industry or geographic area. The Company derives a substantial portion of its revenues from export sales through its subsidiaries in Asia, North America and Europe.

A substantial portion of the components necessary for the manufacture and operation of the Company's products are obtained from Hynix and its affiliates. The disruption or termination of any of these sources could have a material adverse effect on the Company's operating results and financial condition.

**Recent Accounting Pronouncements**

In December 2004, the FASB issued FAS 123(R), *Share-Based Payment (revised 2004)*. This revision effects current practice in a number of ways, including the elimination of the alternative to use the intrinsic value

method of accounting from Accounting Principles Board ("APB") Opinion No. 25 that was provided in FASB Statement No. 123 as originally issued. This statement will be effective for the Company on January 1, 2006, and the Company is evaluating the impacts of this proposed FASB Statement on its financial statements.

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs* an amendment of Accounting Research Bulletin ("ARB") No. 43, Chapter 4. This Statement amends the guidance in ARB No. 43, Chapter 4, *Inventory Pricing*, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage), and requires that allocation of fixed production overhead to the costs of conversion be based on the normal capacity of the production facilities. This statement is effective date for the Company on January 1, 2005, and the Company is evaluating the impacts of this proposed FASB Statement on its financial statements.

In May 2005, the FASB issued SFAS 154, *Accounting Changes and Error Corrections a replacement of APB Opinion No. 20 and FASB Statement No. 3*. This Statement replaces APB Opinion No. 20, *Accounting Changes,* and FASB Statement No. 3, *Reporting Accounting Changes in Interim Financial Statements,* and changes the requirements for the accounting for and reporting of a change in accounting principle. This Statement requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. This standard is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of this standard will have no effect on the Company's financial position and results of operation as no accounting changes or errors have occurred in the current period.

**3. The Acquisition**

On October 6, 2004, the Company completed its purchase of the non-memory business of Hynix for cash and liabilities assumed, plus 5,079,254 warrants to purchase common equity interests in MagnaChip Semiconductor LLC, valued by independent valuation. This acquisition was accounted for as a purchase as summarized below:

| | *(in thousands of US dollars)* |
|---|---|
| Purchase consideration: | |
| Cash | $ 469,233 |
| Loan assumed | 285,807 |
| Warrants to purchase common units | 2,100 |
| | 757,140 |
| Fair value of assets and liabilities acquired: | |
| Current assets | (173,517) |
| Non-current assets | (749,380) |
| Current liabilities | 119,262 |
| Non-current liabilities | 46,495 |
| | $ — |

The Company obtained an independent valuation of the acquired property, plant and equipment and the acquired intangibles, to ascertain the fair value of these assets, and in addition, applied adjustments to the book value of the other assets and liabilities transferred from Hynix to calculate the total fair value of the assets and liabilities acquired.

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Notes to Consolidated Financial Statements—(Continued)**
**December 31, 2004**

The aggregate fair values obtained exceeded the total purchase consideration of $757,140 thousand, and this difference was applied to the Company's intangible and non-current tangible assets on a pro-rata basis, such that the adjusted fair value of the assets and liabilities acquired equaled the total purchase consideration, with no residual negative goodwill.

**4. Accounts Receivable**

Accounts receivable as of December 31, 2004 consist of the following:

| | *(in thousands of US dollars)* |
|---|---|
| Accounts receivable | $ 77,778 |
| Notes receivable | 14,264 |
| Less: | |
| Allowances for doubtful accounts | (383) |
| Cash return reserve | (2,156) |
| Low yield compensation reserve | (2,911) |
| Accounts receivable, net | $ 86,592 |

The Company recognized bad debt expenses amounting to $340 thousand for the three-month period ended December 31, 2004. In addition, the Company additionally reserved $3,660 thousand for cash return and $2,260 thousand for low yield compensation reserves.

**5. Inventories**

Inventories as of December 31, 2004 consist of the following:

| | *(in thousands of US dollars)* |
|---|---|
| Finished goods | $ 27,176 |
| Merchandise | 1,255 |
| Semi-finished goods and work-in-process | 55,563 |
| Raw materials and supplies | 7,599 |
| Materials in-transit | 850 |
| Less: valuation allowances | (6,274) |
| Inventories, net | $ 86,169 |

The Company recognized a loss on valuation of inventories amounting to $5,956 thousand for the three-month period ended December 31, 2004. In addition, the Company wrote off $384 thousand of inventories during the three-month period ended December 31, 2004.

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Notes to Consolidated Financial Statements—(Continued)**
**December 31, 2004**

**6. Property, Plant and Equipment**

Property, plant and equipment as of December 31, 2004 consist of the following:

| | | *(in thousands of US dollars)* |
|---|---|---|
| Buildings and related structures | $ | 143,007 |
| Machinery and equipment | | 437,973 |
| Vehicles and others | | 21,037 |
| | | 602,017 |
| Less: accumulated depreciation | | (36,265) |
| Land | | 11,214 |
| Construction in-progress | | 4,670 |
| Property, plant and equipment, net | $ | 581,636 |

Aggregate depreciation expenses for the three-month period ended December 31, 2004 is $34,421 thousand and capitalized interest costs for the three-month period ended December 31, 2004 amount to $53 thousand.

Property, plant and equipment are pledged as collateral for the senior secured credit facility and the Second Priority Senior Secured Notes.

**7. Intangibles**

Intangibles as of December 31, 2004 are as follows:

| | | *(in thousands of US dollars)* |
|---|---|---|
| Technology | $ | 26,343 |
| Customer relationships | | 188,808 |
| Intellectual property assets | | 8,885 |
| Less: accumulated amortization | | (12,049) |
| Intangibles, net | $ | 211,987 |

Aggregate amortization expense for intangibles for the three-month period ended December 31, 2004 was $11,434 thousand. The estimated aggregate amortization expense for intangibles for the next five years is $37,949 thousand in 2005, $33,546 thousand in 2006, $33,546 thousand in 2007, $30,750 thousand in 2008 and $22,362 thousand in 2009.

Intangibles are pledged as collateral for the senior secured credit facility and the Second Priority Senior Secured Notes.

**8. Short-Term and Long-Term Borrowings**

On October 6, 2004, as part of the terms of the Acquisition, the Company assumed $285,807 thousand of debt held by Hynix. This debt consisted of a $91,015 thousand 7.0% term loan due 2009 and a $194,792 thousand 7.5% term loan due 2011. This debt remained outstanding until December 24, 2004.

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Notes to Consolidated Financial Statements—(Continued)**
**December 31, 2004**

On December 23, 2004, two of the Company's subsidiaries, MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company issued $500 million aggregate principal amount of Second Priority Senior Secured Notes consisting of $300 million aggregate principal amount of Floating Rate Second Priority Senior Secured Notes and $200 million aggregate principal amount of 6 7/8% Second Priority Senior Secured Notes. At the same time, these subsidiaries issued $250 million aggregate principal amount of 8% Senior Subordinated Notes.

Concurrently with the issuance of the Second Priority Senior Secured Notes, the Company entered into a new senior credit agreement with a syndicate of banks, financial institutions and other entities providing for $100 million senior secured revolving credit facility.

Details of short-term and long-term borrowings as of December 31, 2004 are as follows:

| | Maturity | Annual interest rate (%) | 2004 |
|---|---|---|---|
| | | *(in thousands of US dollars)* | |
| Short-term borrowings: | | | |
| Banker's Usance | | 1.0 ~ 1.55 | $ 749 |
| | | | $ 749 |
| Long-term borrowings: | | | |
| Floating Rate Second Priority Senior | | 3 Month LIBOR | $ 300,000 |
| Secured Notes | 2011 | + 3.25 | 200,000 |
| 6 7/8% Second Priority Senior Secured Notes | 2011 | 6.88 | 250,000 |
| 8% Senior Subordinated Notes | 2014 | 8.00 | 750,000 |
| Less: current portion | | | — |
| | | | $ 750,000 |

The senior secured revolving credit facility and Second Priority Senior Secured Notes are collateralized by substantially all of the assets of the Company.

Each indenture governing the notes contains covenants that limit the ability of MagnaChip Semiconductor LLC and its subsidiaries to i) incur additional indebtedness, ii) pay dividends or make other distributions on its capital stock or repurchase, repay or redeem its capital stock, iii) make certain investments iv) incur liens v) enter into certain types of transactions with affiliates, vi) create restrictions on the payment of dividends or other amounts to MagnaChip Semiconductor LLC by its subsidiaries and vii) sell all or substantially all of its assets or merge with or into other companies. There was no breach of covenants as of December 31, 2004.

Borrowings under the senior secured credit facility are subject to significant conditions, including compliance with financial ratios and the absence of any material adverse change.

MagnaChip Semiconductor LLC and all of its subsidiaries as of December 31, 2004 jointly and severally guarantee each series of the Second Priority Senior Secured Notes on a second priority senior secured basis. MagnaChip Semiconductor LLC and its subsidiaries as of December 31, 2004, except MagnaChip Semiconductor Ltd. (Korea) ("MSK"), jointly and severally guarantee the Senior Subordinated Notes on an unsecured, senior subordinated basis. In addition, MagnaChip Semiconductor LLC and each of its current and future direct and indirect subsidiaries (subject to certain exceptions) will be guarantors of the senior secured credit facility and Second Priority Senior Secured Notes and Senior Subordinated Notes.

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Notes to Consolidated Financial Statements—(Continued)**
**December 31, 2004**

On December 24, 2004, the Company prepaid the assumed loan from Hynix held by Korean lenders of $249,375 thousand, and the obligations of the Company with the respect to the loans held by non-Korean lenders were discharged in full. However the loans held by a Korean lender, which purchased all of the rights, benefits and interests from the non-Korean lenders, totaling $98,343 thousand were not paid, but offset against its bank deposits held due to the Foreign Exchange Transactions Act of the Republic of Korea. This loan will be paid on October 7, 2005.

In connection with the issuance of the notes and entering into the credit facility on December 23, 2004, the Company capitalized $27,812 thousand of financing fees, which are being amortized using the interest method and straight-line method over their respective terms, 2009 to 2014, of which $167 thousand were amortized for the three-month period ended December 31, 2004. In addition, in connection with the repayment of the assumed debt from Hynix, the Company wrote off $4,084 thousand of previously capitalized financing fees. These amounts have all been included in interest expense in the accompanying statement of operations.

**9. Accrued Severance Benefits**

Changes in accrued severance benefits for the three-month period ended December 31, 2004 are as follows:

| | 2004 |
|---|---|
| | *(in thousands of US dollars)* |
| Beginning balance | $ 47,082 |
| Provisions | 3,397 |
| Severance payments | (2,898) |
| Effect of foreign currency translation | 5,344 |
| | 52,925 |
| Less: cumulative contributions to the National Pension Fund | (1,234) |
| group severance insurance plan | (977) |
| Accrued severance benefits, net | $ 50,714 |

The severance benefits are funded approximately 1.85% as of December 31, 2004, through severance insurance deposit for payment of severance benefits, and the account is deducted from accrued severance benefits.

In addition, the Company expects to pay the following future benefits to its employees upon their normal retirement age:

| | *(in thousands of US dollars)* |
|---|---|
| 2005 | $ 39 |
| 2006 | — |
| 2007 | 49 |
| 2008 | 153 |
| 2009 | 105 |
| 2010 – 2014 | 3,833 |

The above amounts were determined based on the employees' current salary rate and the number of service years that will be accumulated upon their retirement date. These amounts do not include amounts that might be paid to employees that will cease working with the Company before their normal retirement age.

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Notes to Consolidated Financial Statements—(Continued)**
**December 31, 2004**

**10. Redeemable Convertible Preferred Units**

The Company issued 49,727 units as Series A redeemable convertible preferred units (the "Series A units") and 447,420 units as Series B redeemable convertible preferred units (the "Series B units") on September 23, 2004 and additionally issued 364 Series A units and 3,272 Series B units on November 30, 2004 respectively. All of the Series A units were redeemed for cash on December 27, 2004 and most of the Series B units were redeemed for cash on December 15, 2004 and December 27, 2004 as follows:

| | Series A | | Series B | | |
|---|---|---|---|---|---|
| | Units | Amount | Units | Amount | Total Amount |
| | *(in thousands of US dollars except for unit data)* | | | | |
| Issuance on September 23, 2004 | 49,727 | $ 49,727 | 447,420 | $ 447,420 | $ 497,147 |
| September 30, 2004 | 49,727 | $ 49,727 | 447,420 | $ 447,420 | $ 497,147 |
| Issuance on November 30, 2004 | 364 | 364 | 3,272 | 3,272 | 3,636 |
| Accrual of dividends at December 15, 2004 | — | 1,585 | — | 1,105 | 2,690 |
| Redemption on December 15, 2004 | — | — | (48,895) | (50,000) | (50,000) |
| Accrual of dividends at December 27, 2004 | — | 231 | — | 7,970 | 8,201 |
| Redemption on December 27, 2004 | (50,091) | (51,907) | (307,800) | (315,770) | (367,677) |
| Accrual of dividends at December 31, 2004 | — | — | — | 2,537 | 2,537 |
| December 31, 2004 | — | $ — | 93,997 | $ 96,534 | $ 96,534 |

There were no Series A units outstanding as of December 31, 2004. The Series B units outstanding as of December 31, 2004 are presented between liabilities and unitholders' equity in the accompanying balance sheets as they contain characteristics of both liabilities and equity according to the Securities and Exchange Commission's Accounting Series Release No. 268, *Presentation in Financial Statements of "Redeemable Preferred Stock"* and EITF Topic D-98*, "Classification and Measurement of Redeemable Securities*".

***Conversion***

The outstanding Series A units and Series B units are convertible, in whole or in part, into common equity interests upon or concurrently with the first public offering of the common equity interests of Magnachip Semiconductor LLC at MagnaChip Semiconductor LLC's option or the holder's option based on a formula, represented by the conversion ratio. The conversion ratio for the Series A and B units is an amount equal to the original issue price per unit plus an amount per unit equal to full cumulative dividends accrued and unpaid to the date of the consummation of the first public offering, divided by the per common equity interest price to the public in MagnaChip Semiconductor LLC's first public offering.

***Dividends***

Holders of Series A and B units shall receive dividends which are cumulative, whether or not earned or declared by the board of directors. The cumulative cash dividends accrue at the rate of 14% and 10% respectively per unit per annum on the Series A and B units original issue price, compounded semi-annually. Such dividends shall be payable in semi-annual installments in arrears commencing March 15, 2005.

***Liquidation***

In the event of liquidation, the holders of Series A and B units are entitled to receive, out of the assets of MagnaChip Semiconductor LLC legally available for distribution to its members, whether from capital, surplus

or earnings, an amount equal to the original issue price of the Series A or Series B units, as applicable, in cash per unit plus an amount equal to full cumulative dividends accrued and unpaid thereon to the date of final distribution, respectively, and no more before any amount shall be paid to the holders of any other class of equity security ranking junior to such units (in the case of the Series A units, the Series B units and the common units rank junior, and, in the case of the Series B units, the common units rank junior). If the net assets of MagnaChip Semiconductor LLC shall be insufficient to pay the holders of all outstanding Series A or B units and of any units ranking on a parity with the Series A or B units, as the case may be, the full amounts to which they respectively shall be entitled, such assets, or the proceeds thereof, shall be distributed ratably among the holders of the Series A units on the one hand and the Series B units on the other hand and any units ranking on a parity with the Series A or B units respectively, in accordance with the amounts which would be payable on such distribution if the amount to which the holders of the Series A or B units and any units ranking on a parity with the Series A or B units, respectively are entitled were paid in full.

***Voting***

Generally, except in the case of proposed changes to the dividends payable or in the case of changes to MagnaChip Semiconductor LLC's limited liability company operating agreement that adversely affect the relative rights and preferences of the Series A or Series B units, the Series A or Series B units, as the case may be, are not entitled to vote on any matter submitted to a vote of the members. On any matters on which the holders of the Series A or Series B units, as applicable, are entitled to vote, they are entitled to one vote for each unit held and the vote of the majority of outstanding units is required to take action.

***Redemption***

If any outstanding Series A or B units remain outstanding on the 9th and 14th anniversary, respectively, after issuance of the Series A or B units, then the holders of a majority of the then outstanding Series A or B units (as applicable) shall have the right to elect to have MagnaChip Semiconductor LLC redeem all outstanding Series A or B units (as applicable) from funds legally available, at a price per unit equal to $1,000 plus an amount per unit equal to full cumulative dividends accrued and unpaid thereon to the redemption date.

Also the Series A and B units may be redeemed from funds legally available, in whole or in part, at the election of MagnaChip Semiconductor LLC, expressed by resolution of the board of directors, at any time and from time to time at a price of $1,000 per unit plus any cumulative dividends accrued and unpaid.

**11. Warrants**

In connection with the Acquisition, MagnaChip Semiconductor LLC issued a warrant, which is recorded as additional paid in capital, to Hynix, which enables Hynix to purchase 5,079,254 common units in MagnaChip Semiconductor LLC. The value of each unit issuable upon exercise of the warrant is $ 0.414, which was estimated using the Black-Scholes option pricing model using the following assumptions: fair value of $1.00 per unit; exercise price of $1.00 per unit; risk free rate of interest of 2.50%; volatility of 86%; dividend rate of 0%; and term of 2 years. This warrant expires in October 6, 2006.

**12. Unit Option and Restricted Unit Plan**

MagnaChip Semiconductor LLC authorized 5,000,000 options to purchase its common units or restricted common units. On October 6, 2004, MagnaChip Semiconductor LLC granted 2,456,090 fully-vested and immediately exercisable options to purchase its restricted common units to certain management at the exercise price of $1 per unit, which is considered to be the fair value of the underlying common units on the date of grant. In addition, at the same date, MagnaChip Semiconductor LLC issued 1,146,178 options to purchase its common units to certain management and employees at the exercise price of $1 per unit, with a vesting term of 25% of the units on September 30, 2005 and 6.25% of the units on the last day of each calendar quarter thereafter.

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Notes to Consolidated Financial Statements—(Continued)**
**December 31, 2004**

During November and December 2004, restricted common units were issued after all options to purchase restricted common units were exercised. Restricted common units issued are subject to a restriction period which shall lapse as to 25% of the units on September 30, 2005 and shall lapse as to 6.25% of the units on the last day of each calendar quarter thereafter, which lapses shall be cumulative, subject to the employees' continued employment with the Company.

As of December 31, 2004, an aggregate of 1,146,178 options were outstanding under the option plan with a weighted average exercise price of $1 and a weighted-average remaining contractual life of 9.7 years and 2,456,090 restricted common units were outstanding with a weighted-average remaining contractual life of 9.7 years.

The number and weighted-average exercise prices of options and restricted common units for the three-month period ended December 31, 2004 are as follows:

| | Number of restricted units | Number of options | Weighted average exercise price |
|---|---|---|---|
| | | *(in US dollars, except unit data)* | |
| Units at October 1, 2004 | | | $ — |
| Granted | 2,456,090 | 3,602,268 | 1 |
| Exercised | | 2,456,090 | 1 |
| Forfeited | | | — |
| Cancelled | | | — |
| Units at December 31, 2004 | 2,456,090 | 1,146,178 | $ 1 |

**13. Income Tax Expenses**

The components of income tax expense for the three-month period ended December 31, 2004 are as follows:

| | *(in thousands of US dollars)* |
|---|---|
| Income before income taxes | |
| Domestic | $ 3,136 |
| Foreign | (2,236) |
| | $ 900 |
| Current income taxes | |
| Domestic | $ 266 |
| Foreign | 6,459 |
| | $ 6,725 |
| Deferred income taxes | |
| Domestic | $ — |
| Foreign | — |
| | $ — |
| Total income tax expenses | $ 6,725 |

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Notes to Consolidated Financial Statements—(Continued)**
**December 31, 2004**

The ultimate parent of the Company, MagnaChip Semiconductor LLC, is a limited liability company, a non-taxable entity for US federal income tax purposes and thus the statutory income tax rate shall be zero. A substantial portion of the income tax expenses above is incurred from MSK, which is the principal manufacturing entity within the Company. The statutory income tax rate of MSK, including tax surcharges, applicable to the Company was approximately 29.7% in 2004. The statutory income tax rate was amended to 27.5%, effective from fiscal years beginning January 1, 2005 in accordance with the Corporate Income Tax Law of Korea as amended on December 31, 2003.

The provision for domestic and foreign income taxes incurred is different from the amount calculated by applying the statutory tax rate of MagnaChip Semiconductor LLC to the net income before income taxes. The significant items causing this difference are as follows:

| | *(in thousands of US dollars)* |
|---|---|
| Provision computed at statutory rate | $ — |
| Permanent differences | (161) |
| Change in statutory tax rate | 5,125 |
| Adjustment for overseas tax rate | (1,492) |
| Unrealizable deferred taxes | 8,700 |
| Exemption | (5,447) |
| Total statutory income taxes | $ 6,725 |

A summary of the composition of net deferred income tax assets (liabilities) at December 31, 2004 is as follows:

| | *(in thousands of US dollars)* |
|---|---|
| **Deferred tax assets** | |
| Inventories | $ 2,282 |
| Debt issue cost | 228 |
| Intangible assets | 6,038 |
| Accrued expenses | 1,938 |
| Product warranties | 364 |
| Other reserves | 713 |
| Severance benefits | 547 |
| Others | 349 |
| Total deferred tax assets | 12,459 |
| Less: valuation allowance | (8,700) |
| | 3,759 |
| **Deferred tax liabilities** | |
| Property, plant and equipment | 646 |
| Acquisition consideration | 2,047 |
| Foreign currency gain | 1,066 |
| Total deferred tax liabilities | 3,759 |
| Net deferred tax asset (liabilities) | $ — |

Deferred income tax assets are recognized only to the extent that realization of the related tax benefit is more likely than not. Realization of the future tax benefits related to the deferred tax assets is dependent on many

factors, including the Company's ability to generate taxable income within the period during which the temporary differences reverse, the outlook for the economic environment in which the Company operates, and the overall future industry outlook. Based on the Company's historical book and tax losses, management determined that it was more likely than not, that the Company would not realize its deferred tax assets at December 31, 2004 and recorded a full valuation allowance of $8,700 thousand on its net deferred tax assets.

At December 31, 2004, the Company had approximately $45 thousand of net operating loss carry-forwards available to offset future taxable income, which expire in varying amounts starting in 2005.

**14. Geographic and Segment Information**

The Company operates in one business segment, the manufacture and sale of semiconductor products.

The following is a summary of net sales by region, based on the location of the customer for the three-month period ended December 31, 2004:

| | *(in thousands of US dollars)* |
|---|---|
| Korea | $ 127,208 |
| Asia Pacific | 63,094 |
| Japan | 38,000 |
| North America | 11,677 |
| Europe | 3,603 |
| | $ 243,582 |

Over 99% of the Company's property, plant and equipment are located in Korea as of December 31, 2004.

For the three-month period ended December, 31, 2004, net sales of the Company from its ten largest customers accounted for 62% of total sales.

The following is a summary of net sales by product for the three-month period ended December 31, 2004:

| | *(in thousands of US dollars)* |
|---|---|
| Solution Products | |
| Flat Panel Display Driver | $ 60,352 |
| CMOS Image Sensor | 58,069 |
| Application Processors | 16,063 |
| Semiconductor Manufacturing Service | |
| Memory | 19,517 |
| Non-memory | 88,295 |
| Others | 1,286 |
| | $ 243,582 |

**15. Commitments and Contingencies**

***Operating Agreements with Hynix***

In connection with the Acquisition, the Company entered into several definitive agreements with Hynix regarding key materials, campus facilities, research and development equipment, information technology, factory automation and wafer foundry services. The Company also agreed to provide certain utilities and infrastructure support services to Hynix. The obligation to provide services under these agreements generally lasts for one to five years from the closing of the Acquisition. The obligation to provide certain services lasts indefinitely.

In addition, the Company entered into a wafer foundry services agreement with Hynix under which the Company agreed to sell and Hynix agreed to purchase a certain monthly minimum quantity of DRAM semiconductors until August 31, 2005. The Company and Hynix also entered into a photo mask supply agreement under which Hynix agreed to supply the Company with up to a certain maximum quantity of photo masks.

The Company also entered into a non-exclusive cross license with Hynix which provides the Company with access to certain of Hynix's intellectual property for use in the manufacture and sale of non-memory semiconductor products.

Upon the closing of the Acquisition, the Company and Hynix also entered into four lease agreements. Under one agreement, the Company leases from Hynix certain exclusive-use space plus common-and joint-use space in several buildings, primarily warehouses, in Cheongju, Korea. Under another agreement, Hynix leases from the Company certain exclusive-use space plus common-and joint-use space in three buildings in Cheongju, Korea. These two leases are generally for an initial term of 20 years plus an indefinite number of renewal terms of 10 years each. Under the third agreement, the Company leases from Hynix certain exclusive-use space plus common-and joint-use space in a building in Icheon, Korea for a term of one year plus up to an additional two years at the Company's option. Under the final agreement, the Company leases from Hynix certain exclusive-use plus common-and joint-use land located in Cheongju, Korea. The term of this agreement is indefinite unless otherwise agreed between the both parties, and as long as the buildings remain on the lease site and are owned and used by the Company for permitted uses. Each of the leases is cancelable upon 90 days' notice by the lessee.

***Operating Leases***

The Company leases land, office buildings and equipment under various operating lease agreements that expire through 2034. Rental expense for the three-month period ended December 31, 2004 was approximately $1,376 thousand.

As of December 31, 2004, the minimum aggregate rental payments due under non-cancelable lease contracts are as follows:

| | *(in thousands of US dollars)* |
|---|---|
| 2005 | $ 4,661 |
| 2006 | 4,236 |
| 2007 | 3,711 |
| 2008 | 2,296 |
| 2009 | 2,296 |
| | $ 17,200 |

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Notes to Consolidated Financial Statements—(Continued)**
**December 31, 2004**

***Advisory Agreements***

Advisory agreements were made and entered into as of October 6, 2004 by and between the Company and CVC Management LLC, CVC Capital Partners Asia Limited and Francisco Partners Management LLC. The Company is to pay each of CVC Management and Francisco Partners an annual advisory fee which shall be the greater of $1,379,163.42 per annum or 0.14777% per annum of annual consolidated revenue and is also to pay CVC Capital Partners an annual advisory fee which shall be the greater of $741,673.15 per annum or 0.07946% per annum of annual consolidated revenue plus reasonable out-of-pocket expenses for an initial term of 10 years, subject to termination by either party upon written notice 90 days prior to the expiration of the initial term or any extension thereof. During the three-month period ended December 31, 2004, the Company accrued $890 thousand of expenses under these agreements, which is included in selling, general and administrative expenses in the accompanying consolidated financial statements.

***Unused line of credit***

The unused line of credit under the senior secured credit facility is $91,959 thousand as of December 31, 2004.

***Payments of Guarantee***

As of December 31, 2004, the Company has provided guarantees for bank loans that employees borrowed to participate in the issuance of new shares of Hynix in 1999 of up to $4.5 million.

**16. Related Party Transactions**

Funds related to CVC Management LLC and Francisco Partners Management LLC, and funds advised by CVC Asia Pacific Limited, own 34.2%, 34.2% and 18.4%, respectively, of the common units, and 35.9%, 35.9% and 19.3%, respectively, of the Series B units outstanding at December 31, 2004.

Transactions for the three-month period ended December 31, 2004 between the Company and its related parties are as follows:

| | *(in thousands of US dollars)* |
|---|---|
| Advisory Fee | |
| CVC Management LLC | $ 351 |
| CVC Capital Partners Asia Limited | 188 |
| Francisco Partners Management LLC | 351 |
| Total | $ 890 |

Loans to employees as of December 31, 2004 are as follows:

| | *(in thousands of US dollars)* |
|---|---|
| Short term loans | $ 69 |
| Long term loans | 124 |
| Total | $ 193 |

**17. Earnings per Unit**

The following table sets forth the computation of basic net loss attributable to common unitholders per common unit.

| | *(in thousands of US dollars, except unit data)* |
|---|---|
| Net loss | $ (5,825) |
| Dividends to preferred unitholders | (13,428) |
| Net loss attributable to common units | $ (19,253) |
| Weighted-average common units outstanding | 50,061,910 |
| Net loss per unit—basic | $ (0.38) |

The following outstanding redeemable convertible preferred units issued, options granted and warrants issued to Hynix were excluded from the computation of diluted net loss per unit as they had antidilutive effects:

| | *(in thousand units)* |
|---|---|
| Redeemable convertible preferred units | 94 |
| Options granted | 1,146 |
| Warrants granted to Hynix | 5,079 |

**18. Subsequent Events**

***Option Grants***

On January 5, 2005, the Company granted options to purchase 478,000 and 1,444,500 common units to its management and employees, respectively, with exercise prices ranging from $1 to $3 and a vesting term of 25% of the units on September 30, 2005 and 6.25% of the units on the last day of each calendar quarter thereafter according to the resolution at the board of directors' meeting. In addition, options to purchase 68,000 common units granted on January 5, 2005 were subsequently forfeited.

Subsequent to the grants on January 5, 2005, the Company additionally granted options to purchase 66,000 common units to its employees with exercise prices of $2 and a vesting term of 25% of the units on the first anniversary of the grant date and 6.25% of the units on the last day of each calendar quarter thereafter according to the resolution at the board of directors' meeting.

**19. Condensed Consolidating Financial Statements**

As discussed in Note 8, the senior secured credit facility and Second Priority Senior Secured Notes are each fully and unconditionally guaranteed by MagnaChip Semiconductor LLC and all of its subsidiaries. The Senior Subordinated Notes are fully and unconditionally guaranteed by MagnaChip Semiconductor LLC and all of its subsidiaries, except for MSK. Below are the condensed consolidating balance sheets as of December, 31, 2004 and the condensed consolidating statements of operations and cash flows for the three-month period ended December 31, 2004 of those entities that guarantee the Senior Subordinated Notes, those that do not, the parent company, and the co-issuers of the notes.

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Notes to Consolidated Financial Statements—(Continued)**
**December 31, 2004**

**Condensed Consolidating Balance Sheet**
**December 31, 2004**

| | MagnaChip Semiconductor LLC (Parent) | MagnaChip Semiconductor Finance Company & MagnaChip Semiconductor S.A. (Co-Issuers) | MagnaChip Semiconductor, Ltd. (Korea) (Non-Guarantor) | All other subsidiaries (Guarantors) | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| | | | *(in thousands of US Dollars)* | | | |
| **Assets** | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | $ 2,386 | $ 3,201 | $ 29,671 | $ 23,138 | $ — | $ 58,396 |
| Restricted cash | — | — | 12,962 | — | — | 12,962 |
| Accounts receivable, net | — | — | 99,125 | 42,724 | (55,257) | 86,592 |
| Inventories, net | — | — | 77,338 | 10,380 | (1,549) | 86,169 |
| Other receivables | 34,773 | 1,544 | 70,857 | 2,061 | (36,317) | 72,918 |
| Short-term intercompany loans | — | 10,625 | — | — | (10,625) | — |
| Other current assets | — | 5,909 | 5,196 | 1,719 | (5,909) | 6,915 |
| Total current assets | 37,159 | 21,279 | 295,149 | 80,022 | (109,657) | 323,952 |
| Property, plant and equipment, net | — | — | 581,514 | 122 | — | 581,636 |
| Intangibles, net | — | — | 211,981 | 6 | — | 211,987 |
| Investments in subsidiaries | 116,409 | 29,231 | — | 205,358 | (350,998) | — |
| Long-term intercompany loans | — | 794,805 | — | 619,991 | (1,414,796) | — |
| Other non-current assets | — | 21,869 | 15,026 | 60 | — | 36,955 |
| Total assets | $ 153,568 | $ 867,184 | $ 1,103,670 | $ 905,559 | $ (1,875,451) | $ 1,154,530 |
| **Liabilities and Unitholders' equity** | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable | $ — | $ — | $ 64,688 | $ 56,732 | $ (55,257) | $ 66,163 |
| Other accounts payable | 1,162 | 252 | 118,572 | 2,793 | (36,317) | 86,462 |
| Accrued expenses | — | 1,129 | 29,950 | 6,243 | (5,909) | 31,413 |
| Income tax payable | — | — | 6,358 | 629 | — | 6,987 |
| Other current liabilities | — | — | 3,269 | 9,035 | (8,650) | 3,654 |
| Total current liabilities | 1,162 | 1,381 | 222,837 | 75,432 | (106,133) | 194,679 |
| Long-term borrowings | — | 750,000 | 619,991 | 796,780 | (1,416,771) | 750,000 |
| Accrued severance benefits, net | — | — | 50,702 | 12 | — | 50,714 |
| Other non-current liabilities | — | — | 4,783 | 1,948 | — | 6,731 |
| Total liabilities | $ 1,162 | $ 751,381 | $ 898,313 | $ 874,172 | $ (1,522,904) | $ 1,002,124 |
| Commitments and contingencies | | | | | | |
| Series A redeemable convertible preferred units | $ — | — | — | — | — | $ — |
| Series B redeemable convertible preferred units | $ 96,534 | — | — | — | — | $ 96,534 |
| Total redeemable convertible preferred units | $ 96,534 | — | — | — | — | $ 96,534 |
| Unitholders' equity | | | | | | |
| Common units | 52,533 | 102,986 | 38,845 | 261 | (142,092) | 52,533 |
| Additional paid-in capital | 2,100 | 1,027 | 155,212 | 29,370 | (185,609) | 2,100 |
| Accumulated deficit | (19,266) | (8,715) | (9,420) | (18,784) | 36,919 | (19,266) |
| Accumulated other comprehensive income | 20,505 | 20,505 | 20,720 | 20,540 | (61,765) | 20,505 |
| Total unitholders' equity | 55,872 | 115,803 | 205,357 | 31,387 | (352,547) | 55,872 |
| Total liabilities, redeemable convertible preferred units and unitholders' equity | $ 153,568 | $ 867,184 | $ 1,103,670 | $ 905,559 | $ (1,875,451) | $ 1,154,530 |

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Notes to Consolidated Financial Statements—(Continued)**
**December 31, 2004**

**Condensed Consolidating Statement of Operations**
**For the three-month period ended December 31, 2004**

| | MagnaChip Semiconductor LLC (Parent) | MagnaChip Semiconductor Finance Company & MagnaChip Semiconductor S.A. (Co-Issuers) | MagnaChip Semiconductor, Ltd. (Korea) (Non-Guarantor) | All other subsidiaries (Guarantors) | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| | | | *(in thousands of US Dollars)* | | | |
| Net sales | $ — | $ — | $ 241,149 | $ 116,639 | $(114,206) | $ 243,582 |
| Cost of sales | — | — | 203,089 | 114,063 | (112,691) | 204,461 |
| Gross profit | — | — | 38,060 | 2,576 | (1,515) | 39,121 |
| Selling, general and administrative expenses | 2 | 20 | 27,174 | 2,588 | — | 29,784 |
| Research and development expenses | — | — | 22,058 | — | — | 22,058 |
| Operating loss | (2) | (20) | (11,172) | (12) | (1,515) | (12,721) |
| Other income (expenses) | 2,588 | 11,908 | 7,857 | (8,732) | — | 13,621 |
| Income before income taxes, equity in earnings (loss) of related equity investment | 2,586 | 11,888 | (3,315) | (8,744) | (1,515) | 900 |
| Income tax expense | — | — | 6,105 | 620 | — | 6,725 |
| Income before equity in earnings (loss) of related investment | 2,586 | 11,888 | (9,420) | (9,364) | (1,515) | (5,825) |
| Earnings (loss) of related investment | (8,411) | (20,581) | — | (9,420) | 38,412 | — |
| Net income (loss) | $ (5,825) | $ (8,693) | $ (9,420) | $ (18,784) | $ 36,897 | $ (5,825) |
| Dividend to preferred shareholders | $ (13,428) | — | — | — | — | $ (13,428) |
| Net loss attributable to common units | $ (19,253) | $ (8,693) | $ (9,420) | $ (18,784) | $ 36,897 | $ (19,253) |

**MagnaChip Semiconductor LLC and Subsidiaries (Successor Company)**

**Notes to Consolidated Financial Statements—(Continued)**
**December 31, 2004**

**Condensed Consolidating Statement of Cash Flow**
**For the three-month period ended December 31, 2004**

| | MagnaChip Semiconductor LLC (Parent) | MagnaChip Semiconductor Finance Company & MagnaChip Semiconductor S.A. (Co-Issuers) | MagnaChip Semiconductor, Ltd. (Korea) (Non-Guarantor) | All other subsidiaries (Guarantors) | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| **Cash flows from operating activates** | | | | | | |
| Net loss | $ (5,825) | $ (8,693) | $ (9,420) | $ (18,784) | $ 36,897 | $ (5,825) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities | | | | | | |
| Depreciation and amortization expense | — | — | 45,847 | 8 | — | 45,855 |
| Provision for severance benefits | — | — | 3,397 | — | — | 3,397 |
| Amortization of debt issuance costs | — | 152 | 4,259 | — | — | 4,411 |
| Loss (gain) on foreign currency translation | — | (7,914) | (32,733) | 7,384 | — | (33,263) |
| Loss (earnings) of related investment | 8,411 | 20,581 | — | 9,420 | (38,412) | — |
| Others, net | — | — | 170 | 131 | — | 301 |
| Changes in operating assets and liabilities : | | | | | | |
| Accounts receivable | — | — | (55,968) | (42,559) | 55,257 | (43,270) |
| Other receivables | (2,243) | (810) | (55,266) | (1,651) | 3,053 | (56,917) |
| Inventories | — | — | 36,137 | (1,172) | 1,548 | 36,513 |
| Accounts payable | — | — | (34,196) | 56,392 | (55,257) | (33,061) |
| Other accounts payable | (29,266) | 189 | 121,181 | (7,428) | (3,167) | 81,509 |
| Accrued expenses | — | 1,128 | 16,257 | 6,235 | (5,909) | 17,711 |
| Other current assets | — | (5,909) | (4,194) | (1,815) | 5,909 | (6,009) |
| Other current liabilities | — | — | 6,965 | 2,877 | — | 9,842 |
| Payment of severance benefits | — | — | (2,898) | — | — | (2,898) |
| Others, net | — | — | (1,003) | (8) | — | (1,011) |
| Net cash provided by (used in) operating activities : | $ (28,923) | $ (1,276) | $ 38,535 | $ 9,030 | $ (81) | $ 17,285 |
| **Cash flows from investing activities** | | | | | | |
| Purchases of plant, property and equipment | — | — | (23,261) | (85) | — | (23,346) |
| Purchase of intangibles, net | — | — | (101) | (7) | — | (108) |
| Acquisition of business | — | — | (488,152) | — | — | (488,152) |
| Increase in restricted cash | — | — | (12,350) | — | — | (12,350) |
| Disposal (purchase) of related investment | 20,723 | (26,026) | — | (194,015) | 199,318 | — |
| Decrease (increase) of intercompany loans | 291,824 | (398,250) | — | (619,991) | 726,417 | — |
| Others, net | — | — | (2,033) | 6 | — | (2,027) |
| Net cash provided by (used in) investing activities | $ 312,547 | $ (424,276) | $ (525,897) | $ (814,092) | $ 925,735 | $ (525,983) |
| **Cash flow from financing activities:** | | | | | | |
| Proceeds from the issuance of Senior Secured and Subordinated Notes | — | 750,000 | — | — | — | 750,000 |
| Proceeds from short-term borrowings | — | 41,000 | 721 | 50,212 | (91,213) | 720 |
| Proceeds from long-term borrowings | — | — | 663,878 | 669,396 | (1,287,407) | 45,867 |
| Debt issuance costs paid | — | (22,020) | (5,615) | — | — | (27,635) |
| Issuance of common units | 2,820 | 1,429 | 203,208 | 26,351 | (230,988) | 2,820 |
| Issuance of redeemable convertible preferred units | 3,636 | — | — | — | — | 3,636 |
| Prepayments of short term borrowings | — | (332,824) | — | (321,030) | 653,854 | — |
| Prepayments of long term borrowings | — | — | (347,718) | — | — | (347,718) |
| Redemption of redeemable convertible preferred units | (406,786) | — | — | — | — | (406,786) |
| Payment and accrual dividends | (10,891) | — | — | — | — | (10,891) |
| Others, net | — | (22,476) | (16) | — | 22,476 | (16) |
| Net cash provided by (used in) financing activates | $ (411,221) | $ 415,109 | $ 514,458 | $ 424,929 | $ (933,278) | $ 9,997 |
| Effect of exchange on cash and cash equivalents | $ — | $ — | $ 2,566 | $ 27 | $ 7,624 | $ 10,217 |
| Net increase in cash and cash equivalents | $ (127,597) | $ (10,443) | $ 29,662 | $ (380,106) | $ — | $ (488,484) |
| **Cash and cash equivalents** | | | | | | |
| Beginning of year | $ 129,983 | $ 13,644 | $ 9 | $ 403,244 | $ — | $ 546,880 |
| End of year | $ 2,386 | $ 3,201 | $ 29,671 | $ 23,138 | $ — | $ 58,396 |

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of
MagnaChip Semiconductor LLC (Predecessor Company)

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, of changes in owners' equity and of cash flows present fairly, in all material respects, the financial position of MagnaChip Semiconductor LLC and its subsidiaries (predecessor company) (the "Company"), as defined in Note 1, at September 30, 2004, and the results of their operations and their cash flows for the nine-month period ended September 30, 2004 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ Samil PricewaterhouseCoopers

Seoul, Korea
June 15, 2005

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Consolidated Balance Sheet**

**September 30, 2004**

| | | *(in thousands of US dollars)* |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Accounts receivable, net | $ | 98,174 |
| Inventories, net | | 102,803 |
| Other current assets | | 13,375 |
| Total current assets | | 214,352 |
| Property, plant and equipment, net | | 386,920 |
| Intangibles, net | | 30,075 |
| Other non-current assets | | 22,480 |
| Total assets | $ | 653,827 |
| **Liabilities and Owners' equity** | | |
| Current liabilities | | |
| Accounts payable | $ | 87,538 |
| Other accounts payable | | 11,475 |
| Short-term borrowings | | 3,522 |
| Accrued expenses | | 26,094 |
| Other current liabilities | | 9,859 |
| Total current liabilities | | 138,488 |
| Long-term borrowings | | 249,061 |
| Accrued severance benefits, net | | 47,497 |
| Other non-current liabilities | | 12,064 |
| Total liabilities | $ | 447,110 |
| Commitments and contingencies | | |
| Owners' equity | | |
| Owners' equity | $ | 179,018 |
| Deferred stock compensation | | 5,674 |
| Accumulated other comprehensive income | | 22,025 |
| Total owners' equity | $ | 206,717 |
| Total liabilities and owners' equity | $ | 653,827 |

The accompanying notes are an integral part of these financial statements.

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Consolidated Statement of Operations**
**For the nine-month period ended September 30, 2004**

| | | *(in thousands of US dollars)* |
|---|---|---|
| Net sales | | |
| Related party | $ | 163,760 |
| Others | | 677,828 |
| | | 841,588 |
| Cost of sales | | 654,569 |
| Gross profit | | 187,019 |
| Selling, general and administrative | | 53,982 |
| Research and development | | 75,657 |
| Operating income | | 57,380 |
| Other income (expenses) | | |
| Interest expense, net | | (17,749) |
| Foreign currency gain | | 12,436 |
| Foreign currency loss | | (7,072) |
| Others, net | | 1,070 |
| | | (11,315) |
| Income before income taxes | | 46,065 |
| Income tax expenses | | (2,828) |
| Net income | $ | 43,237 |

The accompanying notes are an integral part of these financial statements.

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Consolidated Statement of Changes in Owners' Equity**
**For the nine-month period ended September 30, 2004**

| | Owners' Equity | Deferred Stock Compensation | Accumulated Other Comprehensive Income (loss) | Total |
|---|---|---|---|---|
| | | *(in thousands of US dollars)* | | |
| **Balance at January 1, 2004** | $135,781 | $ 2,350 | $ 17,183 | $155,314 |
| Comprehensive income: | | | | |
| Net income | 43,237 | — | — | 43,237 |
| Foreign currency translation adjustments | — | — | 4,842 | 4,842 |
| Total comprehensive income | | | | 48,079 |
| Deferred stock compensation | — | 3,324 | — | 3,324 |
| **Balance at September 30, 2004** | $179,018 | $ 5,674 | $ 22,025 | $206,717 |

The accompanying notes are an integral part of these financial statements.

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Consolidated Statement of Cash Flows**
**For the nine-month period ended September 30, 2004**

| | | *(in thousands of US dollars)* |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income | $ | 43,237 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation and amortization | | 266,862 |
| Provision for severance benefits | | 15,353 |
| Gain on disposal of property, plant and equipment, net | | (488) |
| Stock compensation | | 3,324 |
| Other, net | | (673) |
| Changes in operating assets and liabilities | | |
| Accounts receivable | | (7,067) |
| Inventories | | (18,070) |
| Accounts payable | | (5,719) |
| Other account payables | | 18,329 |
| Accrued expenses | | 584 |
| Other current assets | | (1,177) |
| Other current liabilities | | 1,450 |
| Payment of retirement allowance | | (6,602) |
| Others, net | | 2,828 |
| Net cash provided by operating activities | $ | 312,171 |
| **Cash flows from investing activities** | | |
| Proceeds from sales of plant, property and equipment | | 1,689 |
| Decrease in other non-current assets | | (297) |
| Purchases of plant, property and equipment | | (84,595) |
| Purchases of intangibles, net | | (2,128) |
| Net cash used in investing activities | | (85,331) |
| **Cash flows from financing activities:** | | |
| Net decrease in short-term borrowings | | (46,978) |
| Net decrease in long-term borrowings | | (179,862) |
| Net cash used in financing activities | | (226,840) |
| Net increase in cash and cash equivalents | $ | — |
| **Cash and cash equivalents:** | | |
| Beginning of year | | — |
| End of year | $ | — |
| **Supplemental cash flow information:** | | |
| Cash paid for interest | $ | 17,791 |
| Cash paid for income taxes | $ | 2,828 |

The accompanying notes are an integral part of these financial statements.

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Notes to Consolidated (Carve-Out) Financial Statements**
**September 30, 2004**

## 1. Organization and Nature of Operations

The consolidated financial statements represent the non-memory business (the "Business") of Hynix Semiconductor, Inc. ("Hynix") on a carved out basis from the parent company's results. The Business designs, manufactures, distributes and sells CMOS based semiconductor integrated circuits and provides semiconductor manufacturing services for other semiconductor companies. The Business was formed through the merger of Hyundai Electronics Industries Co. Ltd and LG Semiconductor, Inc. in 1999 (the "LGS Acquisition").

The Business sells its products globally through a network of direct sales representatives and distributors throughout the world. The Business maintains direct sales offices in the United States, Taiwan, Japan, Hong Kong, the United Kingdom and Korea.

Pursuant to a Business Transfer Agreement ("BTA"), the Business was acquired by MagnaChip Semiconductor LLC and its subsidiaries on October 6, 2004 for approximately $757 million in cash, the assumption of certain liabilities and 5,079,254 warrants to purchase common equity interests in MagnaChip Semiconductor LLC.

## 2. Basis of Presentation

The accompanying (carve-out) financial statements reflect the assets, liabilities, revenues and expenses, changes in owners' equity and cash flows that were directly applicable to the Business. Owners' equity at January 1, 2001 represents the net losses of the Business and Hynix's funding of its investment in the Business, including net cash and other transfers. Subsequent changes in Hynix's funding of its investment in the Business have been assumed to be funding and repayments of the Business' debt arrangement with Hynix.

The accompanying (carve-out) financial statements also include allocations of certain raw materials, other assets and accounts payable which the Business has historically shared with Hynix, and allocations of certain manufacturing costs, general and administrative, sales and marketing, and other expenses. For those assets, liabilities and expenses of which a specific identification method was not practicable, the allocation was based on the following methodology:

### Shared Assets

Historically, the Business has shared the use of certain Hynix facilities, including property, plant and equipment with Hynix's memory business. The shared assets which were historically used by the Business more than Hynix's memory business were assigned to the Business. In other cases, where the historical usage ratio information was unavailable, the assets were assigned based upon the terms of the BTA. Raw materials and other shared inventories were allocated based upon each facilities' consumption of those products. Other shared assets were allocated based upon the year-end or annual ratio of the Business as a proportion to Hynix' total headcount, sales, and raw material consumption.

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Notes to Consolidated (Carve-Out) Financial Statements—(Continued)**
**September 30, 2004**

**Debt**

Hynix uses a centralized approach to cash management and the financing of its operations. These systems did not track cash balances and bank borrowings on a business specific basis. While certain of the Business' borrowings are specifically identifiable, for example, obligations relating to capital leases, the majority of Hynix's borrowings were not specifically attributable to the Business. The accompanying financial statements include an allocation of Hynix's consolidated borrowings and the related interest expense, based upon the amounts that management believes would have been necessary to finance the working capital and other cash flow requirements of the Business over the nine-month period ended September 30, 2004. These amounts have been estimated using the anticipated debt requirements of the Business upon consummation of the BTA (the "Corporate Borrowings") as a guide, plus historical amounts of other borrowings that are specifically allocated to the Business, and include capital lease obligations, financing for the water treatment facility, and other short term borrowings that relate to accounts receivable balances of the Business (the "Other Borrowings"). The interest expense on the allocated borrowings has been calculated using the average balance of these borrowings, and the Hynix historical weighted average interest rate on its borrowings. Management believes the debt allocation basis is reasonable as the Business operates in a highly capital intensive industry and capital expenditures are financed through bank borrowings.

With regard to the interest expense, such expense is not necessarily indicative of the interest expense that the Business would have incurred as a separate independent entity because (i) the Business may not be able to obtain financing with interest rates as favorable as those enjoyed by Hynix, with the result that the Business' cost of capital will be higher than that reflected in its financial statements; and (ii) Hynix has been under the joint management of its creditor banks' council since 2001, in accordance with the Corporate Restructuring Promotion Act in the Republic of Korea and has received significant debt restructuring from the creditor banks; and (iii) the Business may have a capital structure different from the capital structure in the consolidated (carve-out) financial statements.

**Manufacturing Costs**

Manufacturing costs were generally apportioned between the Business and Hynix's other product lines based on historical production. Certain manufacturing costs that were specifically identifiable with a particular product line were charged directly to those product lines. Other operating units of Hynix performed manufacturing services for the Business and incurred other elements of cost of sales on behalf of the Business, wafer foundry, freight, duty, warehousing, and purchased manufacturing services from third party vendors. Costs of these services are specifically identified as they relate to the Business. Also, the Business has performed contract manufacturing related to wafer foundry service for Hynix. The revenue for those services is reflected at cost plus a historical margin, which is the approximate rate of contract manufacturing margin rate, in the accompanying statements of operations.

**Other Costs**

Shared or common costs, including certain general and administrative, sales and marketing, and research and development expenses, have been allocated from Hynix's corporate office and manufacturing sites to the Business on a basis which is considered by management to reasonably reflect the utilization of such services by number of employees, sales ratio and others.

The Business believes the allocation principles, described above, are reasonable, however, the expenses allocated to the Business for these items are not necessarily indicative of the expenses that would have been incurred if the Business had been a separate independent entity.

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Notes to Consolidated (Carve-Out) Financial Statements—(Continued)**
**September 30, 2004**

**Income Taxes**

The Business is not a separate taxable entity for Korean or international tax purposes and has not filed separate income tax returns, but rather was included in the income tax returns filed by Hynix. Accordingly, income tax expense in the carved out financial statements has been calculated as if the Business filed on a separate tax return basis. In addition, upon consummation of the BTA, any unrealized deferred tax assets and liabilities, which have been derived from the operations of the Business, will remain with Hynix and will not be transferred to the Company, and accordingly, the accompanying (carve-out) financial statements exclude any deferred tax assets and liabilities.

**Liquidity**

While the accompanying (carve-out) financial statements present the Business as generating positive operating cash flow, given its historical operating and net losses, there can be no assurance that the business will continue to generate sufficient funds from operations.

The transaction outlined in the BTA includes a recapitalization of the Company's debt and equity structure, and is intended to enable the Business to improve its net and operating performance. This transaction provides further evidence that an independent third party places significant value on the Business, in excess of the book value of the net assets reported in these historical (carve-out) financial statements.

Accordingly, the accompanying consolidated (carve-out) financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities or any other adjustments that might be necessary should the Business be unable to continue as a going concern.

**3. Summary of Significant Accounting Policies**

The consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Significant accounting policies followed by the Business in the preparation of the accompanying (carve-out) financial statements are summarized below.

**Principles of Consolidation**

The consolidated (carve-out) financial statements include the accounts of the Business and its wholly-owned subsidiaries. All significant intercompany transactions and balances are eliminated in consolidation.

**Use of Estimates**

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the accompanying (carve-out) financial statements and disclosures. The most significant estimates and assumptions relate to the useful life of property, plant and equipment, allowance for uncollectible accounts receivable, contingent liabilities, inventory valuation, impairment of long-lived assets and allocated expenses. Although these estimates are based on management's best knowledge of current events and actions that the Business may undertake in the future, actual results may be different from the estimates.

In common with certain other Asian countries, the economic environment in the Republic of Korea continues to be volatile. In addition, the Korean government and the private sector continue to implement

structural reforms to historical business practices, including corporate governance. The Business may be either directly or indirectly affected by these volatile economic conditions and the reform program described above. The accompanying (carve-out) financial statements reflect management's assessment of the impact to date of the economic environment on the financial position and results of operations of the Business. Actual results may differ materially from management's current assessment.

**Foreign Currency Translation**

The Business, including the majority of its subsidiaries, use their local currency as their functional currency, while the subsidiary in the United Kingdom uses the U.S. dollar as its functional currency. The Company has also selected the US dollar as its reporting currency and follows the methodology prescribed in SFAS No. 52, *Foreign Currency Translation*. Under this method, all assets and liabilities of subsidiaries are translated to the functional currency of the parent company, and then into US dollars, at the end-of-period exchange rates. Capital accounts and inter-company loans that are determined to be of a permanent nature, are translated using historical exchange rates. Revenues and expenses are translated using average exchange rates. Foreign currency translation adjustments arising from differences in exchange rates from period to period are included in the foreign currency translation adjustment account in accumulated comprehensive income (loss) of owners' equity. Transactions in currencies other than the functional currency are included as a component of other income (expenses) in the statement of operations.

**Cash and Cash Equivalents**

Cash equivalents consist of highly liquid investments with an original maturity date of three months or less.

**Allowance for Doubtful Accounts**

An allowance for doubtful accounts is provided based on the aggregate estimated collectibility of its accounts receivable.

**Inventories**

Inventories are stated at the lower of cost or market, using the average method, which approximates the first in, first out method. If net realizable value is less than cost at the balance sheet date, the carrying amount is reduced to the realizable value, and the difference is recognized as a loss on valuation of inventories. Inventory reserves are established when conditions indicate that the net realizable value is less than cost due to physical deterioration, obsolescence, changes in price levels, or other causes. Reserves are also established for excess inventory based on inventory levels in excess of six months of demand, as judged by management, for each specific product.

**Property, Plant and Equipment**

Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as set forth below.

| | |
|---|---|
| Buildings | 30 years |
| Building related structures | 10 –20 years |
| Machinery and equipment | 5 –15 years |
| Vehicles and others | 5 years |

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Notes to Consolidated (Carve-Out) Financial Statements—(Continued)**
**September 30, 2004**

Routine maintenance and repairs are charged to expense as incurred. Expenditures that enhance the value or significantly extend the useful lives of the related assets are capitalized.

Borrowing costs incurred during the construction period of assets are capitalized as part of the related assets.

**Impairment of Long-Lived Assets**

The Business reviews property, plant and equipment and other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability is measured by comparison of its carrying amount with the future net cash flows the assets are expected to generate. If such assets are considered to be impaired, the impaired amount is measured as the amount by which the carrying amount of the asset exceeds the present value of the future net cash flows generated by the respective long-lived assets.

**Lease Transactions**

The Business accounts for lease transactions as either operating leases or capital leases, depending on the terms of the underlying lease agreements. Machinery and equipment acquired under capital lease agreements are recorded at cost as property, plant and equipment and depreciated using the straight-line method over their estimated useful lives. In addition, the aggregate lease payments are recorded as capital lease obligations, net of unaccrued interest. Interest is amortized over the lease period using the effective interest rate method. Leases that do not qualify as capital leases are classified as operating leases, and the related rental payments are expensed on a straight-line basis over the lease term.

**Software**

The Business capitalizes certain external costs that are incurred to purchase and implement internal-use computer software. Direct costs relating to the development of software for internal use are capitalized after technological feasibility has been established, in accordance with Statement Of Position No. 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. Depreciation is calculated on a straight line basis over five years.

**Intangibles**

Intangibles acquired through the LGS Acquisition include technology and customer relationships, and are amortized on a straight-line basis over periods ranging from 4 to 8 years. Other intellectual property assets acquired represent rights under patents, trademarks and property use rights and are amortized over the periods of benefit, ranging up to 10 years, on a straight-line basis.

**Fair Value Disclosures of Financial Instruments**

The estimated fair value of financial instruments is determined by the Business, using available market information and valuation methodologies considered to be appropriate. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Business could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies could have a significant effect on the estimated fair value amounts. Carrying amounts of accounts receivable and accounts payable approximate fair value due to the short maturity of these financial instruments.

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Notes to Consolidated (Carve-Out) Financial Statements—(Continued)**
**September 30, 2004**

**Accrued Severance Benefits**

Employees and directors with one or more years of service are entitled to receive a lump-sum payment upon termination of their employment with the Business, based on their length of employment and rate of pay at the time of termination. The accrual for the severance liability approximates the amount that would be payable assuming all eligible employees and directors were to terminate their employment at the balance sheet date.

Accrued severance benefits are funded through a group severance insurance plan. The amounts funded under this insurance plan are classified as a deduction to the accrued severance benefits. Subsequent accruals are to be funded at the discretion of the Business.

In accordance with the National Pension Act of the Republic of Korea, a certain portion of accrued severance benefits is deposited with the National Pension Fund and deducted from the accrued severance benefits. The contributed amount is refunded to employees from the National Pension Fund upon their retirement.

**Revenue Recognition**

Product revenue is primarily recognized upon shipment, when persuasive evidence of a sales arrangement exists, the price is fixed or determinable, title has transferred and collection of resulting receivables is reasonably assured or probable. For certain distributors, standard products are sold to the distributors subject to specific rights to return products, in these situations, revenue recognition is deferred until the distributor sells the product to a third party. All amounts billed to a customer related to shipping and handling are classified as sales while all costs incurred by the Business for shipping and handling are classified as selling expenses amounting to $1,394 thousand for the nine-month period ended September 30, 2004.

**Advertising**

The Business expenses advertising costs as incurred. Advertising expense was approximately $71 thousand for the nine-month period ended September 30, 2004.

**Product Warranties**

The Business records warranty liabilities for the estimated costs that may be incurred under its basic limited warranty. This warranty covers defective products and is normally applicable for 12 months from the date of purchase and these liabilities are accrued when product revenues are recognized. Warranty costs include the costs to replace the defective product. Factors that affect the Business' warranty liability include historical and anticipated rate of warranty claims on those repairs and cost per claim to satisfy the Business' warranty obligation. As these factors are impacted by actual experience and future expectations, the Business periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

Accrued warranty liabilities as of September 30, 2004 were as follows:

| | *(in thousands of US dollars)* |
|---|---|
| Balance at January 1, 2004 | $ 794 |
| Accrued warranty reserve | 4,103 |
| Aggregate reduction | (2,265) |
| Translation adjustment | 45 |
| Balance at September 30, 2004 | $ 2,677 |

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Notes to Consolidated (Carve-Out) Financial Statements—(Continued)**
**September 30, 2004**

**Research and Development**

Research and development costs are expensed as incurred and include employee salaries, contractor fees, building costs, utilities, and administrative expenses.

**Government Grants**

Grants received by the Business from the Korean government to assist with specific research and development activities, are recognized in the statement of operations as a credit to research and development expenses, in the period in which the related expense is incurred, to the extent that they are non-refundable. Grants from the Korean government recognized as a reduction of research and development expenses were $214 thousand, for the nine-month period ended September 30, 2004.

**Licensed Patents and Technologies**

The Business has entered into a number of royalty agreements to license patents and technology used in the design and manufacture of its products. The payments under these agreements include an initial payment to acquire the rights, and a royalty payment, calculated based upon the Business' sales of the related products. The initial payment, usually paid in installments, represents a non-refundable commitment, such that the total present value of these payments is recorded as a liability upon execution of the agreement, and the costs are deferred over the period of the agreement. The royalty payments are charged to the statement of operations as incurred.

**Stock-Based Compensation**

Employee stock plans are accounted for using the intrinsic value method prescribed by Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*. The Business utilizes the Black-Scholes option valuation model to value stock options for pro forma presentation of income as if the fair value-based accounting method in Statements of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock-Based Compensation,* had been used to account for stock-based compensation.

If compensation cost for the Business' stock-based compensation plan was determined based on the fair value at the grant dates for awards under those plans consistent with the method of SFAS No. 123, the Business' net income would have been decreased to the pro forma amounts indicated below.

| | | *(in thousands of US dollars)* |
|---|---|---|
| Net income, as reported for the nine-month period ended September 30, 2004 | $ | 43,237 |
| Add: Amortization of non-cash deferred stock compensation expense determined under the intrinsic value method as reported in net income, net of related tax effects | | 3,324 |
| Deduct: Total stock-based employee compensation expense determined under fair value method for all, awards net of related tax effects | | (5,614) |
| Pro forma net income for the nine-month period ended September 30, 2004 | $ | 40,947 |

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

| | |
|---|---|
| Expected life | 3 1/2 years |
| Expected volatility | 144.5% |
| Risk-free interest rate | 3.75% |
| Expected dividends | — |

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Notes to Consolidated (Carve-Out) Financial Statements—(Continued)**
**September 30, 2004**

**Income Taxes**

The Business accounts for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes* which requires an asset and liability approach for financial accounting and reporting for income tax purposes.

**Concentration of Credit Risk**

The Business performs periodic credit evaluations of its customers' financial condition and generally does not require collateral for customers on accounts receivable. The Business maintains reserves for potential credit losses, but historically has not experienced significant losses related to individual customers or groups of customers in any particular industry or geographic area. The Business derives a substantial portion of its revenues from export sales through its overseas subsidiaries in Asia, North America and Europe.

A substantial portion of the components necessary for the manufacture and operation of the Business' products are obtained from the other operating units of Hynix and its affiliates. The disruption or termination of any of these sources could have a material adverse effect on the Business' operating results and financial condition.

**4. Accounts Receivable**

Accounts receivable as of September 30, 2004 consist of the following:

| | | *(in thousands of US dollars)* |
|---|---|---|
| Accounts receivable | $ | 98,287 |
| Less: allowances for doubtful accounts | | (113) |
| Accounts receivable, net | $ | 98,174 |

The Business recognized bad debt expenses amounting to $57 thousand for the nine-month period ended September 30, 2004, and also wrote off $94 thousand for the nine-month period ended September 30, 2004.

**5. Inventories**

Inventories as of September 30, 2004 consist the following:

| | | *(in thousands of US dollars)* |
|---|---|---|
| Finished goods | $ | 26,361 |
| Semi-finished goods and work-in-process | | 70,611 |
| Raw materials and supplies | | 11,312 |
| Materials in-transit | | 1,204 |
| Less: valuation allowances | | (6,685) |
| Inventories, net | $ | 102,803 |

The Business recognized a loss on valuation of inventories amounting to $7,728 thousand for the nine-month period ended September 30, 2004. In addition, the Business wrote off $7,923 thousand during nine-month period ended September 30, 2004.

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Notes to Consolidated (Carve-Out) Financial Statements—(Continued)**
**September 30, 2004**

**6. Property, Plant and Equipment**

Property, plant and equipment including capital lease assets as of September 30, 2004 consist of the following:

| | *(in thousands of US dollars)* |
|---|---|
| Buildings and related structures | $ 213,080 |
| Machinery and equipment | 2,084,753 |
| Vehicles and others | 37,599 |
| | 2,335,432 |
| Less: accumulated depreciation | (1,964,203) |
| Land | 10,626 |
| Construction in-progress | 5,065 |
| Property, plant and equipment, net | $ 386,920 |

Aggregate depreciation expenses for the nine-month period ended September 30, 2004 is $261,640 thousand and capitalized interest costs for the nine-month period ended September 30, 2004 amount to $334 thousand.

**7. Leases and Lease Commitments**

**Capital Leases**

Machinery and equipment under capital leases are as follows:

| | *(in thousands of US dollars)* |
|---|---|
| Acquisition cost | $ 437,644 |
| Less: accumulated depreciation | (428,903) |
| Machinery and equipment under capital leases, net | $ 8,741 |

Depreciation expense of assets under capital leases for the nine-month period ended September 30, 2004 is $57,148 thousand.

Future minimum lease payments under capital lease obligations as of September 30, 2004 are as follows:

| | *(in thousands of US dollars)* |
|---|---|
| 2004.10.1 – 2005.9.30 | $ 2,622 |
| 2005.10.1 – 2006.9.30 | 2,622 |
| 2006.10.1 – 2007.9.30 | 66,704 |
| Total minimum lease payments | 71,948 |
| Less: interest and discount on present value | (6,209) |
| Less: current portion | — |
| | $ 65,739 |

**Operating Leases**

The Business leases office building and equipment under various non-cancelable operating lease agreements that expire through August 2007. Rental expense for the nine-month period ended September 30, 2004 was approximately $2,318 thousand.

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Notes to Consolidated (Carve-Out) Financial Statements—(Continued)**
**September 30, 2004**

As of September 30, 2004, the minimum aggregate rental commitments are as follows:

| | *(in thousands of US dollars)* |
|---|---|
| 2004.10.1 – 2005.9.30 | $ 2,774 |
| 2005.10.1 – 2006.9.30 | 1,738 |
| 2006.10.1 – 2007.9.30 | 1,518 |
| | $ 6,030 |

**8. Intangibles**

Intangibles at September 30, 2004 are as follows:

| | *(in thousands of US dollars)* |
|---|---|
| Technology | $ 12,447 |
| Customer relationships | 47,390 |
| Intellectual property assets | 16,977 |
| Less: accumulated amortization | (46,739) |
| Intangibles, net | $ 30,075 |

Aggregate amortization expense for intangibles for the nine-month period ended September 30, 2004 was $5,222 thousand. The estimated aggregate amortization expense of intangibles for the next five years is $7,219 thousand in 2005, $7,372 thousand in 2006, $6,005 thousand in 2007, $1,475 thousand in 2008 and $1,388 thousand in 2009.

**9. Short-Term and Long-Term Borrowings**

The Business' consolidated financial statements include two types of debt: (i) an allocation of Hynix's consolidated debt, the Corporate Borrowings, and (ii) historical short term and long term borrowings that are specifically allocated to the Business, the Other Borrowings. The allocation of Corporate Borrowings to the Business was $329,253 thousand at September 30, 2004 based on the terms of the BTA. Subsequent to the balance sheet date, on October 6, 2004, MagnaChip Semiconductor Limited, the Company's subsidiary located in the Republic of Korea, provided its whole assets to several banks and financial institutions, as collateral in relation to the Company's Corporate Borrowings. These borrowings have been applied to the December 31, 2003 balance sheet with changes in the actual amount of Hynix's funding in the nine-month period ended September 30, 2004 used to roll forward these borrowings to September 30, 2004.

In accordance with the BTA, the Company is not required to assume the Corporate or Other Borrowings. However, they are included in the accompanying financial statements as management believes this to be a reasonable representation of the amounts that would have been necessary to finance the working capital and other cash flow requirements of the Business over the nine-month period ended September 30, 2004.

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Notes to Consolidated (Carve-Out) Financial Statements—(Continued)**
**September 30, 2004**

The details of short-term and long-term borrowings as of September 30, 2004 are as follows:

| | Annual interest rate (%) | |
|---|---|---|
| | | *(in thousands of US dollars)* |
| Short-term borrowings | | |
| Current portion of long-term borrowings | 15.3 | $ 3,522 |
| | | $ 3,522 |
| Long-term borrowings | | |
| Corporate borrowings | 6.4 | $147,808 |
| Water treatment facility loan | 15.3 | 39,036 |
| Capital lease obligation | 2.6~6.5 | 65,739 |
| | | 252,583 |
| Less: current portion | | (3,522) |
| | | $249,061 |

In March 2001, the Business sold its water treatment facilities to a third party and at the same time, entered into a 12 year lease agreement to use the facilities. At the end of the term, the Business has an option to repurchase the facilities, and therefore the transaction has been recorded as a financing arrangement. Maturities of the water treatment facility loan as of September 30, 2004 are as follows:

| | *(in thousands of US dollars)* |
|---|---|
| 2004.10.1 – 2005.9.30 | $ 9,237 |
| 2005.10.1 – 2006.9.30 | 9,167 |
| 2006.10.1 – 2007.9.30 | 8,955 |
| 2007.10.1 – 2008.9.30 | 8,461 |
| 2008.10.1 and thereafter | 30,319 |
| Less: amount representing interest | (27,103) |
| Present value of principal payments | 39,036 |
| Less: current portion | (3,522) |
| | $ 35,514 |

**10. Accrued Severance Benefits**

Changes in accrued severance benefits for the nine-month period ended September 30, 2004 are as follows:

| | *(in thousands of US dollars)* |
|---|---|
| Beginning balance | $ 40,015 |
| Provisions | 15,352 |
| Severance payments | (6,837) |
| Translation adjustments | 1,473 |
| | 50,003 |
| Less: cumulative contributions to the National Pension Fund | (1,304) |
| group severance insurance plan | (1,202) |
| Accrued severance benefits, net | $ 47,497 |

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Notes to Consolidated (Carve-Out) Financial Statements—(Continued)**
**September 30, 2004**

The severance benefits are funded approximately 2.41% as of September 30, 2004, through severance insurance deposits for payment of severance benefits, and the account is deducted from accrued severance benefits.

**11. Commitments and Contingencies**

As of September 30, 2004, the Business has provided guarantees for bank loans that employees borrowed to participate in the issuance of new shares of Hynix of up to $4.1 million.

Hynix is subject to several legal proceedings and claims arising in the ordinary course of business, relating to various products, employees and other matters. Certain of these claims relate to products, employees and other matters that are specifically attributable to the Business, and any related costs have been appropriately accrued in the accompanying financial statements. The Business' management does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on the Business' financial condition, results of operations or cash flows.

On September 22, 2004, Korea's Financial Supervisory Commission announced sanctions against Hynix for the accounting violations discovered by Korea's Financial Supervisory Service. These sanctions and violations were not related to the Company. The Business' management believes that accompanying financial statements are not affected by either sanctions or violations and therefore will not have any impact on the Business.

The BTA contains certain provisions that limit the nature and amount of legal proceedings, claims, commitments and contingencies that will remain after consummation of the transaction.

**12. Stock Option Plan**

Employee stock plans are accounted for using the intrinsic value method prescribed by APB Opinion No. 25, *Accounting for Stock Issued to Employees*. The Business utilizes the Black-Scholes option valuation model to value stock options for pro forma presentation of income as if the fair value-based accounting method in SFAS No. 123, *Accounting for Stock-Based Compensation,* had been used to account for stock-based compensation.

On March 26, 2004, Hynix modified all the outstanding options by reducing the vesting period from three years to two years. As the outstanding options were accounted for as variable awards prior to the modification, they will continue to be accounted for as variable awards after the modification. Any impacts of creating a new measurement date due to the modification of the options are reflected in the stock compensation expense in accordance with APB No. 25 and the pro forma disclosures of SFAS 123.

The number and weighted-average exercise prices of options for the nine-month period ended September 30, 2004 are as follows:

| | Number of options | | Weighted average exercise price |
|---|---|---|---|
| | | *(in US dollars)* | |
| Shares under options at January 1, 2004 | 1,046,520 | $ | 4.2 |
| Granted | — | | — |
| Exercised | — | | — |
| Forfeited | 64,125 | | 4.3 |
| Cancelled | — | | — |
| Shares under options at September 30, 2004 | 982,395 | $ | 4.3 |

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Notes to Consolidated (Carve-Out) Financial Statements—(Continued)**
**September 30, 2004**

As of September 30, 2004, the Business had an aggregate of 982,395 shares of Hynix's common stock outstanding under Hynix's option plan with a weighted average exercise price of $4.3 and a weighted-average remaining contractual life is 5.7 years. However, no options were exercisable as of September 30, 2004. The compensation cost for its performance-based plan was $3,324 thousand, for the nine-month period ended September 30, 2004.

**13. Income Tax Expenses**

The components of current income tax expense for the nine-month period ended September 30, 2004 are as follows:

| | | *(in thousands of US dollars)* |
|---|---|---|
| Income before income taxes | | |
| Domestic | $ | 48,660 |
| Foreign | | (2,595) |
| | $ | 46,065 |
| Current income taxes | | |
| Domestic | $ | — |
| Foreign | | 2,828 |
| | $ | 2,828 |
| Deferred income taxes | | |
| Domestic | $ | — |
| Foreign | | — |
| | $ | — |
| Total income tax expenses | $ | 2,828 |

The statutory income tax rate, including tax surcharges, applicable to the Business was approximately 29.7% in 2004. The statutory income tax rate was amended to 27.5%, effective for fiscal years beginning January 1, 2005 in accordance with the Corporate Income Tax Law amended on December 31, 2003.

The provision for domestic and foreign income taxes incurred is different from that which would be obtained by applying the statutory domestic income tax rate to income before income taxes. The significant items causing this difference are as follows:

| | | *(in thousands of US dollars)* |
|---|---|---|
| Provision computed at statutory rate | $ | 13,682 |
| Permanent differences | | 532 |
| Change in statutory tax rate | | (818) |
| Adjustment for overseas tax rates | | (181) |
| Unrealizable deferred taxes | | (10,387) |
| Total statutory income taxes | $ | 2,828 |

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Notes to Consolidated (Carve-Out) Financial Statements—(Continued)**
**September 30, 2004**

Any unrealized deferred tax assets and liabilities derived from the Business will expire upon consummation of the BTA, and accordingly, the accompanying financial statements exclude any deferred tax assets and liabilities.

**14. Related Party Transactions**

Transactions for the nine-month period ended September 30, 2004 between the Business and its affiliates:

| | *(in thousands of US dollars)* |
|---|---|
| Net sales | |
| Hynix | $ 163,760 |
| Purchases | |
| Hynix | $ 11,999 |
| Hyundai Information Technology | 772 |
| Hyundai ASTEC | 9,346 |
| Other related parties | 15 |
| | $ 22,132 |

Related account balances as of September 30, 2004 between the Business and its affiliates:

| | *(in thousands of US dollars)* |
|---|---|
| Payables | |
| Hyundai ASTEC | $ 1,306 |

The Business and Hyundai Information Technology ("HIT") are party to a master service and expense agreement under which HIT will supply system and facility management, SAP license agency service, hardware and software maintenance service for the nine-month period ended September 30, 2004. On March 27, 2004, Hynix entered into an agreement under which Hynix disposed of 8,231,333 shares of the common stock of HIT (27.26% ownership of HIT) to the Miraecom I&C consortium. As a result, HIT has been excluded from the Business' affiliates since the disposal date.

In September 2001, Hyundai ASTEC has agreed to provide the Business with certain services with respect to general administration, environment, logistics and information technology for the nine-month period ended September 30, 2004.

**15. Geographic and Segment Information**

The Business operates in one business segment, the manufacture and sale of semiconductor products.

The following is a summary of net sales by region based on the location of the customer for the nine-month period ended September 30, 2004:

| | *(in thousands of US dollars)* |
|---|---|
| Korea | $ 455,616 |
| Asia Pacific | 203,791 |
| Japan | 143,190 |
| North America | 17,388 |
| Europe | 21,603 |
| | $ 841,588 |

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Notes to Consolidated (Carve-Out) Financial Statements—(Continued)**
**September 30, 2004**

Over 99% of the Business' property, plant and equipment are located in Korea as of September 30, 2004.

For the nine-month period ended September, 30, 2004, net sales of the Business from its ten largest customers accounted for 63% of total sales.

The following is a summary of net sales by product for the nine-month period ended September, 30, 2004:

| | *(in thousands of US dollars)* |
|---|---|
| Solution Products | |
| Flat panel display driver | $ 198,823 |
| CMOS Image Sensor | 142,050 |
| Application Processors | 66,715 |
| Semiconductor Manufacturing Service | |
| Memory | 163,760 |
| Non-memory | 270,240 |
| | $ 841,588 |

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of
MagnaChip Semiconductor LLC (Predecessor Company)

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, of changes in owners' equity and of cash flows present fairly, in all material respects, the financial position of MagnaChip Semiconductor LLC and its subsidiaries (predecessor company) (the "Company"), as defined in Note 1, at December 31, 2003 and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ Samil PricewaterhouseCoopers

Seoul, Korea
June 15, 2005

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Consolidated Balance Sheet**

**December 31, 2003**

| | | *(in thousands of US dollars)* |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Accounts receivable, net | $ | 91,525 |
| Inventories, net | | 82,283 |
| Other current assets | | 11,314 |
| Total current assets | | 185,122 |
| Property, plant and equipment, net | | 547,867 |
| Intangibles, net | | 32,129 |
| Other non-current assets | | 24,850 |
| Total assets | $ | 789,968 |
| **Liabilities and Owners' equity** | | |
| Current liabilities | | |
| Accounts payable | $ | 78,805 |
| Short-term borrowings | | 46,667 |
| Accrued expenses | | 24,323 |
| Other current liabilities | | 13,594 |
| Total current liabilities | | 163,389 |
| Long-term borrowings | | 421,395 |
| Accrued severance benefits, net | | 37,364 |
| Other non-current liabilities | | 12,506 |
| Total liabilities | $ | 634,654 |
| Commitments and contingencies | | |
| Owners' equity | | |
| Owners' equity | $ | 135,781 |
| Deferred stock compensation | | 2,350 |
| Accumulated other comprehensive income | | 17,183 |
| Total owners' equity | | 155,314 |
| Total liabilities and owners' equity | $ | 789,968 |

The accompanying notes are an integral part of these financial statements.

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Consolidated Statements of Operations**

**Years Ended December 31, 2002 and 2003**

| | 2002 | 2003 |
|---|---|---|
| | *(in thousands of US dollars)* | |
| Net sales | | |
| Related party | $ 306,801 | $ 260,739 |
| Others | 393,459 | 570,101 |
| | 700,260 | 830,840 |
| Cost of sales | 690,997 | 752,509 |
| Gross profit | 9,263 | 78,331 |
| Selling, general and administrative | 61,925 | 68,738 |
| Research and development | 87,038 | 86,575 |
| Operating loss | (139,700) | (76,982) |
| Other income (expenses) | | |
| Interest expense, net | (46,768) | (37,797) |
| Foreign currency gain | 19,126 | 9,900 |
| Foreign currency loss | (10,527) | (8,496) |
| Others, net | 1,362 | 1,041 |
| | (36,807) | (35,352) |
| Loss before income taxes | (176,507) | (112,334) |
| Income tax expenses | (1,797) | (1,389) |
| Net loss | $(178,304) | $ (113,723) |

The accompanying notes are an integral part of these financial statements.

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Consolidated Statements of Changes in Owners' Equity**

**Years Ended December 31, 2002 and 2003**

| | Owners' Equity | Deferred Stock Compensation | Accumulated Other Comprehensive Income (loss) | Total |
|---|---|---|---|---|
| | | *(in thousands of US dollars)* | | |
| **Balance at December 31, 2001** | $ 427,808 | $ 1,973 | $ (17,635) | $ 412,146 |
| Comprehensive loss: | | | | |
| Net loss | (178,304) | — | — | (178,304) |
| Foreign currency translation adjustments | — | — | 34,208 | 34,208 |
| Total comprehensive loss | | | | (144,096) |
| Deferred stock compensation | — | 216 | — | 216 |
| **Balance at December 31, 2002** | 249,504 | 2,189 | 16,573 | 268,266 |
| Comprehensive loss: | | | | |
| Net loss | (113,723) | — | — | (113,723) |
| Foreign currency translation adjustments | — | — | 610 | 610 |
| Total comprehensive loss | | | | (113,113) |
| Deferred stock compensation | — | 161 | — | 161 |
| **Balance at December 31, 2003** | $ 135,781 | $ 2,350 | $ 17,183 | $ 155,314 |

The accompanying notes are an integral part of these financial statements.

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Consolidated Statements of Cash Flows**

**Years Ended December 31, 2002 and 2003**

| | 2002 | 2003 |
|---|---|---|
| | *(in thousands of US dollars)* | |
| **Cash flows from operating activities:** | | |
| Net loss | $(178,304) | $ (113,723) |
| Adjustments to reconcile net loss to net cash provided by operating activities | | |
| Depreciation and amortization | 346,834 | 338,513 |
| Provision for severance benefits | 5,350 | 7,291 |
| Loss on disposal of property, plant and equipment, net | 1,320 | 2,279 |
| Impairment of property, plant and equipment | 256 | 12 |
| Other, net | (12,957) | 1,785 |
| Changes in operating assets and liabilities | | |
| Accounts receivable | 3,126 | (35,778) |
| Inventories | 35,319 | (1,454) |
| Accounts payable | 29,214 | (12,740) |
| Accrued expenses | (8,115) | 724 |
| Other current assets | 7,205 | 3,082 |
| Other current liabilities | (24,327) | 2,000 |
| Other, net | (17,783) | (9,915) |
| Net cash provided by operating activities | 187,138 | 182,076 |
| **Cash flows from investing activities:** | | |
| Proceeds from sales of plant, property and equipment | 10,523 | 3,442 |
| Decrease (increase) in other non-current assets | 1,111 | 237 |
| Purchases of plant, property and equipment | (61,316) | (22,640) |
| Purchases of intangibles | (2,166) | (2,520) |
| Net cash used in investing activities | (51,848) | (21,481) |
| **Cash flows from financing activities:** | | |
| Net increase (decrease) in short-term borrowings | (77,112) | 25,917 |
| Net decrease in long-term borrowings | (58,178) | (186,512) |
| Net cash used in financing activities | (135,290) | (160,595) |
| Net increase in cash and cash equivalents | — | — |
| **Cash and cash equivalents:** | | |
| Beginning of year | — | — |
| End of year | $ — | $ — |
| **Supplemental cash flow information:** | | |
| Cash paid for interest | $ 46,865 | $ 37,872 |
| Cash paid for income taxes | $ 1,797 | $ 1,389 |

The accompanying notes are an integral part of these financial statements.

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Notes to Consolidated (Carve-Out) Financial Statements**

**December 31, 2002 and 2003**

**1. Organization and Nature of Operations**

The consolidated financial statements represent the non-memory business (the "Business") of Hynix Semiconductor, Inc. ("Hynix") on a carved out basis from the parent company's results. The Business designs, manufactures, distributes and sells CMOS based semiconductor integrated circuits and provides semiconductor manufacturing services for other semiconductor companies. The Business was formed through the merger of Hyundai Electronics Industries Co. Ltd and LG Semiconductor, Inc. in 1999 (the "LGS Acquisition").

The Business sells its products globally through a network of direct sales representatives and distributors throughout the world. The Business maintains direct sales offices in the United States, Taiwan, Japan, Hong Kong, the United Kingdom and Korea.

Pursuant to a Business Transfer Agreement ("BTA"), the Business was acquired by MagnaChip Semiconductor LLC and its subsidiaries on October 6, 2004 for approximately $757 million in cash, the assumption of certain liabilities and 5,079,254 warrants to purchase common equity interests in MagnaChip Semiconductor LLC.

**2. Basis of Presentation**

The accompanying (carve-out) financial statements reflect the assets, liabilities, revenues and expenses, changes in owners' equity and cash flows that were directly applicable to the Business. Owners' equity at January 1, 2001 represents the net losses of the Business and Hynix' funding of its investment in the Business, including net cash and other transfers. Subsequent changes in Hynix' funding of its investment in the Business have been assumed to be funding and repayments of the Business' debt arrangement with Hynix.

The accompanying (carve-out) financial statements also include allocations of certain raw materials, other assets and accounts payable which the Business has historically shared with Hynix, and allocations of certain manufacturing costs, general and administrative, sales and marketing, and other expenses. For those assets, liabilities and expenses of which a specific identification method was not practicable, the allocation was based on the following methodology:

**Shared Assets**

Historically, the Business has shared the use of certain Hynix facilities, including property, plant and equipment with Hynix's memory business. The shared assets which were historically used by the Business more than Hynix's memory business were assigned to the Business. In other cases, where the historical usage ratio information was unavailable, the assets were assigned based upon the terms of the BTA. Raw materials and other shared inventories were allocated based upon each facilities' consumption of those products. Other shared assets were allocated based upon the year-end or annual ratio of the Business as a proportion to Hynix' total headcount, sales, and raw material consumption.

**Debt**

Hynix uses a centralized approach to cash management and the financing of its operations. These systems did not track cash balances and bank borrowings on a business specific basis. While certain of the Business' borrowings are specifically identifiable, for example, obligations relating to capital leases, the majority of Hynix' borrowings were not specifically attributable to the Business. The accompanying financial statements include an allocation of Hynix' consolidated borrowings and the related interest expense, based upon the amounts that management believes would have been necessary to finance the working capital and other cash flow

requirements of the Business over the three year period ended December 31, 2003. These amounts have been estimated using the anticipated debt requirements of the Business upon consummation of the BTA (the "Corporate Borrowings") as a guide, plus historical amounts of other borrowings that are specifically allocated to the Business, and include capital lease obligations, financing for the water treatment facility, and other short term borrowings that relate to accounts receivable balances of the Business (the "Other Borrowings"). The interest expense on the allocated borrowings has been calculated using the average balance of these borrowings, and the Hynix historical weighted average interest rate on its borrowings. Management believes the debt allocation basis is reasonable as the Business operates in a highly capital intensive industry and capital expenditures are financed through bank borrowings.

With regard to the interest expense, such expense is not necessarily indicative of the interest expense that the Business would have incurred as a separate independent entity because (i) the Business may not be able to obtain financing with interest rates as favorable as those enjoyed by Hynix, with the result that the Business' cost of capital will be higher than that reflected in its financial statements; and (ii) Hynix has been under the joint management of its creditor banks' council since 2001, in accordance with the Corporate Restructuring Promotion Act in the Republic of Korea and has received significant debt restructuring from the creditor banks; and (iii) the Business may have a capital structure different from the capital structure in the consolidated (carve-out) financial statements.

**Manufacturing Costs**

Manufacturing costs were generally apportioned between the Business and Hynix's other product lines based on historical production. Certain manufacturing costs that were specifically identifiable with a particular product line were charged directly to those product lines. Other operating units of Hynix performed manufacturing services for the Business and incurred other elements of cost of sales on behalf of the Business, wafer foundry, freight, duty, warehousing, and purchased manufacturing services from third party vendors. Costs of these services are specifically identified as they relate to the Business. Also, the Business has performed contract manufacturing related to wafer foundry service for Hynix. The revenue for those services is reflected at cost plus a historical margin, which is the approximate rate of contract manufacturing margin rate, in the accompanying statements of operations.

**Other Costs**

Shared or common costs, including certain general and administrative, sales and marketing, and research and development expenses, have been allocated from Hynix's corporate office and manufacturing sites to the Business on a basis which is considered by management to reasonably reflect the utilization of such services by number of employees, sales ratio and others.

The Business believes the allocation principles, described above, are reasonable, however, the expenses allocated to the Business for these items are not necessarily indicative of the expenses that would have been incurred if the Business had been a separate independent entity.

**Income Taxes**

The Business is not a separate taxable entity for Korean or international tax purposes and has not filed separate income tax returns, but rather was included in the income tax returns filed by Hynix. Accordingly, income tax expense in the carved out financial statements has been calculated as if the Business filed on a

separate tax return basis. In addition, upon consummation of the BTA, any unrealized deferred tax assets and liabilities, which have been derived from the operations of the Business, will remain with Hynix and will not be transferred to the Company, and accordingly, the accompanying (carve-out) financial statements exclude any deferred tax assets and liabilities.

**Liquidity**

While the accompanying (carve-out) financial statements present the Business as generating positive operating cash flow, given its historical operating and net losses, there can be no assurance that the business will continue to generate sufficient funds from operations.

The transaction outlined in the BTA includes a recapitalization of the Company's debt and equity structure, and is intended to enable the Business to improve its net and operating performance. This transaction provides further evidence that an independent third party places significant value on the Business, in excess of the book value of the net assets reported in these historical (carve-out) financial statements. If the proposed transaction, outlined in the BTA, is not completed in 2004, the current parent, Hynix has the intent and ability to continue to provide sufficient financial support to the Business.

Accordingly, the accompanying consolidated (carve-out) financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities or any other adjustments that might be necessary should the Business be unable to continue as a going concern.

**3. Summary of Significant Accounting Policies**

The consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Significant accounting policies followed by the Business in the preparation of the accompanying (carve-out) financial statements are summarized below.

**Principles of Consolidation**

The consolidated (carve-out) financial statements include the accounts of the Business and its wholly-owned subsidiaries. All significant intercompany transactions and balances are eliminated in consolidation.

**Use of Estimates**

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the accompanying (carve-out) financial statements and disclosures. The most significant estimates and assumptions relate to the useful life of property, plant and equipment, allowance for uncollectible accounts receivable, contingent liabilities, inventory valuation, impairment of long-lived assets and allocated expenses. Although these estimates are based on management's best knowledge of current events and actions that the Business may undertake in the future, actual results may be different from the estimates.

In common with certain other Asian countries, the economic environment in the Republic of Korea continues to be volatile. In addition, the Korean government and the private sector continue to implement structural reforms to historical business practices, including corporate governance. The Business may be either

directly or indirectly affected by these volatile economic conditions and the reform program described above. The accompanying (carve-out) financial statements reflect management's assessment of the impact to date of the economic environment on the financial position and results of operations of the Business. Actual results may differ materially from management's current assessment.

**Foreign Currency Translation**

The Business, including the majority of its subsidiaries, use their local currency as their functional currency, while the subsidiary in the United Kingdom uses the U.S. dollar as its functional currency. The Company has also selected the US dollar as its reporting currency and follows the methodology prescribed in SFAS No. 52, Foreign Currency Translation. Under this method, all assets and liabilities of subsidiaries are translated to the functional currency of the parent company, and then into US dollars, at the end-of-period exchange rates. Capital accounts and inter-company loans that are determined to be of a permanent nature, are translated using historical exchange rates. Revenues and expenses are translated using average exchange rates. Foreign currency translation adjustments arising from differences in exchange rates from period to period are included in the foreign currency translation adjustment account in accumulated comprehensive income (loss) of owners' equity. Transactions in currencies other than the functional currency are included as a component of other income (expenses) in the statement of operations.

**Cash and Cash Equivalents**

Cash equivalents consist of highly liquid investments with an original maturity date of three months or less.

**Allowance for Doubtful Accounts**

An allowance for doubtful accounts is provided based on the aggregate estimated collectibility of its accounts receivable.

**Inventories**

Inventories are stated at the lower of cost or market, using the average method, which approximates the first in, first out method. If net realizable value is less than cost at the balance sheet date, the carrying amount is reduced to the realizable value, and the difference is recognized as a loss on valuation of inventories. Inventory reserves are established when conditions indicate that the net realizable value is less than cost due to physical deterioration, obsolescence, changes in price levels, or other causes. Reserves are also established for excess inventory based on inventory levels in excess of six months of demand, as judged by management, for each specific product.

**Property, Plant and Equipment**

Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as set forth below.

| | |
|---|---|
| Buildings | 30 years |
| Building related structures | 10 - 20 years |
| Machinery and equipment | 5 - 15 years |
| Vehicles and others | 5 years |

Routine maintenance and repairs are charged to expense as incurred. Expenditures that enhance the value or significantly extend the useful lives of the related assets are capitalized.

Borrowing costs incurred during the construction period of assets are capitalized as part of the related assets.

**Impairment of Long-Lived Assets**

The Business reviews property, plant and equipment and other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability is measured by comparison of its carrying amount with the future net cash flows the assets are expected to generate. If such assets are considered to be impaired, the impaired amount is measured as the amount by which the carrying amount of the asset exceeds the present value of the future net cash flows generated by the respective long-lived assets.

**Lease Transactions**

The Business accounts for lease transactions as either operating leases or capital leases, depending on the terms of the underlying lease agreements. Machinery and equipment acquired under capital lease agreements are recorded at cost as property, plant and equipment and depreciated using the straight-line method over their estimated useful lives. In addition, the aggregate lease payments are recorded as capital lease obligations, net of unaccrued interest. Interest is amortized over the lease period using the effective interest rate method. Leases that do not qualify as capital leases are classified as operating leases, and the related rental payments are expensed on a straight-line basis over the lease term.

**Software**

The Business capitalizes certain external costs that are incurred to purchase and implement internal-use computer software. Direct costs relating to the development of software for internal use are capitalized after technological feasibility has been established, in accordance with Statement Of Position No. 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. Depreciation is calculated on a straight line basis over five years.

**Intangibles**

Intangibles acquired through the LGS Acquisition include technology and customer relationships, and are amortized on a straight-line basis over periods ranging from 4 to 8 years. Other intellectual property assets acquired represent rights under patents, trademarks and property use rights and are amortized over the periods of benefit, ranging up to 10 years, on a straight-line basis.

**Fair Value Disclosures of Financial Instruments**

The estimated fair value of financial instruments is determined by the Business, using available market information and valuation methodologies considered to be appropriate. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Business could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies could have a significant effect on the estimated fair value amounts. Carrying amounts of accounts receivable and accounts payable approximate fair value due to the short maturity of these financial instruments.

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Notes to Consolidated (Carve-Out) Financial Statements—(Continued)**

**December 31, 2002 and 2003**

**Accrued Severance Benefits**

Employees and directors with one or more years of service are entitled to receive a lump-sum payment upon termination of their employment with the Business, based on their length of employment and rate of pay at the time of termination. The accrual for the severance liability approximates the amount that would be payable assuming all eligible employees and directors were to terminate their employment at the balance sheet date.

Accrued severance benefits are funded through a group severance insurance plan. The amounts funded under this insurance plan are classified as a deduction to the accrued severance benefits. Subsequent accruals are to be funded at the discretion of the Business.

In accordance with the National Pension Act of the Republic of Korea, a certain portion of accrued severance benefits is deposited with the National Pension Fund and deducted from the accrued severance benefits. The contributed amount is refunded to employees from the National Pension Fund upon their retirement.

**Revenue Recognition**

Product revenue is primarily recognized upon shipment, when persuasive evidence of a sales arrangement exists, the price is fixed or determinable, title has transferred and collection of resulting receivables is reasonably assured or probable. For certain distributors, standard products are sold to the distributors subject to specific rights to return products, in these situations, revenue recognition is deferred until the distributor sells the product to a third party. All amounts billed to a customer related to shipping and handling are classified as sales while all costs incurred by the Business for shipping and handling are classified as selling expenses amounting to $1,328 thousand and $1,456 thousand for the years ended December 31, 2002 and 2003, respectively.

**Advertising**

The Business expenses advertising costs as incurred. Advertising expense was approximately $152 thousand and $112 thousand for the years ended December 31, 2002 and 2003, respectively.

**Product Warranties**

The Business records warranty liabilities for the estimated costs that may be incurred under its basic limited warranty. This warranty covers defective products and is normally applicable for 12 months from the date of purchase and these liabilities are accrued when product revenues are recognized. Warranty costs include the costs to replace the defective product. Factors that affect the Business' warranty liability include historical and anticipated rate of warranty claims on those repairs and cost per claim to satisfy the Business' warranty obligation. As these factors are impacted by actual experience and future expectations, the Business periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

Accrued warranty liabilities as of December 31, 2002 and 2003 were as follows:

| | 2002 | 2003 |
|---|---|---|
| | *(in thousands of US Dollars)* | |
| Balance at beginning of year | $ 5,916 | $ 1,176 |
| Accrued warranty reserve | 2,639 | 2,612 |
| Aggregate reduction | (7,740) | (2,988) |
| Translation adjustments | 361 | (6) |
| Balance at end of year | $ 1,176 | $ 794 |

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Notes to Consolidated (Carve-Out) Financial Statements—(Continued)**

**December 31, 2002 and 2003**

**Research and Development**

Research and development costs are expensed as incurred and include employee salaries, contractor fees, building costs, utilities, and administrative expenses.

**Government Grants**

Grants received by the Business from the Korean government to assist with specific research and development activities, are recognized in the statement of operations as a credit to research and development expenses, in the period in which the related expense is incurred, to the extent that they are non-refundable. Grants from the Korean government recognized as a reduction of research and development expenses were nil and $575 thousand for the years ended December 31, 2002 and 2003, respectively.

**Licensed Patents and Technologies**

The Business has entered into a number of royalty agreements to license patents and technology used in the design and manufacture of its products. The payments under these agreements include an initial payment to acquire the rights, and a royalty payment, calculated based upon the Business' sales of the related products. The initial payment, usually paid in installments, represents a non-refundable commitment, such that the total present value of these payments is recorded as a liability upon execution of the agreement, and the costs are deferred over the period of the agreement. The royalty payments are charged to the statement of operations as incurred.

**Stock-Based Compensation**

Employee stock plans are accounted for using the intrinsic value method prescribed by Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*. The Business utilizes the Black-Scholes option valuation model to value stock options for pro forma presentation of income as if the fair value-based accounting method in Statements of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock-Based Compensation,* had been used to account for stock-based compensation.

If compensation cost for the Business' stock-based compensation plan was determined based on the fair value at the grant dates for awards under those plans consistent with the method of SFAS No. 123, the Business' net loss would have been increased to the pro forma amounts indicated below.

| | 2002 | 2003 |
|---|---|---|
| | *(in thousands of US dollars)* | |
| Net loss, as reported | $(178,304) | $ (113,723) |
| Add: Amortization of non-cash deferred stock compensation expense determined under the intrinsic value method as reported in net loss, net of related tax effects | 216 | 161 |
| Deduct: Total stock-based employee compensation expense determined under fair value method for all awards, net of related tax effects | (4,237) | (5,335) |
| Pro forma net loss | $(182,325) | $ (118,897) |

The weighted average fair value of stock options granted during the year ended December 31, 2003 was $4.03.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

| | 2002 | 2003 |
|---|---|---|
| Expected life | — | 4 1/2 years |
| Expected volatility | — | 131.9% |
| Risk-free interest rate | — | 4.16% |
| Expected dividends | — | — |

**Income Taxes**

The Business accounts for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes* which requires an asset and liability approach for financial accounting and reporting for income tax purposes.

**Concentration of Credit Risk**

The Business performs periodic credit evaluations of its customers' financial condition and generally does not require collateral for customers on accounts receivable. The Business maintains reserves for potential credit losses, but historically has not experienced significant losses related to individual customers or groups of customers in any particular industry or geographic area. The Business derives a substantial portion of its revenues from export sales through its overseas subsidiaries in Asia, North America and Europe.

A substantial portion of the components necessary for the manufacture and operation of the Business' products are obtained from the other operating units of Hynix and its affiliates. The disruption or termination of any of these sources could have a material adverse effect on the Business' operating results and financial condition.

**4. Accounts Receivable**

Accounts receivable as of December 31, 2003 consists of the following:

| | *(in thousands of US dollars)* |
|---|---|
| Accounts receivable | $ 91,670 |
| Less: allowances for doubtful accounts | (145) |
| Accounts receivable, net | $ 91,525 |

The Business recognized bad debt expenses amounting to $8 thousand and $11 thousand for the year ended December 31, 2002 and 2003, respectively, and also wrote off $208 thousand and nil during the years ended December 31, 2002 and 2003, respectively.

**5. Inventories**

Inventories as of December 31, 2003 consists of the following:

| | *(in thousands of US dollars)* |
|---|---|
| Finished goods | $ 19,831 |
| Semi-finished goods and work-in-process | 57,609 |
| Raw materials and supplies | 7,832 |
| Materials in-transit | 3,662 |
| Less: valuation allowances | (6,651) |
| Inventories, net | $ 82,283 |

The Business recognized a loss on valuation of inventories amounting to $26,400 thousand and $454 thousand for the years ended December 31, 2002 and 2003, respectively. In addition, the Business wrote off $17,776 thousand and $25,503 thousand during the years ended December 31, 2002 and 2003, respectively.

**6. Property, Plant and Equipment**

Property, plant and equipment including capital lease assets as of December 31, 2003 consist of the following:

| | | *(in thousands of US dollars)* |
|---|---|---|
| Buildings and related structures | $ | 205,166 |
| Machinery and equipment | | 1,920,199 |
| Vehicles and others | | 36,352 |
| | | 2,161,717 |
| Less: accumulated depreciation | | (1,625,582) |
| Land | | 10,268 |
| Construction in-progress | | 1,464 |
| Property, plant and equipment, net | $ | 547,867 |

Aggregate depreciation expenses for the years ended December 31, 2002 and 2003 are $337,285 thousand and $329,462 thousand, respectively and capitalized interest costs for the years ended December 31, 2002 and 2003 amount to $144 thousand and $152 thousand, respectively.

**7. Leases and Lease Commitments**

**Capital Leases**

Machinery and equipment under capital leases as of December 31, 2003 are as follows:

| | | *(in thousands of US dollars)* |
|---|---|---|
| Acquisition cost | $ | 420,317 |
| Less: accumulated depreciation | | (361,879) |
| Machinery and equipment under capital leases, net | $ | 58,438 |

Depreciation expense of assets under capital leases for the years ended December 31, 2002 and 2003 is $72,563 thousand and $68,660 thousand, respectively.

Future minimum lease payments under capital lease obligations as of December 31, 2003 are as follows:

| | | *(in thousands of US dollars)* |
|---|---|---|
| 2004 | $ | 2,103 |
| 2005 | | 2,103 |
| 2006 | | 68,809 |
| Total minimum lease payments | | 73,015 |
| Less: interest and discount on present value | | (6,731) |
| Less: current portion | | — |
| | $ | 66,284 |

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Notes to Consolidated (Carve-Out) Financial Statements—(Continued)**

**December 31, 2002 and 2003**

**Operating Leases**

The Business leases office building and equipment under various non-cancelable operating lease agreements that expire through December 2005. Rental expense for 2002 and 2003 was approximately $2,267 thousand and $1,556 thousand, respectively.

As of December 31, 2003, the minimum aggregate rental commitments are as follows:

| | *(in thousands of US dollars)* |
|---|---|
| 2004 | $ 1,270 |
| 2005 | 62 |
| | $ 1,332 |

**8. Intangibles**

Intangibles at December 31, 2003 are as follows:

| | *(in thousands of US dollars)* |
|---|---|
| Technology | $ 12,029 |
| Customer relationships | 45,799 |
| Intellectual property assets | 14,430 |
| Less: accumulated amortization | (40,129) |
| Intangibles, net | $ 32,129 |

Aggregate amortization expense for intangibles for the years ended December 31, 2002 and 2003 were $9,549 thousand and $9,051 thousand, respectively. The estimated aggregate amortization expense of intangibles for the next five years is $6,829 thousand in 2004, $6,920 thousand in 2005, $7,041 thousand in 2006, $5,687 thousand in 2007 and $1,250 thousand in 2008.

**9. Short-Term and Long-Term Borrowings**

As discussed in Note 2, the Business' consolidated financial statements include two types of debt: (i) an allocation of Hynix's consolidated debt, the Corporate Borrowings, and (ii) historical short term and long term borrowings that are specifically allocated to the Business, the Other Borrowings. The allocation of Corporate Borrowings has been estimated using the anticipated debt requirements of the Business upon consummation of the BTA, which it is expected will be approximately $318,205 thousand. These borrowings have been applied to the December 31, 2003 balance sheet with changes in the actual annual amount of Hynix's funding used to roll back these borrowings to January 1, 2001.

In accordance with the BTA, the Company is not required to assume the Corporate or Other Borrowings. However, they are included in the accompanying financial statements as management believes this to be a reasonable representation of the amounts that would have been necessary to finance the working capital and other cash flow requirements of the Business over the three year period ended December 31, 2003.

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Notes to Consolidated (Carve-Out) Financial Statements—(Continued)**

**December 31, 2002 and 2003**

The details of short-term and long-term borrowings are as follows:

| | Annual interest rate (%) | |
|---|---|---|
| | | *(in thousands of US dollars)* |
| Short-term borrowings | | |
| Export financing | Libor + 2.0~3.0 | $ 43,566 |
| Current portion of long-term borrowings | 15.3 | 3,101 |
| | | $ 46,667 |
| Long-term borrowings | | |
| Corporate borrowings | 6.5 | $ 318,205 |
| Water treatment facility loan | 15.3 | 40,007 |
| Capital lease obligation | 1.7~6.5 | 66,284 |
| | | 424,496 |
| Less: current portion | | (3,101) |
| | | $ 421,395 |

In March 2001, the Business sold its water treatment facilities to a third party and at the same time, entered into a 12 year lease agreement to use the facilities. At the end of the term, the Business has an option to repurchase the facilities, and therefore the transaction has been recorded as a financing arrangement.

Maturities of the water treatment facility loan as of December 31, 2003 are as follows:

| | *(in thousands of US dollars)* |
|---|---|
| 2004 | $ 8,994 |
| 2005 | 8,893 |
| 2006 | 8,859 |
| 2007 | 8,552 |
| 2008 and thereafter | 35,367 |
| Less: amount representing interest | (30,658) |
| Present value of principal payments | 40,007 |
| Less: current portion | (3,101) |
| | $ 36,906 |

Short-term borrowings include a series of export financing agreements with various financial banks that the Business has arranged to obtain financing secured on certain trade accounts receivable and current portion of long-term borrowings.

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Notes to Consolidated (Carve-Out) Financial Statements—(Continued)**

**December 31, 2002 and 2003**

**10. Accrued Severance Benefits**

Changes in accrued severance benefits for the years ended December 31, 2003 are as follows:

| | *(in thousands of US dollars)* |
|---|---|
| Beginning balance | $ 38,287 |
| Provisions | 8,092 |
| Severance payments | (6,180) |
| Translation adjustments | (184) |
| | 40,015 |
| Less: cumulative contributions to the National Pension Fund | (1,522) |
| group severance insurance plan | (1,129) |
| Accrued severance benefits, net | $ 37,364 |

The severance benefits are funded approximately 2.8% as of December 31, 2003 through severance insurance deposit for payment of severance benefits, and the account is deducted from accrued severance benefits.

**11. Commitments and Contingencies**

As of December 31, 2003, the Business has provided guarantees for bank loans that employees borrowed to participate in the issuance of new shares of Hynix. Outstanding payment guarantees by the Business amounted to approximately $8,037 thousand as of December 31, 2003.

Hynix is subject to several legal proceedings and claims arising in the ordinary course of business, relating to various products, employees and other matters. Certain of these claims relate to products, employees and other matters that are specifically attributable to the business, and any related costs have been appropriately accrued in the accompanying financial statements. The Business' management does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on the Business' financial condition, results of operations or cash flows.

On September 22, 2004, Korea's Financial Supervisory Commission announced sanctions against Hynix for the accounting violations discovered by Korea's Financial Supervisory Service. These sanctions and violations were not related to the Company. The Business' management believes that accompanying financial statements are not affected by either sanctions or violations and therefore will not have any impact on the Business.

The BTA contains certain provisions that limit the nature and amount of legal proceedings, claims, commitments and contingencies that will remain after consummation of the transaction.

**12. Stock Option Plan**

Hynix formed its stock option plan in 1999. As part of the presentation of the Business on a carved out basis, stock compensation is allocated to the Business based on the employees that historically have worked in the Business.

The options were granted to all full time employees based on various criteria, such as length of service with the Business, employee title and role within the Business. As the amount of options granted to employees is not

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Notes to Consolidated (Carve-Out) Financial Statements—(Continued)**

**December 31, 2002 and 2003**

uniform or based on a percentage of salary, the plan is considered compensatory, in accordance with APB No. 25, *Accounting for Stock Issued to Employees*.

The terms of the options granted within the plan are as follows: three-year cliff vesting, exercise period three or five years after vesting and therefore the life of the options are six or eight years.

Hynix granted stock options to employees and directors in 1999 (Grants 1, 2 and 3). However, on July 7, 2001, the Business cancelled the Grants 1, 2 and 3 and replaced them with Grant 4. The replacement of options with Grant 4 did not result in variable accounting for Grant 4.

On July 13, 2003, Hynix cancelled Grant 4 and replaced it with Grant 5 as a result of an equity restructuring. The amount of shares reissued and the exercise did not match the 21:1 stock split and therefore resulted in Grant 5 requiring variable accounting.

The number and weighted-average exercise prices of options during 2002 and 2003 are as follows:

| | Number of options | Weighted average exercise price |
|---|---|---|
| | | *(in US dollar)* |
| Shares under options at December 31, 2001 | 2,213,850 | $ 3.9 |
| Granted | — | — |
| Exercised | — | — |
| Forfeited | 648,050 | 4.0 |
| Cancelled | — | — |
| Shares under options at December 31, 2002 | 1,565,800 | 4.0 |
| Granted | 1,130,115 | 4.2 |
| Exercised | — | — |
| Forfeited | 291,895 | 4.2 |
| Cancelled | 1,357,500 | 4.2 |
| Shares under options at December 31, 2003 | 1,046,520 | $ 4.2 |

As of December 31, 2003, the Business had an aggregate of 1,046,520 shares of Hynix's common stock outstanding under Hynix's option plan with a weighted average exercise price of $4.2 and a weighted-average remaining contractual life in years is two and a half years. However, no options were exercisable as of December 31, for 2002 and 2003. The compensation cost for its performance-based plan was $216 thousand and $161 thousand for the years ended December 31, 2002, and 2003, respectively.

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Notes to Consolidated (Carve-Out) Financial Statements—(Continued)**

**December 31, 2002 and 2003**

**13. Income Tax Expenses**

The components of current income tax expense are as follows:

| | 2002 | 2003 |
|---|---|---|
| | *(in thousands of US dollars)* | |
| Loss before income taxes | | |
| Domestic | $(155,591) | $ (91,795) |
| Foreign | (20,916) | (20,539) |
| | $(176,507) | $ (112,334) |
| Current income taxes | | |
| Domestic | $ — | $ — |
| Foreign | 1,797 | 1,389 |
| | $ 1,797 | $ 1,389 |
| Deferred income taxes | | |
| Domestic | $ — | $ — |
| Foreign | — | — |
| | $ — | $ — |
| Total income tax expenses | $ 1,797 | $ 1,389 |

The statutory income tax rate, including tax surcharges, applicable to the Business was approximately 29.7% in 2002 and 2003. The statutory income tax rate was amended to 27.5%, effective for fiscal years beginning January 1, 2005 in accordance with the Corporate Income Tax Law amended on December 30, 2003.

The provision for domestic and foreign income taxes incurred is different from that which would be obtained by applying the statutory domestic income tax rate to income before income taxes. The significant items causing this difference are as follows:

| | 2002 | 2003 |
|---|---|---|
| | *(in thousands of US dollars)* | |
| Provision computed at statutory rate | $ (52,423) | $ (33,364) |
| Permanent differences | 247 | 478 |
| Change in statutory tax rate | — | 15,510 |
| Adjustment for overseas tax rates | 791 | 110 |
| Unrealizable deferred taxes | 53,182 | 18,655 |
| Total statutory income taxes | $ 1,797 | $ 1,389 |

Any unrealized deferred tax assets and liabilities derived from the Business will expire upon consummation of the BTA, and accordingly, the accompanying financial statements exclude any deferred tax assets and liabilities.

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Notes to Consolidated (Carve-Out) Financial Statements—(Continued)**

**December 31, 2002 and 2003**

**14. Related Party Transactions**

Transactions for the years ended December 31, 2002 and 2003 between the Business and its affiliates.

| | 2002 | 2003 |
|---|---|---|
| | *(in thousands of US dollars)* | |
| Net sales | | |
| Hynix | $ 263,745 | $ 259,678 |
| Hyundai Display Technology | 43,038 | 925 |
| Other related parties | 18 | 136 |
| | $ 306,801 | $ 260,739 |
| Purchases | | |
| Hynix | $ 11,594 | $ 42,857 |
| Hyundai Information Technology | 4,736 | 3,849 |
| Hyundai ASTEC | 15,604 | 17,889 |
| Other related parties | 66 | 110 |
| | $ 32,000 | $ 64,705 |

Related account balances as of December 31, 2003 between the Business and its affiliates:

| | *(in thousands of US dollars)* |
|---|---|
| Payables | |
| Hyundai Information Technology | $ 1,847 |
| Hyundai ASTEC | 1,112 |
| | $ 2,959 |

In addition, the Business and Hyundai Information Technology are party to a master service and expense agreement under which Hyundai Information Technology will supply system and facility management, SAP license agency service, hardware and software maintenance service during the years ended December 31, 2002 and 2003.

In September 2001, Hyundai ASTEC has agreed to provide the Business with certain services with respect to general administration, environment, logistics and information technology up to December, 2004.

**MagnaChip Semiconductor LLC and Subsidiaries (Predecessor Company)**

**Notes to Consolidated (Carve-Out) Financial Statements—(Continued)**

**December 31, 2002 and 2003**

**15. Geographic and Segment Information**

The Business operates in one business segment, the manufacture and sale of semiconductor products.

The following is a summary of net sales by region based on the location of the customer for the years ended December 31, 2002 and 2003:

| | 2002 | 2003 |
|---|---|---|
| | *(in thousands of US dollars)* | |
| Korea | $ 471,865 | $ 498,051 |
| Asia Pacific | 138,514 | 152,217 |
| Japan | 70,402 | 129,795 |
| North America | 7,195 | 29,476 |
| Europe | 12,284 | 21,298 |
| Other | — | 3 |
| | $ 700,260 | $ 830,840 |

Over 99% of the Business' property, plant and equipment are located in Korea as of December 31, 2003.

During the years ended December 31, 2002 and 2003, net sales of the Business from its ten largest customers accounted for 73%, and 65% of total sales, respectively.

The following is a summary of net sales by product for the years ended December 31, 2002 and 2003:

| | 2002 | 2003 |
|---|---|---|
| | *(in thousands of US dollars)* | |
| Solution Products | $ 279,056 | $ 358,995 |
| Semiconductor Manufacturing Service: | | |
| Memory | 263,745 | 259,678 |
| Non-memory | 157,459 | 212,167 |
| | $ 700,260 | $ 830,840 |

## Glossary of selected terms

**BiCMOS (Bi-Complementary Metal-Oxide Semiconductor)**

A type of integrated circuit combining CMOS transistors and bipolar transistors on a single chip.

**Bluetooth**

A wireless radio technology specification that enables short-range communications among electronics devices.

**Central processing unit (CPU)**

The part of a computer (a microprocessor chip) that does most of the data processing; the CPU and the memory form the central part of a computer to which the peripherals are attached.

**CMOS (Complementary Metal-Oxide Semiconductor)**

A type of integrated circuit that is low in power consumption, while wide in the operation voltage range.

**DRAM (Dynamic Random Access Memory)**

A type of integrated circuit that stores data so long as a constant power supply is maintained.

**Fab**

Short for fabrication facility, a silicon wafer manufacturing plant. A fabless semiconductor company designs and develops semiconductors but outsources their production.

**IC (Integrated Circuit)**

A microelectronic circuit, or transistor, incorporated into a base material such as a silicon wafer.

**LCD (Liquid Crystal Display)**

A digital display that uses liquid crystal cells that change reflectivity in an applied electric field; used for portable computer displays and watches, etc.

**MPEG-4 (Moving Picture Experts Group 4)**

A standard for digital video and audio compression.

**OEM (Original Equipment Manufacturer)**

OEMs buy equipment in bulk from the manufacturer, customize the equipment for a particular application and/or re-sell the customized equipment under their own brand.

**OLED (Organic Light Emitting Diode)**

A display device that sandwiches carbon-based films between two charged electrodes, one a metallic cathode and one a transparent anode, usually being glass. Unlike LCDs, which require backlighting, OLED displays emit light rather than modulate transmitted or reflected light.

**PDA (Personal Digital Assistant)**

A hand-held personal computer used primarily for information management such as storage of addresses and appointments.

**STN (Super Twisted Nematic)**

A type of LCD display in which light rays are twisted to increase the contrast.

**TFT (Thin Film Transistor)**

A type of LCD flat-panel display in which each pixel is controlled by one to four transistors. The TFT technology provides the best resolution of all the flat-panel techniques, but it is also the most expensive. TFT screens are sometimes called active-matrix *LCDs*.

Table of Contents

# MagnaChip Semiconductor S.A. MagnaChip Semiconductor Finance Company

## OFFER TO EXCHANGE

**$300,000,000 Floating Rate Second Priority Senior Secured Notes due 2011 and related Guarantees for all outstanding Floating Rate Second Priority Senior Secured Notes due 2011 and related Guarantees**

**$200,000,000 6 7/8% Second Priority Senior Secured Notes due 2011 and related Guarantees for all outstanding 6 7/8% Second Priority Senior Secured Notes due 2011 and related Guarantees**

**$250,000,000 8% Senior Subordinated Notes due 2014 and related Guarantees for all outstanding 8% Senior Subordinated Notes due 2014 and related Guarantees**

---

**Prospectus , 2005.**

## PART II

## INFORMATION NOT REQUIRED IN PROSPECTUS

### ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

**MagnaChip Semiconductor LLC**

MagnaChip Semiconductor LLC is a limited liability company organized under the laws of the State of Delaware. Section 18–108 of the Delaware Limited Liability Company Act permits a limited liability company, subject to any restrictions that may be set forth in its limited liability company agreement, to indemnify its members and managers from and against any and all claims and demands.

Section 8 of MagnaChip Semiconductor LLC's limited liability company agreement dated as of October 6, 2004 provides that MagnaChip Semiconductor LLC shall indemnify any person who was or is party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director or officer of MagnaChip Semiconductor LLC or a director or officer of a constituent person in a consolidation or merger, or is or was serving at the request of MagnaChip Semiconductor LLC or a constituent person absorbed in a consolidation or merger, as a director or officer of another person, or is or was a director or officer of MagnaChip Semiconductor LLC serving at its request as an administrator, trustee or other fiduciary of one or more of the employee benefit plans of MagnaChip Semiconductor LLC or other enterprise, against expenses (including attorneys' fees), liability and loss actually and reasonably incurred or suffered by such person in connection with such action, suit or proceeding, whether or not the indemnified liability arises or arose from any threatened, pending or completed action, suit or proceeding by or in the right of MagnaChip Semiconductor LLC, except to the extent that such indemnification is prohibited by applicable law

**MagnaChip Semiconductor S.A.**

Under Luxembourg law, civil liability of directors both to the company and to third parties is generally considered to be a matter of public policy. It is possible that Luxembourg courts would declare void an explicit or even implicit contractual limitation on directors' liability to MagnaChip Semiconductor S.A. MagnaChip Semiconductor S.A., however, can validly agree to indemnify the directors against the consequences of liability actions brought by third parties (including shareholders if such shareholders have personally suffered a damage which is independent of and distinct from the damage caused to the company).

Under Luxembourg law, an employee of MagnaChip Semiconductor S.A. can only be liable to MagnaChip Semiconductor S.A. for damages brought about by his or her willful acts or gross negligence. Any arrangement providing for the indemnification of officers against claims of MagnaChip Semiconductor S.A. would be contrary to public policy. Employees are liable to third parties under general tort law and may enter into arrangements with MagnaChip Semiconductor S.A. providing for indemnification against third party claims.

Under Luxembourg law, an indemnification agreement can never cover a willful act or gross negligence.

**MagnaChip Semiconductor Finance Company**

*Indemnification:* Section 145 of the Delaware General Corporation Law provides that a corporation may indemnify directors and officers as well as other employees and individuals against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any threatened, pending or completed actions, suits or proceedings in which such person is made a party by reason of such person being or having been a director, officer, employee of or agent to the Company. The statute provides that it is not exclusive of other rights to which those seeking indemnification may be entitled under any by-law, agreement, vote of stockholders or disinterested directors or otherwise. MagnaChip Semiconductor Finance Company's bylaws provide for indemnification by the company of any

director or officer (as such term is defined in the bylaws) of the company or a constituent corporation absorbed in a consolidation or merger, or any person who, at the request of the company or a constituent corporation, is or was serving as a director or officer of, or in any other capacity for, any other enterprise, except to the extent that such indemnification is prohibited by law. The bylaws also provide that the company shall advance expenses incurred by a director or officer in defending a proceeding prior to the final disposition of such proceeding. The board of directors, by majority vote of a quorum consisting of directors not parties to the proceeding, must determine whether the applicable standards of any applicable statute have been met. The bylaws do not limit the company's ability to provide other indemnification and expense reimbursement rights to directors, officers, employees, agents and other persons otherwise than pursuant to the bylaws. The company may purchase insurance covering the potential liabilities of the directors and officers of the company or any constituent corporations or any person who, at the request of the company or a constituent corporation, is or was serving as a director or officer of, or in any other capacity for, any other enterprise.

*Limitation of Liability:* Section 102(b)(7) of the Delaware General Corporation Law permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for payments of unlawful dividends or unlawful stock repurchases or redemptions, or (iv) for any transaction from which the director derived an improper personal benefit. MagnaChip Semiconductor Finance Company's certificate of incorporation provides for such limitation of liability.

**Other Subsidiaries**

The organizational documents of certain subsidiary guarantors also provide for indemnification of their officers and directors for liability incurred in connection with the performance of their duties as officers and directors.

**Employment Agreements**

*Indemnification:* Some of our officers have employment agreements with us that provide for indemnification against losses, costs and expenses arising from or relating to such person's services for us, to the extent permitted by law and the governing documents of the applicable company.

**ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.**

(a) Exhibits

The following exhibits are filed herewith unless otherwise indicated:

| | |
|---|---|
| 2.1 | Business Transfer Agreement, dated as of June 12, 2004, between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea) |
| 2.2 | First Amendment to Business Transfer Agreement, dated as of October 6, 2004, between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea) |
| 3.1 | Certificate of Formation of MagnaChip Semiconductor Holding LLC |
| 3.2 | Certificate of Amendment to Certificate of Formation of MagnaChip Semiconductor Holding LLC |
| 3.3 | Third Amended and Restated Limited Liability Company Operating Agreement of MagnaChip Semiconductor LLC |
| 3.4 | Articles of Incorporation of MagnaChip Semiconductor S.A. |
| 3.5 | Certificate of Incorporation of MagnaChip Semiconductor Finance Company |
| 3.6 | Bylaws of MagnaChip Semiconductor Finance Company |
| 3.7 | Certificate of Formation for MagnaChip Semiconductor SA Holdings LLC |
| 3.8 | Limited Liability Company Agreement of MagnaChip Semiconductor SA Holdings LLC |
| 3.9 | Deed of Amendment to the Articles of Association of MagnaChip Semiconductor B.V. (English translation) |
| 3.10 | Certificate of Incorporation of MagnaChip Semiconductor, Inc. (USA) |
| 3.11 | Bylaws of MagnaChip Semiconductor, Inc. (USA) |
| 3.12 | Articles of Incorporation of MagnaChip Semiconductor, Ltd. (Korea) |
| 3.13 | Articles of Incorporation of MagnaChip Semiconductor Inc. (Japan) (English translation) |
| 3.14 | Memorandum of Association of MagnaChip Semiconductor Ltd. (Hong Kong) |
| 3.15 | Articles of Association of MagnaChip Semiconductor Ltd. (Hong Kong) |
| 3.16 | Memorandum of Association of MagnaChip Semiconductor Ltd. (United Kingdom) |
| 3.17 | Articles of Association of MagnaChip Semiconductor Ltd. (United Kingdom) |
| 3.18 | Articles of Incorporation of MagnaChip Semiconductor Ltd. (Taiwan) (English translation) |
| 3.19 | Articles of Incorporation of ISRON Corporation (English translation) |
| 3.20 | Articles of Incorporation of IC Media Corporation |
| 3.21 | Bylaws of IC Media Corporation |
| 3.22 | Certificate of Amendment to the Bylaws of IC Media Corporation |
| 3.23 | Certificate of Amendment to the Bylaws of IC Media Corporation |
| 3.24 | Memorandum of Association of IC Media International Corporation |
| 3.25 | Articles of Association of IC Media International Corporation |
| 3.26 | Memorandum of Association of IC Media Holding Company Limited |
| 3.27 | Articles of Association of IC Media Holding Company Limited |
| 3.28 | Articles of Incorporation of IC Media Technology Corporation (English translation) |

| | |
|---|---|
| 4.1 | Indenture, dated as of December 23, 2004, among MagnaChip Semiconductor S.A., MagnaChip Semiconductor Finance Company, the guarantors as named therein and The Bank of New York, as trustee for the Floating Rate Second Priority Senior Secured Notes due 2011 and the 6 7/8% Second Priority Senior Secured Notes due 2011. |
| 4.2 | Form of Floating Rate Second Priority Senior Secured Notes due 2011 and related guarantees (included in Exhibit 4.1) |
| 4.3 | Form of 6 7/8% Second Priority Senior Secured Notes due 2011 and related guarantees (included in Exhibit 4.1) |
| 4.4 | Registration Rights Agreement, dated as of December 23, 2004, by and among MagnaChip Semiconductor S.A., MagnaChip Semiconductor Finance Company, the guarantors named therein, UBS Securities LLC, Citigroup Global Markets Inc., Goldman, Sachs & Co., J.P. Morgan Securities Inc. and Deutsche Bank Securities Inc. |
| 4.5 | Indenture, dated as of December 23, 2004, among MagnaChip Semiconductor S.A., MagnaChip Semiconductor Finance Company, the guarantors as named therein and The Bank of New York, as trustee for the 8% Senior Subordinated Notes due 2014. |
| 4.6 | Form 8% Senior Subordinated Notes due 2014 and related guarantees (included in Exhibit 4.5) |
| 4.7 | Registration Rights Agreement, dated as of December 23, 2004, by and among MagnaChip Semiconductor S.A., MagnaChip Semiconductor Finance Company, the guarantors named therein, UBS Securities LLC, Citigroup Global Markets Inc., Goldman, Sachs & Co., J.P. Morgan Securities Inc. and Deutsche Bank Securities Inc. |
| 5.1 | Opinion of Dechert LLP, New York, New York* |
| 5.2 | Opinion of Dechert Luxembourg, Luxembourg* |
| 5.3 | Opinion of Dechert, London, England* |
| 5.4 | Opinion of NautaDutilh N.V., Amsterdam, The Netherlands* |
| 5.5 | Opinion of Kim & Chang, Seoul, Korea* |
| 5.6 | Opinion of Lee, Tsai & Partners, Taipei, Taiwan* |
| 5.7 | Opinion of White & Case LLP, Hong Kong* |
| 5.8 | Opinion of Squire, Sanders & Dempsey L.L.P., Tokyo, Japan* |
| 5.9 | Opinion of Conyers Dill & Pearman, Cayman Islands* |
| 5.10 | Opinion of Harney Westwood & Riegels, British Virgin Islands* |
| 5.11 | Opinion of Greenberg Traurig, LLP, East Palo Alto, California* |
| 10.1 | Purchase Agreement, dated as of December 16, 2004, among MagnaChip Semiconductor S.A., MagnaChip Semiconductor Finance Company, UBS Securities LLC, Citigroup Global Markets Inc., Goldman, Sachs & Co., J.P. Morgan Securities Inc. and Deutsche Bank Securities Inc. |
| 10.2 | Credit Agreement, dated as of December 23, 2004, among MagnaChip Semiconductor S.A., MagnaChip Semiconductor Finance Company, the guarantors named therein, the lenders named therein, UBS Securities LLC, Korea Exchange Bank, UBS AG, Stamford Branch and UBS Loan Finance LLC. |
| 10.3.a | First Amendment to Credit Agreement and Waiver, dated as of May 6, 2005, to the Credit Agreement, dated as of December 23, 2004, among MagnaChip Semiconductor S.A., MagnaChip Semiconductor Finance Company, the guarantors named therein, the lenders named therein, UBS Securities LLC, Korea Exchange Bank, UBS AG, Stamford Branch and UBS Loan Finance LLC. |
| 10.3.b | Second Amendment to Credit Agreement and Waiver dated as of June 21, 2005, to the Credit Agreement, dated as of December 23, 2004, among MagnaChip Semiconductor S.A., MagnaChip Semiconductor Finance Company, the guarantors named therein, the lenders named therein, UBS Securities LLC, Korea Exchange Bank, UBS AG, Stamford Branch and UBS Loan Finance LLC. |
| 10.4 | Intercreditor Agreement dated as of December 23, 2004 among MagnaChip Semiconductor Finance Company, the other Pledgors party thereto, UBS AG, Stamford Branch, The Bank of New York and U.S. Bank National Association |

| | |
|---|---|
| 10.5 | Second Amended and Restated Securityholders Agreement of MagnaChip Semiconductor LLC |
| 10.6 | Warrant held by Hynix Semiconductor Inc. to purchase common units of MagnaChip Semiconductor LLC |
| 10.7 | Intellectual Property License Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea) |
| 10.8 | Trademark License Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea) |
| 10.9 | Building Lease Agreement for Warehouses, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea) |
| 10.10 | Building Lease Agreement for M4 Building, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)** |
| 10.11 | Building Lease Agreement for R, C1 and C2 Buildings, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea) |
| 10.12 | Land Lease and Easement Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)** |
| 10.13 | Wafer Foundry Service Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)** |
| 10.14 | Wafer Mask Production and Supply Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)** |
| 10.15 | General Service Supply Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea) |
| 10.16 | IT and FA Service Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea) |
| 10.17 | Service Agreement, dated as of October 6, 2004, by and between MagnaChip Semiconductor, Ltd. (Korea) and Dr. Youm Huh |
| 10.18 | Service Agreement, dated as of October 1, 2004, by and between MagnaChip Semiconductor, Ltd. (Korea) and Jerry Baker |
| 10.19 | Service Agreement, dated as of October 6, 2004, by and between MagnaChip Semiconductor, Ltd. (Korea) and Robert Krakauer |
| 10.20 | Service Agreement, dated as of December 29, 2004, by and between MagnaChip Semiconductor, Ltd. (Korea) and Victoria Miller Nam |
| 10.21 | Service Agreement, dated as of October 6, 2004, by and between MagnaChip Semiconductor, Ltd. (Korea) and Tae Young Hwang |
| 10.22 | Service Agreement, dated as of May 16, 2005, by and between MagnaChip Semiconductor, Ltd. (Korea) and Jason Hartlove |
| 10.23 | Service Agreement, dated as of April 14, 2005 by and between MagnaChip Semiconductor, Ltd. (Korea) and Dale Lindly |
| 10.24 | MagnaChip Semiconductor LLC Equity Incentive Plan |
| 10.25 | MagnaChip Semiconductor LLC California Equity Incentive Plan |
| 10.26 | R&D Equipment Utilization Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)** |

| | |
|---|---|
| 10.27 | License Agreement (ModularBCD), dated as of March 18, 2005, by and between Advanced Analogic Technologies, Inc. and MagnaChip Semiconductor, Ltd. (Korea)** |
| 10.28 | License Agreement (TrenchDMOS), dated as of March 18, 2005, by and between Advanced Analogic Technologies, Inc. and MagnaChip Semiconductor, Ltd. (Korea)** |
| 10.29 | RFID Development and Licensing Agreement, dated as of March 29, 2004, by and between Celis Semiconductor Corporation and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to Hynix Semiconductor Inc.)** |
| 10.30 | Technology License Agreement, dated as of July 2001, by and between ARM Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to Hynix Semiconductor Inc.)** |
| 10.31 | Technology License Agreement, dated as of December 16, 1996, by and between Advanced RISC Machines Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to LG Semicon Company Limited)** |
| 10.32 | ARM7201TDSP Device License Agreement, dated as of August 26, 1997, by and between Advanced RISC Machines Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to LG Semicon Company Limited)** |
| 10.33 | Technology License Agreement, dated as of August 22, 2001, by and between ARM Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to Hynix Semiconductor Inc.)** |
| 10.34 | Technology License Agreement, dated as of May 20, 2004, by and between ARM Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to Hynix Semiconductor Inc.) |
| 12.1 | Computation of Ratio of Earnings to Fixed Charges |
| 21.1 | Subsidiaries of MagnaChip Semiconductor LLC |
| 23.1 | Consent of Samil PricewaterhouseCoopers |
| 23.2 | Consent of Dechert LLP, New York, New York (included in Exhibit 5.1)* |
| 23.3 | Consent of Dechert Luxembourg, Luxembourg (included in Exhibit 5.2)* |
| 23.4 | Consent of Dechert, London, England (included in Exhibit 5.3)* |
| 23.5 | Consent of NautaDutilh N.V., Amsterdam, The Netherlands (included in Exhibit 5.4)* |
| 23.6 | Consent of Kim & Chang, Seoul, Korea (included in Exhibit 5.5)* |
| 23.7 | Consent of Lee, Tsai & Partners, Taipei, Taiwan (included in Exhibit 5.6)* |
| 23.8 | Consent of White & Case LLP, Hong Kong (included in Exhibit 5.7)* |
| 23.9 | Consent of Squire, Sanders & Dempsey L.L.P., Tokyo, Japan (included in Exhibit 5.8)* |
| 23.10 | Consent of Conyers Dill & Pearman, Cayman Islands (included in Exhibit 5.9)* |
| 23.11 | Consent of Harney Westwood & Riegels, British Virgin Islands (included in Exhibit 5.10)* |
| 23.12 | Consent of Greenberg Traurig, LLP (included in Exhibit 5.11)* |
| 24.1 | Powers of Attorney (included on signature pages) |
| 25.1 | Form T-1 of The Bank of New York as trustee—6 7/8% Second Priority Senior Secured Notes due 2011 and Floating Rate Second Priority Senior Secured Notes due 2011 |
| 25.2 | Form T-1 of The Bank of New York as trustee—8% Senior Subordinated Notes due 2014 |
| 99.1 | Form of Letter of Transmittal |
| 99.2 | Form of Notice of Guaranteed Delivery |

| | |
|---|---|
| 99.3 | Form of Letter to Holders |
| 99.4 | Form of Letter to Brokers, Dealers and Other Nominees |
| 99.5 | Form of Letter to Clients |

* To be filed by amendment.
** Certain portions of this document have been omitted pursuant to a confidential treatment request.

(b) Financial Statement Schedules:

Schedules are omitted because of the absence of the conditions under which they are required or because the information required by such omitted schedules is set forth in the financial statements or the notes thereto.

**ITEM 22. UNDERTAKINGS.**

(a) The undersigned registrants hereby undertake:

(1) to file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with Securities and Exchange Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) that, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof; and

(3) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by one of our directors, officers or controlling persons in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(c) The undersigned registrants hereby undertake to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11 or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(d) The undersigned registrants hereby undertake to supply by means of a post effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Seoul, Republic of Korea, on June 21, 2005.

MAGNACHIP SEMICONDUCTOR LLC

By: /s/ Dr. Youm Huh

**Name:** **Dr. Youm Huh**
**Title:** **Chief Executive Officer and President**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert Krakauer and John McFarland as his/her attorney-in-fact and agent, with full power of substitution and resubstitution, for him/her and in his/her name, place, and stead, in any and all capacities, to sign and file Registration Statement(s) and any and all pre- or post-effective amendments to such Registration Statement(s), with all exhibits thereto and hereto, and other documents with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

| Signature | Title |
|---|---|
| /s/ Dr. Youm Huh<br>**Dr. Youm Huh** | Chief Executive Officer, President and Director (Principal Executive Officer) |
| /s/ Jerry M. Baker<br>**Jerry M. Baker** | Chairman of the Board of Directors |
| /s/ Robert J. Krakauer<br>**Robert J. Krakauer** | Executive Vice President, Strategic Operations, Chief Financial Officer and Director (Principal Financial Officer) |
| /s/ Dale Lindly<br>**Dale Lindly** | Senior Vice President and Chief Accounting Officer (Principal Accounting Officer) |
| /s/ Dipanjan Deb<br>**Dipanjan Deb** | Director |
| /s/ Roy Kuan<br>**Roy Kuan** | Director |
| /s/ Phokion Potamianos<br>**Phokion Potamianos** | Director |
| /s/ Paul C. Schorr IV<br>**Paul C. Schorr IV** | Director |
| /s/ David F. Thomas<br>**David F. Thomas** | Director |

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Seoul, Republic of Korea, on June 21, 2005.

MAGNACHIP SEMICONDUCTOR SA
HOLDINGS LLC

By: /s/ Youm Huh

**Name:** **Youm Huh**
**Title:** **Chief Executive Officer**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert Krakauer and John McFarland as his/her attorney-in-fact and agent, with full power of substitution and resubstitution, for him/her and in his/her name, place, and stead, in any and all capacities, to sign and file Registration Statement(s) and any and all pre- or post-effective amendments to such Registration Statement(s), with all exhibits thereto and hereto, and other documents with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

| **Signature** | **Title** |
|---|---|
| /s/ Youm Huh<br>**Youm Huh** | Chief Executive Officer (Principal Executive Officer) |
| /s/ Robert Krakauer<br>**Robert Krakauer** | Chief Financial Officer (Principal Financial Officer) |
| /s/ Dale Lindly<br>**Dale Lindly** | Chief Accounting Officer (Principal Accounting Officer) |

MagnaChip Semiconductor LLC

By: /s/ Robert Krakauer — Manager

Robert Krakauer
Executive Vice President of Strategic Operations and Chief Financial Officer

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Seoul, Republic of Korea, on June 21, 2005.

MAGNACHIP SEMICONDUCTOR FINANCE COMPANY

By: /s/ Youm Huh

**Name:** **Youm Huh**
**Title:** **Chief Executive Officer**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert Krakauer and John McFarland as his/her attorney-in-fact and agent, with full power of substitution and resubstitution, for him/her and in his/her name, place, and stead, in any and all capacities, to sign and file Registration Statement(s) and any and all pre- or post-effective amendments to such Registration Statement(s), with all exhibits thereto and hereto, and other documents with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

| Signature | Title |
|---|---|
| /s/ Dr. Youm Huh<br>**Dr. Youm Huh** | Chief Executive Officer (Principal Executive Officer) |
| /s/ Robert J. Krakauer<br>**Robert J. Krakauer** | Chief Financial Officer (Principal Financial Officer) |
| /s/ Dale Lindly<br>**Dale Lindly** | Chief Accounting Officer (Principal Accounting Officer) |
| /s/ Dipanjan Deb<br>**Dipanjan Deb** | President and Director |
| /s/ Paul C. Schorr IV<br>**Paul C. Schorr IV** | Vice President and Director |
| /s/ Roy Kuan<br>**Roy Kuan** | Vice President and Director |

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in New York, New York, on June 21, 2005.

MAGNACHIP SEMICONDUCTOR B.V.

By: /s/ Paul C. Schorr IV

**Name:** **Paul C. Schorr IV**
**Title:** **Managing Director**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert Krakauer and John McFarland as his/her attorney-in-fact and agent, with full power of substitution and resubstitution, for him/her and in his/her name, place, and stead, in any and all capacities, to sign and file Registration Statement(s) and any and all pre- or post-effective amendments to such Registration Statement(s), with all exhibits thereto and hereto, and other documents with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

| Signature | Title |
|---|---|
| /s/ Youm Huh<br>**Youm Huh** | Principal Executive Officer |
| /s/ Robert J. Krakauer<br>**Robert J. Krakauer** | Managing Director (Principal Financial Officer) |
| /s/ Dale Lindly<br>**Dale Lindly** | Principal Accounting Officer |
| /s/ Dipanjan Deb<br>**Dipanjan Deb** | Managing Director |
| /s/ Roy Kuan<br>**Roy Kuan** | Managing Director |
| /s/ Paul C. Schorr IV<br>**Paul C. Schorr IV** | Managing Director |
| <br>**Jan R. Voute** | Managing Director |
| /s/ John Radanovich<br>**John Radanovich** | Authorized U.S. Person |

Table of Contents

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Seoul, Republic of Korea, on June 21, 2005.

MAGNACHIP SEMICONDUCTOR, LTD. (KOREA)

By: /s/ Dr. Youm Huh

**Name:** **Dr. Youm Huh**
**Title:** **Representative Director**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert Krakauer and John McFarland as his/her attorney-in-fact and agent, with full power of substitution and resubstitution, for him/her and in his/her name, place, and stead, in any and all capacities, to sign and file Registration Statement(s) and any and all pre- or post-effective amendments to such Registration Statement(s), with all exhibits thereto and hereto, and other documents with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

| Signature | Title |
|---|---|
| /s/ Dr. Youm Huh<br>**Dr. Youm Huh** | Representative Director (Principal Executive Officer) |
| /s/ Dale Lindly<br>**Dale Lindly** | Principal Accounting Officer |
| /s/ Dipanjan Deb<br>**Dipanjan Deb** | Director |
| /s/ Roy Kuan<br>**Roy Kuan** | Director |
| /s/ Robert J. Krakauer<br>**Robert J. Krakauer** | Director and Principal Financial Officer |
| /s/ Paul C. Schorr IV<br>**Paul C. Schorr IV** | Director |
| /s/ John Radanovich<br>**John Radanovich** | Authorized U.S. Person |

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in San Jose, California, on June 21, 2005.

MAGNACHIP SEMICONDUCTOR, INC. (USA)

By: /s/ John Radanovich

**Name:** **John Radanovich**
**Title:** **President and Secretary**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert Krakauer and John McFarland as his/her attorney-in-fact and agent, with full power of substitution and resubstitution, for him/her and in his/her name, place, and stead, in any and all capacities, to sign and file Registration Statement(s) and any and all pre- or post-effective amendments to such Registration Statement(s), with all exhibits thereto and hereto, and other documents with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

| Signature | Title |
|---|---|
| /s/ Dr. Youm Huh<br>**Dr. Youm Huh** | Chief Executive Officer (Principal Executive Officer) |
| /s/ Robert J. Krakauer<br>**Robert J. Krakauer** | Chief Financial Officer (Principal Financial Officer) |
| /s/ Dale Lindly<br>**Dale Lindly** | Chief Accounting Officer (Principal Accounting Officer) |
| /s/ John Radanovich<br>**John Radanovich** | President, Secretary and Director |
| /s/ Hak Sung Kim<br>**Hak Sung Kim** | Vice President and Director |

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Surrey, United Kingdom, on June 21, 2005.

MAGNACHIP SEMICONDUCTOR LTD
(UNITED KINGDOM)

By: /s/ Ho Min Lee

**Name:** **Ho Min Lee**
**Title:** **Secretary**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert Krakauer and John McFarland as his/her attorney-in-fact and agent, with full power of substitution and resubstitution, for him/her and in his/her name, place, and stead, in any and all capacities, to sign and file Registration Statement(s) and any and all pre- or post-effective amendments to such Registration Statement(s), with all exhibits thereto and hereto, and other documents with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

| Signature | Title |
|---|---|
| /s/ Dr. Youm Huh<br>**Dr. Youm Huh** | Principal Executive Officer |
| /s/ Dale Lindly<br>**Dale Lindly** | Principal Accounting Officer |
| /s/ Ho Min Lee<br>**Ho Min Lee** | Secretary and Director |
| /s/ Robert J. Krakauer<br>**Robert J. Krakauer** | Director and Principal Financial Officer |
| /s/ John Radanovich<br>**John Radanovich** | Authorized U.S. Person |

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Taipei, Taiwan, on June 21, 2005.

MAGNACHIP SEMICONDUCTOR LTD
(HONG KONG)

By: /s/ Je Hyun Choi

**Name:** **Je Hyun Choi**
**Title:** **Secretary and Director**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert Krakauer and John McFarland as his/her attorney-in-fact and agent, with full power of substitution and resubstitution, for him/her and in his/her name, place, and stead, in any and all capacities, to sign and file Registration Statement(s) and any and all pre- or post-effective amendments to such Registration Statement(s), with all exhibits thereto and hereto, and other documents with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

| Signature | Title |
|---|---|
| /s/ Dr. Youm Huh<br>**Dr. Youm Huh** | Principal Executive Officer |
| /s/ Dale Lindly<br>**Dale Lindly** | Principal Accounting Officer |
| /s/ Je Hyun Choi<br>**Je Hyun Choi** | Secretary and Director |
| /s/ Robert J. Krakauer<br>**Robert J. Krakauer** | Director and Principal Financial Officer |
| /s/ John Radanovich<br>**John Radanovich** | Authorized U.S. Person |

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Seoul, Republic of Korea, on June 21, 2005.

MAGNACHIP SEMICONDUCTOR LTD (TAIWAN)

By: /s/ Robert J. Krakauer

**Name:** **Robert J. Krakauer**
**Title:** **Director and Principal Financial Officer**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert Krakauer and John McFarland as his/her attorney-in-fact and agent, with full power of substitution and resubstitution, for him/her and in his/her name, place, and stead, in any and all capacities, to sign and file Registration Statement(s) and any and all pre- or post-effective amendments to such Registration Statement(s), with all exhibits thereto and hereto, and other documents with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

| Signature | Title |
|---|---|
| /s/ Dr. Youm Huh<br>**Dr. Youm Huh** | Principal Executive Officer |
| /s/ Dale Lindly<br>**Dale Lindly** | Principal Accounting Officer |
| /s/ Robert J. Krakauer<br>**Robert J. Krakauer** | Director and Principal Financial Officer |
| /s/ Jong Soo Choi<br>**Jong Soo Choi** | Director |
| /s/ John Radanovich<br>**John Radanovich** | Authorized U.S. Person |

Table of Contents

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Osaka, Japan, on June 21, 2005.

MAGNACHIP SEMICONDUCTOR INC. (JAPAN)

By: /s/ Hoon Lee

**Name:** **Hoon Lee**
**Title:** **Representative Director**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert Krakauer and John McFarland as his/her attorney-in-fact and agent, with full power of substitution and resubstitution, for him/her and in his/her name, place, and stead, in any and all capacities, to sign and file Registration Statement(s) and any and all pre- or post-effective amendments to such Registration Statement(s), with all exhibits thereto and hereto, and other documents with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

| Signature | Title |
|---|---|
| /s/ Dr. Youm Huh<br>**Dr. Youm Huh** | Principal Executive Officer |
| /s/ Dale Lindly<br>**Dale Lindly** | Principal Accounting Officer |
| /s/ Hoon Lee<br>**Hoon Lee** | Representative Director |
| /s/ Hak Sung Kim<br>**Hak Sung Kim** | Director |
| /s/ Robert J. Krakauer<br>**Robert J. Krakauer** | Director and Principal Financial Officer |
| /s/ John Radanovich<br>**John Radanovich** | Authorized U.S. Person |

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Palo Alto, California and San Jose, California, on June 21, 2005.

MAGNACHIP SEMICONDUCTOR S.A.

By: /s/ Dipanjan Deb

**Name: Dipanjan Deb**
**Title: Director**

By: /s/ Paul C. Schorr IV

**Name: Paul C. Schorr IV**
**Title: Director**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert Krakauer and John McFarland as his/her attorney-in-fact and agent, with full power of substitution and resubstitution, for him/her and in his/her name, place, and stead, in any and all capacities, to sign and file Registration Statement(s) and any and all pre- or post-effective amendments to such Registration Statement(s), with all exhibits thereto and hereto, and other documents with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

| Signature | Title |
|---|---|
| /s/ Dipanjan Deb | Director |
| **Dipanjan Deb** | |
| /s/ Roy Kuan | Director |
| **Roy Kuan** | |
| /s/ Paul C. Schorr IV | Director |
| **Paul C. Schorr IV** | |
| /s/ Youm Huh | Principal Executive Officer |
| **Youm Huh** | |
| /s/ Robert J. Krakauer | Principal Financial Officer |
| **Robert J. Krakauer** | |
| /s/ Dale Lindly | Principal Accounting Officer |
| **Dale Lindly** | |
| /s/ John Radanovich | Authorized U.S. Person |
| **John Radanovich** | |

Table of Contents

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Seoul, Republic of Korea and Osaka, Japan, on June 21, 2005.

ISRON CORPORATION

By: /s/ Robert J. Krakauer

**Name:** **Robert J. Krakauer**
**Title:** **Representative Director**

By: /s/ Yoshio Imamura

**Name:** **Yoshio Imamura**
**Title:** **Representative Director**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert Krakauer and John McFarland as his/her attorney-in-fact and agent, with full power of substitution and resubstitution, for him/her and in his/her name, place, and stead, in any and all capacities, to sign and file Registration Statement(s) and any and all pre- or post-effective amendments to such Registration Statement(s), with all exhibits thereto and hereto, and other documents with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

| Signature | Title |
|---|---|
| /s/ Dr. Youm Huh<br>**Dr. Youm Huh** | Principal Executive Officer |
| /s/ Dale Lindly<br>**Dale Lindly** | Principal Accounting Officer |
| /s/ Yoshio Imamura<br>**Yoshio Imamura** | Representative Director |
| /s/ Robert J. Krakauer<br>**Robert J. Krakauer** | Representative Director and Principal Financial Officer |
| /s/ Channy Lee<br>**Channy Lee** | Director |
| /s/ John Radanovich<br>**John Radanovich** | Authorized U.S. Person |

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Seoul, Republic of Korea, on June 21, 2005.

IC MEDIA CORPORATION

By: /s/ Dr. Youm Huh

**Name:** **Dr. Youm Huh**
**Title:** **Principal Executive Officer**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert Krakauer and John McFarland as his/her attorney-in-fact and agent, with full power of substitution and resubstitution, for him/her and in his/her name, place, and stead, in any and all capacities, to sign and file Registration Statement(s) and any and all pre- or post-effective amendments to such Registration Statement(s), with all exhibits thereto and hereto, and other documents with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

| Signature | Title |
|---|---|
| /s/ Dr. Youm Huh<br>**Dr. Youm Huh** | Principal Executive Officer |
| /s/ Dale Lindly<br>**Dale Lindly** | Principal Accounting Officer |
| /s/ Robert J. Krakauer<br>**Robert J. Krakauer** | Director and Principal Financial Officer |
| /s/ John McFarland<br>**John McFarland** | Director |
| /s/ Eric Williams<br>**Eric Williams** | Director |

Table of Contents

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Seoul, Republic of Korea, on June 21, 2005.

IC MEDIA INTERNATIONAL CORPORATION

By: /s/ Dr. Youm Huh

**Name:** **Dr. Youm Huh**
**Title:** **Principal Executive Officer**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert Krakauer and John McFarland as his/her attorney-in-fact and agent, with full power of substitution and resubstitution, for him/her and in his/her name, place, and stead, in any and all capacities, to sign and file Registration Statement(s) and any and all pre- or post-effective amendments to such Registration Statement(s), with all exhibits thereto and hereto, and other documents with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

| Signature | Title |
|---|---|
| /s/ Dr. Youm Huh<br>**Dr. Youm Huh** | Principal Executive Officer |
| /s/ Dale Lindly<br>**Dale Lindly** | Principal Accounting Officer |
| /s/ Robert J. Krakauer<br>**Robert J. Krakauer** | Director and Principal Financial Officer |
| /s/ John McFarland<br>**John McFarland** | Director |
| /s/ Eric Williams<br>**Eric Williams** | Director |
| /s/ John Radanovich<br>**John Radanovich** | Authorized U.S. Person |

Table of Contents

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Seoul, Republic of Korea, on June 21, 2005.

IC MEDIA HOLDING COMPANY LIMITED

By: /s/ Dr. Youm Huh

**Name:** **Dr. Youm Huh**
**Title:** **Principal Executive Officer**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert Krakauer and John McFarland as his/her attorney-in-fact and agent, with full power of substitution and resubstitution, for him/her and in his/her name, place, and stead, in any and all capacities, to sign and file Registration Statement(s) and any and all pre- or post-effective amendments to such Registration Statement(s), with all exhibits thereto and hereto, and other documents with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

| Signature | Title |
|---|---|
| /s/ Dr. Youm Huh<br>**Dr. Youm Huh** | Principal Executive Officer |
| /s/ Dale Lindly<br>**Dale Lindly** | Principal Accounting Officer |
| /s/ Robert J. Krakauer<br>**Robert J. Krakauer** | Director and Principal Financial Officer |
| /s/ John McFarland<br>**John McFarland** | Director |
| /s/ Eric Williams<br>**Eric Williams** | Director |
| /s/ John Radanovich<br>**John Radanovich** | Authorized U.S. Person |

Table of Contents

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Seoul, Republic of Korea, on June 21, 2005.

IC MEDIA TECHNOLOGY CORPORATION

By: /s/ Dr. Youm Huh

**Name:** **Dr. Youm Huh**
**Title:** **Principal Executive Officer**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert Krakauer and John McFarland as his/her attorney-in-fact and agent, with full power of substitution and resubstitution, for him/her and in his/her name, place, and stead, in any and all capacities, to sign and file Registration Statement(s) and any and all pre- or post-effective amendments to such Registration Statement(s), with all exhibits thereto and hereto, and other documents with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

| Signature | Title |
|---|---|
| /s/ Dr. Youm Huh<br>**Dr. Youm Huh** | Principal Executive Officer |
| /s/ Dale Lindly<br>**Dale Lindly** | Principal Accounting Officer |
| /s/ Robert J. Krakauer<br>**Robert J. Krakauer** | Director and Principal Financial Officer |
| /s/ John McFarland<br>**John McFarland** | Director |
| /s/ Eric Williams<br>**Eric Williams** | Director |
| /s/ John Radanovich<br>**John Radanovich** | Authorized U.S. Person |

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Seoul, Republic of Korea, on June 21, 2005.

IC MEDIA INTERNATIONAL CORPORATION,
TAIWAN BRANCH

By: /s/ Dr. Youm Huh

**Name:** **Dr. Youm Huh**
**Title:** **Principal Executive Officer**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert Krakauer and John McFarland as his/her attorney-in-fact and agent, with full power of substitution and resubstitution, for him/her and in his/her name, place, and stead, in any and all capacities, to sign and file Registration Statement(s) and any and all pre- or post-effective amendments to such Registration Statement(s), with all exhibits thereto and hereto, and other documents with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

| Signature | Title |
|---|---|
| /s/ Dr. Youm Huh<br>**Dr. Youm Huh** | Principal Executive Officer |
| /s/ Dale Lindly<br>**Dale Lindly** | Principal Accounting Officer |
| /s/ Robert J. Krakauer<br>**Robert J. Krakauer** | Director and Principal Financial Officer |
| /s/ John McFarland<br>**John McFarland** | Director |
| /s/ Eric Williams<br>**Eric Williams** | Director |
| /s/ John Radanovich<br>**John Radanovich** | Authorized U.S. Person |

**EXHIBIT 2.1**

*Execution Copy*

**BUSINESS TRANSFER AGREEMENT**

**Dated as of June 12, 2004**

**between**

**HYNIX SEMICONDUCTOR INC.**

**and**

**SYSTEM SEMICONDUCTOR LTD.**

**TABLE OF CONTENTS**

**TABLE OF CONTENTS**
(continued)

**TABLE OF CONTENTS**
(continued)

Schedules

Exhibits

BUSINESS TRANSFER AGREEMENT

This BUSINESS TRANSFER AGREEMENT (the "Agreement") is made and entered into on June 12, 2004, by and between HYNIX SEMICONDUCTOR INC., a corporation organized under the Laws of the Republic of Korea (the "Seller"), on the one hand, and System Semiconductor Ltd., a company organized as a yuhan hoesa under the Laws of the Republic of Korea (the "Purchaser"), on the other hand.

Background

Seller is engaged in, among other things, non-memory business as and to the extent historically conducted through its System IC division and reflected in the Financial Statements and the business plan attached hereto as Exhibit A (the "Business Plan"), including the business of (a) operating, designing, manufacturing, distributing, selling and/or marketing (i) standard or custom "non-memory" semiconductor products, consisting of complementary metal-oxide semiconductor image sensors, liquid crystal display driver ICs, microcontrollers, smart card ICs, radio frequency ICs, system-on-a-chip ICs, linear ICs, set-top-box ICs, Bluetooth ICs and logic chips with on-chip embedded memory, but excluding ICs for memory modules including buffer ICs (collectively, "Solution Products") and (ii) products that are mask ROM, programmable ROM, erasable and programmable ROM, electrically erasable and programmable ROM and application-specific ICs (collectively, "Specialty Products") and (b) foundry or semiconductor manufacturing services for Solution Products, Specialty Products and high speed static RAM for cache or CAM (collectively, the "Business").

The parties hereto desire that Seller sell and transfer to Purchaser and Purchaser purchase and acquire from Seller all of the Acquired Assets and Purchaser assume all of the Assumed Liabilities, and consummate all of the other transactions contemplated hereby, all on the terms and subject to the conditions set forth in this Agreement (the "Transaction").

Terms

THEREFORE, in consideration of the mutual covenants contained herein, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

THE TRANSACTION

1.1. Sale and Purchase of Assets. (a) Subject to the terms and conditions of this Agreement, at the Closing hereunder, Seller shall sell, assign, transfer, deliver and convey to Purchaser, and Purchaser shall purchase, acquire and accept from Seller, the Acquired Assets as of the Effective Time, free and clear of all Liens, except Permitted Liens, for the Purchase Price specified below in Section 1.6.

(b) As used herein, the term "Acquired Assets" means all of Seller's and its Subsidiaries' rights, title, and interest in, under and to, all of the properties, assets and rights of every nature, kind and description, tangible and intangible (including goodwill), primarily relating to or primarily used in the Business, other than the Excluded Assets as set forth in Section 1.1(c) hereof, wherever such properties, assets and rights are located and whether real, personal or mixed, whether accrued, contingent or otherwise, including all of the following to the extent primarily relating to or primarily used in the Business and if and to the extent any of the following does not constitute an Excluded Asset:

(i) all machinery, equipment and vehicles, tools, dies, replacement and repair parts, furnishings, furniture, office equipment, office supplies, production and other supplies and other tangible personal property (collectively, the "Equipment and Other Tangible Personal Property");

(ii) subject to Section 1.4, (A) all contracts, agreements and instruments relating to the sale of any assets, services, properties, materials or products (including all customer contracts, operating contracts, distribution and sales representative contracts); (B) all orders, contracts, supply agreements, equipment leases and other agreements relating to the purchase of any assets, services, properties, materials or products; and (C) all licenses, sublicenses and other contracts, agreements, and instruments;

(iii) all owned real property including all buildings, plants, structures and improvements thereon, fixtures and attachments thereto and rights arising out of the ownership thereof;

(iv) all Intellectual Property owned by Seller or any of its Subsidiaries, goodwill with respect thereto, and rights and remedies against all past, present and future infringements thereof, and rights to protection of interests therein under the Laws of all jurisdictions, provided that, with respect to registered Intellectual Property, for the purposes of the Closing, and subject to Section 4.19(b), at the Closing Seller shall transfer to Purchaser only those patents and patent applications, industrial designs, copyrights to computer software, utility models and layouts as are set forth on Schedule 1.1(b)(iv); and provided, further, that the sale, assignment and transfer of Intellectual Property hereunder shall be subject to any license agreements or releases granted by Seller or any of its Subsidiaries as are set forth on Schedule 2.6 and the rights granted under the Intellectual Property License Agreement and the Trademark License Agreement;

(v) subject to Section 1.4, all accounts, notes and other receivables in respect of goods or services supplied by Seller up to the Closing, including those set forth on the Closing Balance Sheet (as finally determined pursuant to Section 1.6(c)), which as of September 30, 2003 would have been as set forth on Schedule 1.1(b)(v) hereto;

(vi) all inventory, including finished goods, consigned goods, goods in transit, work-in-process, supplies, storehouse stocks, raw materials, scrap, containers and parts, including that which is set forth on Schedule 1.1(b)(vi) hereto (collectively, the "Inventory");

(vii) except as covered by Section 1.1(b)(iv), all general intangibles and intangible property;

(viii) all deposits, retentions held by third parties, deferred charges, security deposits, escrowed funds, rights to refunds, prepaid expenses and other prepaid items, advanced payments, credits and credit balances, rebates, unbilled costs, rights of offset, other receivables and other current assets, including all of the foregoing as of September 30, 2003 as more particularly described on Schedule 1.1(b)(viii);

(ix) all customer and supplier lists;

(x) subject to Section 1.4, all approvals, permits, authorizations (including Environmental Permits), licenses, orders, registrations, certificates, variances, consents, waivers and other similar permits or rights obtained from any Authority, and all pending applications therefor, including all such permits and rights more specifically listed or described in Schedule 1.1(b)(x) hereto (the "Permits");

(xi) any property owned by Seller and consigned to a third-party to support assembly and test operations;

(xii) originals (or to the extent required by applicable Laws to be retained by Seller, copies) of all books, records, ledgers, files (including copies of personnel files relating to Transferred Employees), documents (including originally executed copies of all Acquired Contracts and any other Contracts that would be Acquired Contracts but for Section 1.4), correspondence, Tax returns, memoranda, forms, lists, plats, architectural plans, drawings, specifications, new product development materials, creative materials, advertising and promotional materials, studies, reports, whether in hard copy or magnetic format, provided that Seller shall be entitled to retain copies of any such items unless prohibited by applicable Law;

(xiii) for the avoidance of doubt, except as covered by Section 1.1(b)(iv), all rights or choses in action, causes of action, judgments, claims and demands against third parties arising out of occurrences before or after the Effective Time (other than repayment or reimbursement of amounts spent by Seller before the Effective Time in repairing any damage or injury to Acquired Assets that Seller is entitled to from any third party in respect of any such damage or injury including insurance proceeds with respect thereto), including third party warranties and guaranties and other similar contractual rights as to third parties held by or in favor of Seller, in each case to the extent the foregoing relate to or arise out of the Assumed Liabilities;

(xiv) except as covered by Section 1.1(b)(iv), all rights or choses in action, causes of action, judgments, claims and demands against customers of the Business arising out of occurrences before or after the Effective Time (other than repayment or reimbursement of amounts spent by Seller before the Effective Time in repairing any damage or injury to Acquired Assets that Seller is entitled to from any customer of the Business in respect of any such damage or injury including insurance proceeds with respect thereto), including

warranties and guaranties and other similar contractual rights as to any customer of the Business held by or in favor of Seller, in each case to the extent the foregoing relate to or arise out of the Acquired Assets or Assumed Liabilities;

(xv) the loans provided by Seller to the Transferred Employees (the "Company Loans") described on Schedule 1.1(b)(xv), which sets forth with respect to each such Company Loan the principal amount, interest rate, payment terms and maturity date thereof as of December 15, 2003, each in an amount equal to the total outstanding principal amount of the relevant Company Loan and interest accrued thereon as of the Effective Time;

(xvi) all guarantee obligations, warranties, indemnities and similar rights held by or in favor of Seller to the extent the foregoing relate to or arise out of the Acquired Assets or Assumed Liabilities;

(xvii) all goodwill and going concern value;

(xviii) to the extent transferable, all rights to insurance and condemnation proceeds other than repayment or reimbursement of amounts spent by Seller before the Effective Time in repairing any damage or injury to Acquired Assets that Seller is entitled to in respect of any such damage or injury; and

(xix) subject to Section 1.4, all rights to access and use the non-work services, facilities and amenities located or provided in the area surrounding the work site that are provided by Seller to Employees;

subject to such changes in the Business and the Acquired Assets as may occur between the date hereof and the Closing in the ordinary course of business.

(c) Notwithstanding anything stated to the contrary, the Acquired Assets shall not include, and Purchaser shall not purchase and Seller shall retain, any of the following whether or not they primarily relate to or are primarily used in the Business (the "Excluded Assets"):

(i) all cash and cash equivalents including cash, any key money deposit with respect to certain units of the apartments (Ujeong Hansarang Apartments) located at 447-39 Gaeshin-dong, Heungduk-ku, Cheongju City, Chung Cheong Buk-do, Korea ("Apartment Complex I") and certain units of the apartments (Ujeong Hangaram Apartments) located at 1-16 Gaeshin-dong, Heungduk-ku, Cheongju City, Chung Cheong Buk-do, Korea ("Apartment Complex II"), funds in time and demand deposits or similar accounts, certificates of deposit, marketable securities, short-term instruments, any evidence of indebtedness issued or guaranteed by any Authority and any other cash equivalents, except (A) retentions held by third parties, deferred charges, security deposits, escrowed funds, rights to refunds, prepaid expenses and other prepaid items, advanced payments, credits and credit balances, rebates, guarantee deposits, unbilled costs and rights of offset and (B) cash, time deposits, certificates of deposit and any other cash equivalents in each case that constitute prepaid items;

(ii) all Contracts listed on Schedule 1.1(c)(ii) hereto (the "Excluded Contracts");

(iii) the names "Hynix," "HEI" and "Hyundai" and all names which include any of these names, any derivatives thereof and any trademarks or trade name rights in respect thereof, and related logos;

(iv) all Intellectual Property that is not primarily used nor primarily held for use in the conduct of the Business;

(v) all personnel records and other books and records that Seller is required by Law to retain in its possession, provided, however, that Purchaser shall be entitled to receive and retain copies of any such books and records (including personnel records relating to Transferred Employees) unless prohibited by applicable Law;

(vi) all rights or choses in action, causes of action, judgments, claims and demands against third parties (other than customers of the Business), in each case to the extent relating to or arising from the Excluded Assets, the Excluded Liabilities or the ownership, use or possession of the Acquired Assets prior to the Effective Time;

(vii) all rights or choses in action, causes of action, judgments, claims and demands against customers of the Business, in each case to the extent relating to or arising from the Excluded Assets or the Excluded Liabilities;

(viii) all losses, loss carry forwards and rights to receive refunds, credits and credit carry forwards with respect to any Taxes to the extent attributable to the period prior to the Effective Time, including interest thereon, and whether or not any of the foregoing is derived from the Business;

(ix) any shares of any corporation, interests in any partnership or any ownership or other investment or equity interest, either of record, beneficially or equitably, in any Person;

(x) any account receivables arising in respect of transactions between Seller and its Subsidiaries and any account receivables of any Subsidiaries of Seller; and

(xi) all of the assets identified in Schedule 1.1(c)(xi) hereto.

1.2. Assumed Liabilities. Subject to the terms and conditions of this Agreement, at the Closing hereunder, Purchaser shall assume no liability or obligation of Seller except the following specific liabilities and obligations of Seller primarily relating to the Business, which shall not in any event include the liabilities described in Section 1.3(a) through (l) (the "Assumed Liabilities"), which Purchaser will pay, satisfy or discharge in accordance with their terms, subject to any defenses or claimed offsets asserted in good faith against the obligee to whom such liabilities or obligations are owed:

(a) the Hynix Payable and, except as set forth in Section 1.3(j), those accounts payable that (i) arise in the ordinary course of business, are attributable to the Acquired Assets, and only in the amount and to the extent such accounts payable exist as of the Effective Time and are reflected on the Closing Balance Sheet (as finally determined pursuant to Section 1.6(c)), as more specifically defined and determined in accordance with the Accounting Principles, (ii) are attributable to an Acquired Asset to the extent such Acquired Asset is subject to a Lien or (iii) are to be assumed by Purchaser under Section 4.13;

(b) all liabilities of Seller for severance payments arising as a result of the Transaction owed to Transferred Employees (the "Severance Liability"), the calculation of which is as set forth in the formula on Schedule 1.2(b) hereto;

(c) any and all Employee Bank Loan Guarantees to the extent contemplated by Section 4.11(e);

(d) all liabilities to the extent arising on or after the Effective Time with respect to all actions, suits, disputes, proceedings, claims or investigations commencing on or after the Effective Time to the extent arising out of or related to the conduct of the Business or ownership of the Acquired Assets on or after the Effective Time;

(e) any environmental liabilities to the extent arising on or after the Effective Time to the extent attributable to the ownership of the Acquired Assets or related to the conduct of the Business on or after the Effective Time;

(f) all liabilities to the extent arising on or after the Effective Time from the manufacture, distribution or sale of any products of the Business on or after the Effective Time, including warranty obligations and product liability and other claims;

(g) all liabilities for Taxes attributable to the Acquired Assets or the Business to the extent reflected as a liability in the Closing Balance Sheet (as finally determined pursuant to Section 1.6(c)), which shall not reflect any provision for Taxes based on or imposed with respect to income or gross receipts; and

(h) all other liabilities or obligations to the extent directly or indirectly arising out of or related to the operation of the Business or the ownership of the Acquired Assets by Purchaser on or after the Effective Time, whether absolute or contingent, accrued or fixed, known or unknown, matured or unmatured, determined or determinable, present, future or otherwise, including with respect to Acquired Contracts or Acquired Permits, or, with respect to Acquired Contracts, the unmatured obligation to perform under such Acquired Contracts and including, for the avoidance of doubt, any liabilities arising out of, resulting from or relating to any claim that the operation, on or after the Effective Time, of the Business as currently conducted, including the design, manufacture, distribution, sale or marketing of the products of the Business and the use of any Intellectual Property that is an Acquired Asset or any other Intellectual Property currently used in the Business, infringes, on or after the Effective Time, the rights of any Person.

1.3. Excluded Liabilities. Except for the Assumed Liabilities as specifically and expressly provided for in Section 1.2 above, at the Closing hereunder, Purchaser shall not assume any liabilities or obligations (contingent or absolute and whether or not determinable as of the Closing) of Seller or the Business, whether such liabilities or obligations relate to payment, performance or otherwise, and all liabilities and obligations not expressly transferred to Purchaser hereunder as Assumed Liabilities shall be retained by Seller (the "Excluded Liabilities"), including:

(a) except for the Transfer Taxes that are to be borne or reimbursed by Purchaser as provided in Section 6.1, any liabilities and obligations of Seller for Taxes arising as a result of Seller's operation of the Business or the transfer or ownership of the Acquired Assets before the Effective Time, except Taxes attributable to actions of the Purchaser or its Subsidiaries occurring after the Closing or to the extent reflected as a liability on the Closing Balance Sheet (as finally determined pursuant to Section 1.6(c));

(b) any environmental liabilities to the extent arising prior to the Effective Time to the extent attributable to the ownership of the Acquired Assets, or related to the conduct of the Business, prior to the Effective Time, regardless of when asserted;

(c) any obligations or liabilities of Seller under (i) any of the Excluded Contracts or (ii) under any other Contract (other than the unmatured obligation to perform under Acquired Contracts) to the extent such obligation or liability arises out of or relates to the operation of the Business or the ownership of the Acquired Assets, in each case, prior to the Effective Time, regardless of when asserted;

(d) any account payables arising in respect of transactions between Seller and its Subsidiaries;

(e) any liabilities for and relating to Indebtedness, other than trade payables that are Assumed Liabilities pursuant to Section 1.2(a) and other than as contemplated by Section 1.2(c);

(f) (i) except as covered by clause (ii), any liabilities or obligations to any employee or former employee who is or was employed by Seller or any of its Subsidiaries (other than the Severance Liability, which shall be an Assumed Liability), including any liability or obligation for any unpaid bonuses, salaries or wages, unpaid or unused leave or pursuant to any Benefit Plan and (ii) any liabilities or obligations of Seller or any of its Subsidiaries to the extent arising out of or related to any employee grievances relating to periods prior to the Effective Time (collectively, the "Pre-Closing Employee Liabilities");

(g) all liabilities and obligations arising out of, resulting from or relating to claims, whether founded upon negligence, strict liability in tort or other similar legal theory, seeking compensation or recovery for or relating to injury to person or damage to property to the extent arising out of the conduct of the Business prior to the Effective Time, regardless of when asserted;

(h) product warranty claims other than for repair or replacement of or credit for customers with respect to the Business, to the extent any such claim arises out of or relates to the operation of the Business or the ownership of the Acquired Assets, in each case, prior to the Effective Time, regardless of when asserted;

(i) any liabilities or obligations in respect of any Excluded Asset;

(j) any account payable to the extent that it relates both to the Business and any other business of Seller (a "Shared Payable");

(k) any liability to the extent arising prior to the Effective Time and to the extent arising out of, resulting from or relating to any lease agreement between Seller and Ujeong Construction Co., Seller's Lease of Apartment Complex I or Apartment Complex II, including any claim for back rent or failure to properly maintain the premises, regardless of when asserted; and

(l) any other liability or obligation of Seller or any of its Subsidiaries, including any liability or obligation directly or indirectly arising out of or related to the operation of the Business or ownership of the Acquired Assets prior to the Effective Time, whether absolute or contingent, accrued or fixed, known or unknown, matured or unmatured, determined or determinable, present, future or otherwise, except for the Assumed Liabilities.

1.4. Consent of Third Parties; Authorities. On the Closing Date, Seller shall assign to Purchaser, and Purchaser shall assume, the Contracts that are Acquired Assets (the "Acquired Contracts") and the Permits that are Acquired Assets (the "Acquired Permits"). To the extent that the assignment of all or any portion of any such Acquired Contract or Acquired Permit shall require the consent of the other party thereto, any other third party or any Authority, this Agreement shall not constitute an agreement to assign any such Acquired Contract or Acquired Permit if an attempted assignment or other arrangement without any such consent would constitute a breach or violation thereof. In order, however, to provide Purchaser the full realization and value of every such Acquired Contract and Acquired Permit, Seller agrees that on and after the Closing, Seller will, at the request of Purchaser, in the name of Seller or otherwise as Purchaser shall specify, take all commercially reasonable actions (including the appointment of Purchaser as attorney-in-fact for Seller to proceed at Purchaser's sole cost and expense) and do or cause to be done all such commercially reasonable things as shall in the reasonable opinion of Purchaser or its counsel be necessary or proper (a) to assure that the rights of Seller under such Acquired Contracts and Acquired Permits shall be preserved for the benefit of or transferred or issued to Purchaser and (b) to facilitate receipt of the consideration to be received by Seller in and under every such Acquired Contract and Acquired Permit, which consideration shall be held for the benefit of, and shall be delivered to, Purchaser. To the extent that Purchaser is provided the benefits pursuant to this Section 1.4 of any Acquired Contract, Purchaser shall perform for the benefit of the other Persons that are parties thereto the obligations of Seller thereunder and any related liabilities that, but for the lack of consent to assign such obligations and liabilities to Purchaser, would be Assumed Liabilities. Once consent for the assignment of any such Acquired Contract or Acquired Permit not assigned at the Closing is obtained, Seller shall assign

such Acquired Contract or Acquired Permit to Purchaser. To the extent that any such Acquired Contract or Acquired Permit cannot be assigned or the full benefits of use of any such Acquired Contract or Acquired Permit cannot be provided to Purchaser following the Closing pursuant to this Section 1.4, then Purchaser and Seller shall enter into such arrangements to provide to the parties the economic and operational equivalent of obtaining such consent and the performance by Purchaser of the obligations thereunder. Nothing in this Section 1.4 shall in any way diminish (i) Seller's obligations under Article IV or (ii) Purchaser's rights under Article V.

1.5. Closing. Subject to the terms and conditions of this Agreement, the closing of the sale and purchase of the Acquired Assets (the "Closing") shall take place at 10:00 A.M., Seoul time, on the seventh Business Day after satisfaction (or waiver) of the conditions to closing set forth in Article V hereof (other than those which by their nature are not to be satisfied until Closing, but subject to the satisfaction or waiver of those conditions) at the offices of Kim & Chang, 223 Naeja-Dong, Chongro-Ku, Seoul 110-720, Korea, or on such other date and at such other time or place as may be mutually agreed upon by the parties hereto (the "Closing Date"). The Closing shall be deemed to be effective as of 11:59 P.M. local time on the Closing Date in each jurisdiction in which the Acquired Assets are located (the "Effective Time"), and Purchaser and Seller agree to acknowledge and use the Effective Time for all purposes, including for accounting and foreign and domestic Tax reporting purposes.

1.6. Purchase Price.

(a) Purchase Price. Upon the terms and subject to the conditions set forth herein, the aggregate price (the "Purchase Price") to be paid by Purchaser for the purchase of the Acquired Assets shall be (i) Korean Won ("KRW") 860,550,000,000 (the "Cash Purchase Price"), subject to adjustment pursuant to Section 1.6(b) through (d), Section 4.5(b), Section 4.13 and Section 6.3(b)(vi), and payable as set forth below, (ii) the warrant substantially in the form attached hereto as Exhibit B (the "Warrant Agreement") and (iii) the assumption by Purchaser of the Assumed Liabilities.

(b) Pre-Closing Adjustments to Purchase Price.

(i) Two days prior to the Closing Date, Seller shall prepare in good faith and deliver to Purchaser a statement of Seller's estimate (the "Pre-Closing Statement") of the Closing Normalized Working Capital and a balance sheet of the Acquired Assets and Assumed Liabilities, as of the Effective Time (the "Pre-Closing Balance Sheet"), in each case determined in accordance with the agreed upon principles set forth in Schedule 1.6(b)(i)-A applied in a manner consistent with Seller's past practice (the "Accounting Principles") and in accordance with this Agreement, together with (A) its good faith calculation of the Pre-Closing Working Capital Adjustment Amount and (B) a certificate signed by an officer of Seller to the effect that the Pre-Closing Statement, Pre-Closing Balance Sheet and Pre-Closing Working Capital Adjustment Amount were derived and determined in good faith in accordance with the Accounting Principles. In connection with the preparation of the Pre-Closing Balance Sheet, Seller shall conduct a count of Inventory as of a date within five days prior to the Closing Date (the "Inventory Date") in accordance with its customary practices with respect to conducting a

count of inventory for an audited year-end period and shall provide Purchaser with a schedule reflecting such count at Closing listing the location of all Inventory as of the Inventory Date. Purchaser shall have the right to observe the count of the Inventory described in the preceding sentence. For purposes hereof, "Closing Normalized Working Capital" has the meaning set forth on Schedule 1.6(b)(i)-A hereto, "Pre-Closing Working Capital Adjustment Amount" means the Won amount by which the Closing Normalized Working Capital, as set forth on the Pre-Closing Statement, is more or less than the Reference Amount, and "Reference Amount" (as more fully described in Schedule 1.6(b)(i)-B) means the sum of (A) KRW 6.8 billion and (B) 41.4% of gross revenue (determined in accordance with the Accounting Principles) of the Business, excluding DRAM wafer foundry revenue, for the three-month period ending June 30, 2004.

(ii) If the Pre-Closing Working Capital Adjustment Amount is negative (i.e., the Reference Amount is more than Closing Normalized Working Capital as set forth on the Pre-Closing Statement), then the Cash Purchase Price shall be decreased, on a Won-for-Won basis, by the absolute value of such Pre-Closing Working Capital Adjustment Amount. If the Pre-Closing Working Capital Adjustment Amount is positive (i.e., the Reference Amount is less than Closing Normalized Working Capital as set forth on the Pre-Closing Statement), then the Cash Purchase Price shall be increased, on a Won-for-Won basis, by such Pre-Closing Working Capital Adjustment Amount.

(c) Post-Closing Adjustments to Purchase Price.

(i) Within 90 days after the Closing, Purchaser shall prepare in good faith and deliver to Seller a statement (the "Closing Statement") of Closing Normalized Working Capital as of the Effective Time and a balance sheet of the Acquired Assets and Assumed Liabilities as of the Effective Time (the "Closing Balance Sheet"), in each case determined in accordance with the Accounting Principles applied in a manner consistent with Seller's past practice and in accordance with this Agreement, together with (A) its calculation of the Post-Closing Working Capital Adjustment Amount and (B) a certificate signed by an officer of Purchaser to the effect that the Closing Statement, Closing Balance Sheet and Post-Closing Working Capital Adjustment Amount were derived and determined in good faith in accordance with the Accounting Principles. For purposes hereof, "Post-Closing Working Capital Adjustment Amount" means the Won amount by which the Closing Normalized Working Capital as set forth on the Closing Statement, is more or less than the Closing Normalized Working Capital as set forth on the Pre-Closing Statement. Seller agrees to cooperate with Purchaser and Purchaser's accountants in connection with the preparation of the Closing Statement and related information, and shall provide to Purchaser and Purchaser's accountants books, records and information as may be reasonably requested from time to time.

(ii) Subject to this Section 1.6(c)(ii), the Closing Statement, Closing Balance Sheet, and calculation of the Post-Closing Working Capital Adjustment Amount, delivered by Purchaser to Seller shall be deemed to be and shall be final, binding and conclusive on the parties hereto. Seller may dispute any amounts reflected on the Closing Statement, Closing Balance Sheet or calculation of the Post-Closing Working Capital Adjustment Amount,

but only on the basis that the Closing Statement, Closing Balance Sheet or calculation of the Post-Closing Working Capital Adjustment Amount were not prepared or determined (as the case may be) in accordance with the Accounting Principles (or arithmetic computational errors); provided, however, that Seller shall notify Purchaser in writing of each disputed amount, and specify the amount thereof in dispute and the reasons therefor, within 30 days of Seller's receipt of the Closing Statement. During such 30-day period, Purchaser shall give Seller and Seller's accountants and authorized representatives reasonable access at all reasonable times to Purchaser's personnel, accountants and books, records, documents, working papers (subject to execution of a customary accountant's access letter) and other information related to the preparation of the Closing Statement, the Closing Balance Sheet and the Post-Closing Working Capital Adjustment Amount, including any description of the methodology, procedures, audits and analyses undertaken in connection therewith for purposes of preparing, reviewing and resolving any disputes with respect thereto. In the event of a dispute with respect to the Closing Statement, Closing Balance Sheet or calculations of the Post-Closing Working Capital Adjustment Amount, Purchaser and Seller shall attempt to reconcile their differences and any resolution by them as to any disputed amounts shall be final, binding and conclusive on the parties. If Purchaser and Seller are unable to reach a resolution to such effect of all disputed amounts within 30 days of receipt of Seller's written notice of dispute to Purchaser, Purchaser and Seller shall submit the amounts remaining in dispute for resolution to Young Wha/Ernst & Young, Seoul, Korea (such independent accounting firm being herein referred to as the "Independent Accounting Firm"), which shall, within 30 days after such submission, determine and report to the parties upon such remaining disputed amounts, and such report shall be final, binding and conclusive on the parties hereto with respect to the amounts disputed. The Independent Accounting Firm shall limit the scope of its review to that portion of the disputed amounts from Seller's notice of dispute that Seller and Purchaser have failed to resolve. The fees and disbursements of the Independent Accounting Firm shall be borne equally by Purchaser and Seller.

(iii) If the Post-Closing Working Capital Adjustment Amount as finally determined is negative (i.e., Closing Normalized Working Capital as set forth on the Pre-Closing Statement is more than Closing Normalized Working Capital as set forth on the Closing Statement), then the Cash Purchase Price shall be decreased, on a Won-for-Won basis, by the absolute value of such Post-Closing Working Capital Adjustment Amount, and Seller shall pay Purchaser the Post-Closing Working Capital Adjustment Amount in cash by wire transfer within 10 Business Days after the Post-Closing Working Capital Adjustment Amount has been finally determined in accordance with this Section 1.6(c), together with interest thereon for the period commencing on the Closing Date through the date on which all of the Post-Closing Working Capital Adjustment Amount is paid, calculated at the rate announced by Citibank, N.A. from time to time as its prime or base interest rate for commercial loans (the "Prime Rate"). If the Post-Closing Working Capital Adjustment Amount as finally determined is positive (i.e., Closing Normalized Working Capital as set forth on the Pre-Closing Statement is less than Closing Normalized Working Capital as set forth on the Closing Statement), then the Cash Purchase Price shall be increased, on a Won-for-Won basis, by such Post-Closing Working Capital Adjustment Amount, and Purchaser shall pay Seller the Post-Closing Working Capital

Adjustment Amount in cash by wire transfer within 10 Business Days after the Post-Closing Working Capital Adjustment Amount has been finally determined in accordance with this Section 1.6(c), together with interest thereon for the period commencing on the Closing Date through the date on which the Post-Closing Working Capital Adjustment Amount is paid, calculated at the Prime Rate.

(d) Missing Assets Adjustment.

(i) During the period commencing on the Closing Date and ending 45 days after the Closing Date (the "Verification Period"), Purchaser shall use commercially reasonable efforts to verify the existence of Acquired Assets. For purposes of this Agreement, Acquired Assets, which (A) could reasonably be expected to be material to the conduct of the Business as currently conducted, (B) the existence of which is not confirmed by Purchaser within the Verification Period after Purchaser has used commercially reasonable efforts to do so in accordance with this Section 1.6(d) and (C) are identified with reasonable specificity on the Missing Assets Report, are referred to herein as "Missing Assets."

(ii) As soon as practicable following the end of the Verification Period (but in no event later than 15 days following the end of the Verification Period), Purchaser shall in good faith deliver a report (the "Missing Assets Report") to Seller scheduling in reasonable detail the Missing Assets and the respective aggregate values thereof. For purposes of this Agreement, the term "Missing Assets Amount" means the book value of a Missing Asset as set forth in the Closing Balance Sheet as finally determined pursuant to Section 1.6(c) multiplied by a ratio, the numerator of which shall be the amount of the Cash Purchase Price and the denominator of which shall be the total book value of all Acquired Assets as set forth in the Closing Balance Sheet as finally determined pursuant to Section 1.6(c).

(iii) Each of Seller and Purchaser shall cooperate and comply with all reasonable requests of any other party in connection with the preparation and review of the Missing Assets Report. Without limiting the foregoing, (A) each of Seller and Purchaser shall have full access during normal business hours to all relevant books and records reasonably requested by either of them in connection with the preparation and review of the Missing Assets Report (including books and records regarding the receipt of rent or lease payments and inspection reports of third parties) and (B) each party shall make available to the other party and such other party's representatives such personnel as such other party may reasonably request in connection with the preparation and review of the Missing Assets Report.

(iv) Seller shall have the opportunity during the 60-day period following its receipt of the Missing Assets Report from Purchaser (the "Missing Assets Review Period") to (A) establish the existence of any alleged Missing Assets or (B) notify Purchaser in writing of Seller's election to dispute the designation of any assets as Missing Assets and the corresponding disputed Missing Assets Amount (a "Missing Assets Disputed Amount"). During the Missing Assets Review Period, Purchaser shall give Seller and Seller's authorized representatives reasonable access at all reasonable times to Purchaser's personnel, accountants and books, records, documents, working papers (subject to execution of a customary

accountant's access letter) and other information related to the Missing Assets Report, including any description of the methodology, procedures and analyses undertaken in connection with the preparation of the Missing Assets Report, for purposes of preparing, reviewing and resolving any disputes with respect thereto. The failure of Seller to notify Purchaser in writing within the Missing Assets Review Period of Seller's election to dispute Purchaser's designation of assets as Missing Assets shall be deemed Seller's acknowledgment that such assets are Missing Assets. Any alleged Missing Assets that are established to exist during the Missing Assets Review Period shall cease to be Missing Assets, and the Missing Assets Report shall be updated accordingly. If Seller shall notify Purchaser of a Missing Assets Disputed Amount during the Missing Assets Review Period, the parties shall, during the 30 days following delivery of the notice that sets forth the Missing Assets Disputed Amount (the date of delivery of such notice, the "Unresolved Dispute Notice Date"), negotiate in good faith and use reasonable efforts to reach agreement on the disputed items. If, during such period, the parties are unable to reach such agreement, then they shall promptly pursue binding arbitration by an independent arbitrator (who shall not have (A) any material relationship with Purchaser or Seller or (B) rendered or performed arbitration, mediation or similar services for or in connection with any matter involving Purchaser or Seller, or any Subsidiary of Warrant Issuer or Seller, within five years prior to the Closing Date)) reasonably satisfactory to Purchaser and Seller. Such independent arbitrator shall deliver to Purchaser and Seller, as promptly as practicable a report setting forth the resolution of the Missing Assets Disputed Amount. In the event Purchaser and Seller are unable to select an arbitrator who is mutually satisfactory within 15 days of the Unresolved Dispute Notice Date, then the Korean Commercial Arbitration Board ("KCAB") shall select an arbitrator as promptly as practicable following such 15-day period. Any such arbitration shall be conducted in accordance with the Arbitration Rules of KCAB in effect on the date such arbitration is commenced. Any such arbitration shall be final, conclusive and binding upon the parties hereto. The cost of such arbitration shall be borne equally by Purchaser and Seller.

(v) Within seven days of the resolution of all disputes relating to the Missing Assets Report pursuant to this Section 1.6(d), (A) if the Missing Assets Amount as reflected on the Missing Assets Report is greater than zero, then the Cash Purchase Price shall be decreased Won-for-Won by the Missing Assets Amount or (B) if the Missing Assets Amount as reflected on the Missing Assets Report equals zero, then the Cash Purchase Price shall not be adjusted pursuant to this Section 1.6(d). Any payment due under this Section 1.6(d) shall be made in cash by wire transfer within 10 Business Days after the date the Missing Assets Report becomes final and binding on the parties hereto, together with interest thereon for the period commencing on the Closing Date through the date of such payment, calculated at the Prime Rate.

(vi) If any asset that is conclusively determined to be Missing Assets is later found or discovered by any party within one year following the Closing (the "Discovered Assets"), (A) Purchaser shall be entitled to maintain full title and all rights to any and all such Discovered Assets, and (B) Seller shall be entitled to receive a payment from Purchaser in the amount paid by Seller in the Missing Assets Amount which was attributable to such Discovered Asset, in cash by wire transfer within 10 Business Days after the date the Discovered Assets are determined to be Discovered Assets, together with interest thereon for the period commencing on the Closing Date through the date of such payment, calculated at the Prime Rate.

(vii) The availability to Purchaser of the adjustment mechanism provided for by this Section 1.6(d) shall not preclude the exercise by Purchaser of any rights or remedies available to it under this Agreement or otherwise, including the remedy provided for by Section 6.3, notwithstanding anything to the contrary, but without duplication. Furthermore, Purchaser shall be entitled to recover its Damages under Section 6.3, net of the Missing Assets Amount received, to the extent the relevant Missing Assets give rise to a claim under Section 6.3 and in accordance with the terms thereof, and Purchaser shall be required to reimburse Seller for the excess of the Missing Assets Amount received by Purchaser from Seller under this Section 1.6(d) with respect to a Missing Asset to the extent it is determined under Section 6.3 that Purchaser's actual Damages with respect to such Missing Asset are less than such Missing Asset Amount.

1.7. Deliveries and Proceedings at Closing. Subject to the terms and conditions of this Agreement, at the Closing:

(a) Deliveries to Purchaser. Seller will deliver to Purchaser:

(i) the Seller Transaction Documents;

(ii) the certificates, opinions and other documents required to be delivered by Seller pursuant to Section 5.2 hereof, certified resolutions evidencing the authority of Seller as set forth in Section 2.2 hereof, updated Schedule 2.16(c) and Schedule 1.1(b)(xv) pursuant to Section 4.11 and all other agreements, records and other documents required by this Agreement as of the Closing Date.

(b) Deliveries to Seller. Purchaser will deliver to Seller:

(i) the Cash Purchase Price, plus or minus (as applicable) any adjustments thereto under Sections 1.6(b)(ii), 4.5(b) and 4.13 and any amount required to be paid by Purchaser upon Closing under Section 4.17, by wire transfer of immediately available funds to the account designated by Seller in writing at least two Business Days prior to the Closing Date;

(ii) the Purchaser Transaction Documents;

(iii) the certificates and other documents required to be delivered by Purchaser pursuant to Section 5.3 hereof and certified resolutions evidencing the authority of Purchaser as set forth in Section 3.2 hereof, and all other agreements, records and other documents required by this Agreement as of the Closing Date.

(c) Transaction Documents. The agreements, instruments and documents referenced in this Section 1.7, together with such other agreements and instruments required to be delivered pursuant to this Agreement, are referred to herein collectively as the "Transaction Documents."

1.8. Allocation of Consideration. The Purchase Price and, to the extent required, Assumed Liabilities and relevant transaction costs shall be allocated among the Acquired Assets in accordance with the principles as set forth on Schedule 1.8 hereto, which shall be prepared by Purchaser and mutually agreed to by Purchaser and Seller prior to the Closing Date (the "Allocation Principles"). Within 60 days after the Closing Date, Purchaser shall deliver a schedule of the allocation of the Purchase Price among the Acquired Assets, which schedule shall be based on the Allocation Principles (such schedule, as adjusted if required pursuant to the dispute resolution provisions of this Section 1.8, is referred to as the "Final Allocation"). Seller may dispute any items reflected on the Final Allocation delivered by Purchaser but only on the basis that such items were not prepared in accordance with the Allocation Principles (or arithmetic computational errors); provided, however, that Seller shall notify Purchaser in writing of each disputed item, and specify the amount thereof in dispute and the reasons therefor, within 30 days of Seller's receipt of the Final Allocation prepared by Purchaser. Purchaser and Seller shall attempt to reconcile their differences and any resolution by them as to any disputed items shall be final, binding and conclusive on the parties. If Purchaser and Seller are unable to reach a resolution to such effect of all disputed items within 30 days of receipt of Seller's written notice of dispute to Purchaser, Purchaser and Seller shall submit the items remaining in dispute for resolution to the Independent Accounting Firm, which shall, within 30 days after such submission, determine and report to the parties upon such remaining disputed items, and such report shall be final, binding and conclusive on the parties hereto with respect to the amounts disputed. The Independent Accounting Firm shall limit the scope of its review to those disputed items from Seller's notice of dispute that Seller and Purchaser have failed to resolve. The fees and disbursements of the Independent Accounting Firm shall be borne equally by Purchaser and Seller. Purchaser and Seller shall each (i) be bound by the Final Allocation for purposes of determining any Taxes, (ii) prepare and file its Tax Returns on a basis consistent with the Final Allocation, and (iii) take no position inconsistent with the Final Allocation on any applicable Tax Return or in any action before any Authority or otherwise, except as required by Law. In the event the Final Allocation is disputed by any Authority, the party receiving notice of the dispute shall promptly notify the other party hereto concerning resolution of the dispute. Seller and Purchaser acknowledge that the Allocation Principles and the Final Allocation will be based upon a good faith estimate of fair market values determined at arm's length.

## ARTICLE II

## REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Purchaser as follows:

2.1. Organization. Seller is duly incorporated and validly existing under the Laws of the Republic of Korea ("Korea") and has all requisite corporate power and authority to own, lease and operate the Acquired Assets and the Business as and where currently being conducted. Seller is currently conducting the Business in the locations set forth in Schedule 2.1.

2.2. Authorization and Enforceability. Seller has the requisite corporate power and authority to execute, deliver and perform this Agreement and will have the requisite corporate power and authority to execute, deliver and perform the Seller Transaction Documents as of the Closing Date, and, subject to approval of the Transaction by the shareholders of Seller, to consummate the Transaction. The execution, delivery and performance of this Agreement by Seller has been, and as of the Closing Date the Seller Transaction Documents will be, duly authorized by all necessary corporate action on the part of Seller, subject to approval of the Transaction by the shareholders of Seller. This Agreement has been, and as of the Closing Date the Seller Transaction Documents will be, duly executed and delivered by Seller. This Agreement is, assuming due and valid authorization, execution and delivery hereof by Purchaser, a legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, except to the extent that such enforceability may be subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar Laws affecting the enforcement of creditors' rights generally and by general equitable principles. As of the Closing Date, the Seller Transaction Documents will be, assuming due and valid authorization, execution and delivery thereof by Purchaser, the legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their respective terms, except to the extent that such enforceability may be subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar Laws affecting the enforcement of creditors' rights generally and by general equitable principles.

2.3. No Violation of Laws or Agreements. The execution, delivery, and performance of this Agreement and the Seller Transaction Documents do not, and the consummation of the Transaction and the Seller Transaction Documents, will not, subject to obtaining the consents set forth on Schedule 2.3, (a) contravene any provision of the articles of incorporation or bylaws of Seller or (b) violate, conflict with, result in a breach of, or constitute a default (or an event which might, with the passage of time or the giving of notice, or both, constitute a default) under, or result in or permit (whether or not after the giving of notice or lapse of time or both) the termination, modification, acceleration, or cancellation of, or result in the creation or imposition of any Lien of any nature whatsoever upon any of the Acquired Assets or give to others any interests or rights therein under, (i) any Contract or Permit by which the Business or any of the Acquired Assets may be bound or affected, or (ii) any judgment, injunction, writ, award, decree, restriction, ruling, or order of any Authority or any Law applicable to Seller, the Business or the Acquired Assets, except, in the case of the foregoing clauses (b)(i) and (ii), for such violations, conflicts, breaches, defaults, default events, terminations, modifications, accelerations, cancellations or Liens that, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect or pose a risk of criminal sanctions.

2.4. Financial Statements. The books of account and related records of Seller for the Business have been maintained in accordance with applicable Law, in all material respects, fairly reflect, in all material respects, all income, expenses, assets and liabilities of, and transactions relating to, the Business, in accordance with, and to the extent required by, the Accounting

Principles, and provide a fair basis, in all material respects, for the preparation of the Financial Statements. Schedule 2.4 contains the following financial statements, upon which Samil PricewaterhouseCoopers (formerly Samil Accounting Corporation) has performed certain agreed-upon-procedures and has provided a report: the consolidated year-end balance sheet and related consolidated statements of income and cash flows for the Business as of, and for, the year ended December 31, 2002 (the "Year-End Financial Statements"); and the consolidated balance sheet at September 30, 2003 and related consolidated statements of income and cash flows for the nine-month period ended September 30, 2003 (the "Interim Balance Sheet Date") for the Business (the "Interim Financial Statements"). The Interim Financial Statements and the Year-End Financial Statements are collectively referred to as the "Financial Statements" and are in each case prepared in accordance with the Accounting Principles. The Financial Statements (a) are in accordance with and based on the books and records of Seller; (b) present fairly, in all material respects, in accordance with the Accounting Principles consistently applied, the results of operations, financial position, assets and liabilities of the Business as at the respective dates or for the periods covered thereby; and (c) reflect the results of operations, financial position, assets and liabilities of the Business on a pro forma stand-alone basis in accordance with the Accounting Principles consistently applied.

2.5. No Changes. Since the Interim Balance Sheet Date, Seller has conducted the Business in the ordinary course of business consistent with past practice and there has not occurred a Material Adverse Effect. Without limiting the foregoing, since the Interim Balance Sheet Date, except as disclosed in Schedule 2.5 hereto, there has not been with respect to the Business:

(a) any change in the salaries or other compensation payable or to become payable to, or any advance (excluding advances for ordinary business expenses) or loan (other than loans to Employees in the ordinary course of business consistent with Seller's past practice and which do not exceed in principal amount KRW 80 million individually or KRW 500 million in the aggregate) to, any Employee (other than normal merit increases made in the ordinary course of business and consistent with past practice), or change or addition to, or modification of, other benefits (including any Benefit Plans) to which any of the Employees may be entitled, or any payments to any Benefit Plan except payments in the ordinary course of business and consistent with past practice, or any other payment of any kind to or on behalf of any Employee other than payment pursuant to any Benefit Plan, of base compensation, pursuant to the quarterly management performance bonus plan described in Schedule 2.5(a) and reimbursement for reasonable expenses, in each case in the ordinary course of business consistent with past practice;

(b) any discharge or satisfaction of any material Liens in favor of the Business;

(c) any change or, to Seller's Knowledge, any threat of any change in any of their relations with, or any loss or, to Seller's Knowledge, threat of loss of any of the suppliers, clients, customers or employees of the Business which, individually or in the aggregate, has had, or could reasonably be expected to have, a Material Adverse Effect;

(d) any disposition of or failure to keep in effect any rights in, to or for the use of any Permit of the Business, which disposition or failure could (with notice, the passage of time or both) reasonably be expected to materially impair the conduct of the Business as currently conducted;

(e) any (i) material modification or material amendment or the termination or entering into of any new Acquired Contract which would be required to be disclosed under Section 2.6, (ii) any cancellation or material modification or waiver of any debts or claims held by Seller (including any such debts or claims of any Subsidiary of Seller) with a value in excess of KRW 500,000,000 individually or in the aggregate, in each case in respect of an Acquired Contract or Acquired Asset, or otherwise related to the Business, or (iii) any waiver of any other material rights of Seller, in each case in respect of an Acquired Contract or other Acquired Asset, or otherwise related to the Business and that, in each case of the above (i) through (iii), could reasonably be expected to materially impair the conduct of the Business as currently conducted (it being understood that the matters covered in paragraphs (b), (d) and (h) shall be governed by those paragraphs, respectively, and not this paragraph (e));

(f) any damage, destruction or loss by casualty affecting the Business in excess of KRW 2,000,000,000 in the aggregate, whether or not covered by insurance;

(g) any material change by Seller in its accounting policies, practices or methodologies or in its method of keeping its books of account relating to the Business, the Acquired Assets or the Assumed Liabilities;

(h) any disposition of or failure to keep in effect any rights in, to or for the use of any of the material Intellectual Property used or related to the Business other than the expiration of any Intellectual Property in accordance with its terms;

(i) any sale, exchange, transfer or other disposition of any assets, properties or rights of the Business, including the Acquired Assets, for consideration or having a book value in excess of KRW 500,000,000 with respect to any individual transaction or KRW 1,000,000,000 in the aggregate except sales of inventory in the ordinary course of business consistent with past practice;

(j) any commitments or agreements for capital expenditures relating to the Business not reflected in Schedule 4.3 or Schedule 4.13 and exceeding in the aggregate KRW 500,000,000;

(k) any material mortgage, pledge or subjection to Liens of any kind (other than Permitted Liens) of any Acquired Assets;

(l) any agreement by Seller or any Subsidiaries of Seller to compensate any Employee in any manner upon or with respect to the consummation of the Transaction;

(m) any material change or modification to the Business's credit, collection or payment policies, procedures or practices, including material acceleration of collections or receivables (whether or not past due), material acceleration of payment of payables or other liabilities or material failure to pay or delay in payment of payables or other liabilities;

(n) any license or sublicense of any rights under or with respect to any of the Intellectual Property that constitutes Acquired Assets, or other Intellectual Property to the extent such license or sublicense would have violated Section 6.4 if entered into or granted after the Closing or any agreement by Seller or any Subsidiary of Seller containing a covenant not to sue in connection with any Intellectual Property that constitutes Acquired Assets;

(o) any material Tax election (or revocation of a Tax election), except in a manner consistent with past practice and where such change in Tax election could not reasonably be expected affect the Acquired Assets or the Business after Closing, any material change in any method of accounting for Tax purposes, or any settlement or compromise of any material Tax liability with any Tax Authority or agreement to an extension of a statute of limitations; or

(p) any agreement to take any action described in this Section 2.5.

2.6. Contracts. Schedule 2.6 hereto contains a list of the following Acquired Contracts or any other Contracts by which any of the Acquired Assets are bound or affected to which Seller or any of its Subsidiaries is a party:

(a) any Contract (or group of related Contracts) for the lease of (i) personal property to or from any Person providing for lease payments in excess of KRW 500,000,000 per annum or (ii) real property to or from any Person;

(b) any Contract (or group of related Contracts) for the purchase or sale of parts, raw materials, commodities, supplies, inventory, products, or other personal property, or for the furnishing or receipt of services, which involves consideration in excess of KRW 500,000,000;

(c) any Contract concerning a partnership, limited liability company, joint venture or similar arrangement;

(d) any Contract (or group of related Contracts) under which the Business has created, incurred, assumed, secured or guaranteed any material indebtedness for borrowed money, or any capitalized lease obligation under which any of the Acquired Assets are subject to a Lien;

(e) any Contract that could require Purchaser to maintain the confidentiality of information of the other party thereto or containing noncompetition provisions that could be binding on Purchaser, in each case, after the Closing;

(f) any profit sharing, deferred compensation, severance, termination, retention or other similar plan, or agreement for the benefit of any Employee, other than the Benefit Plans;

(g) any Contract for the employment of any individual in the Business on a full-time, part-time, consulting, or other similar basis providing annual compensation in excess of KRW 200,000,000 or providing severance benefits beyond any such severance benefits as are required by Korean Law;

(h) any Contract otherwise material to the conduct of the Business as currently conducted, or under which the consequences of a default or termination could reasonably be expected to have a Material Adverse Effect or a material adverse effect on the possession, use, occupancy or operation, of the Business or the Acquired Assets;

(i) as of the date hereof, any Contract granting a license or sublicense, or containing a covenant not to sue, concerning Intellectual Property used or held for use in the Business;

(j) any distribution, dealer, representative or sales agency Contract relating to the Business;

(k) any Contract which provides for quantity price discounts, rebates or other allowances for customers based upon purchases of goods from the Business;

(l) any labor Contract (including any material side agreements thereto) with any union or recognized collective bargaining agent relating to the Business;

(m) any Contract for any capital expenditure or leasehold improvement in excess of KRW 500,000,000 individually or KRW 2,000,000,000 in the aggregate, other than any capital expenditures in Schedule 4.3 or Schedule 4.13;

(n) any Contract under which Seller has advanced or loaned funds to any Person, including any of the employees of the Business, Seller or any Subsidiaries of Seller, and in connection with which there are amounts outstanding or any continuing obligation to advance or loan funds (other than contracts solely relating to expenses advanced to employees in the ordinary course of business);

(o) any Contract which relates to inventions by Seller's employees (other than standard nondisclosure forms signed by employees generally, copies of which such standard forms have been made available to Purchaser);

(p) any Contract relating to Tax, which would have a continuing material effect on Purchaser after Closing, or with any Authority;

(q) any Contract between or among Seller, on the one hand, and any Subsidiary of Seller or any director, officer or employee thereof, on the other hand;

(r) any Contract by Seller for the purchase or sale of any business, corporation, partnership, joint venture, association or other business organization or any division, operating unit or product line thereof; and

(s) any other Contract (or group of related Contracts) exceeding KRW 2,500,000,000 in value.

Seller has delivered or made available to Purchaser a correct and complete copy of each written Contract listed in Schedule 2.6. To the knowledge of Seller, there are no oral Contracts, or oral modifications to any Contracts, that would otherwise be required to be listed on Schedule 2.6. With respect to each Contract required to be disclosed in Schedule 2.6: (i) the Contract is a legal, valid and binding obligation of (A) Seller, enforceable against Seller and (B) to Seller's Knowledge, the other parties thereto, enforceable against such parties (except, with respect to clauses (A) and (B), to the extent that such enforceability may be subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar Laws affecting the enforceability of creditors' rights generally and by general equitable principles) and in each case in full force and effect; (ii) neither Seller, nor to Seller's Knowledge, any other party thereto, is in material breach or default, and no event has occurred (or is likely to occur) which with notice or lapse of time (or both) would constitute a material breach or default, or permit termination, modification, or acceleration, under the Contract; (iii) no party has repudiated or, to Seller's Knowledge, threatened to repudiate any provision of the Contract; and (iv) with respect to any such Contract that is an Acquired Contract and subject to obtaining consent to the assignment thereof from the other parties thereto as set forth on Schedule 2.3, the consummation of the Transaction, with or without the giving of notice or the lapse of time or both, will not give rise to a right of modification, termination, or amendment, or a loss of a material benefit thereunder.

2.7. Permits and Compliance With Laws Generally.

(a) Seller possesses and is in compliance with all Permits required to operate the Business and to use and own, lease or otherwise hold the Acquired Assets under all applicable Law, except where any Permit the failure to have and except for any noncompliance that could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, all of which such Permits are listed on Schedule 1.1(b)(x) hereto. All such Permits of Seller relating to the operation of the Business and the use and ownership, leasing or otherwise holding of the Acquired Assets are in full force and effect, and there are no proceedings pending or, to Seller's Knowledge, threatened that seek the revocation, cancellation, suspension or any adverse material modification of any such Permits presently possessed by Seller. On the Closing Date, the Permits in full force and effect which will be transferred to Purchaser will constitute all of the Permits required under applicable Law for Purchaser's

possession, ownership and use of the Acquired Assets and operation of the Business as currently conducted, except for such Permits the lack of which could not reasonably be expected to have a Material Adverse Effect. Seller conducts and has conducted the Business during the last three years in material compliance with all applicable Law, including all applicable environmental statutes, Laws, rules, regulations, ordinances, notices and orders of any Authority including those relating to Hazardous Substances ("Environmental Laws").

(b) There is no outstanding or unresolved written notice, citation, summons or order that has been issued, complaint that has been filed or penalty that has been assessed or investigation or review that is pending or, to the knowledge of Seller, threatened, by any Authority or other Person with respect to any alleged (i) violation in any material respect by Seller or any Subsidiary of Seller relating to the Business of any applicable Law, except as may be otherwise disclosed on Schedule 2.7(b); or (ii) failure in any material respect by Seller or any Subsidiary of Seller to have any material Permit required in connection with the conduct of the Business as currently conducted or otherwise applicable to the Business. There is no proceeding pending or, to Seller's Knowledge, threatened which is reasonably likely to materially and adversely affect, as to any material portion of the Facilities or the other Acquired Assets, the zoning classification in effect.

2.8. Environmental Matters. (a) Seller holds and is in compliance with such Permits as are required under all Environmental Laws in connection with the conduct of the Business as currently conducted ("Environmental Permits"), except for such Environmental Permits the failure to hold or be in compliance with could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. All such Environmental Permits are listed on Schedule 2.8(a) hereto.

(b) In connection with the Business:

(i) During the past three years, no written notice, citation, summons or order has been issued, no complaint has been filed and no penalty has been assessed, and no investigation or review is pending or, to the knowledge of Seller, threatened by any Authority or other entity: (A) with respect to any allegation of material violation of any Environmental Law; (B) with respect to any allegation of material failure to have any required Environmental Permit; or (C) with respect to any use, possession, generation, treatment, storage, recycling, transportation or disposal of any hazardous or toxic or polluting substance or waste, contaminant or pollutant, including petroleum products, PCBs, asbestos-containing materials and radioactive materials ("Hazardous Substances").

(ii) Seller has not received any request (that remains unresolved) for information, notice of claim, demand or notification that they are or may be potentially responsible with respect to any investigation or clean-up of any threatened or actual Release of any Hazardous Substance, which could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(iii) Except as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, no polychlorinated biphenyls ("PCBs") or asbestos-containing materials are or have been present at any property now or when owned, operated or leased by Seller. Except as set forth on Schedule 2.8(b)(iii) or as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, there are no underground storage tanks, active or abandoned, at any property now or when owned, operated or leased by Seller. Any underground storage tanks that have been removed or closed at any property now or when owned, operated or leased by Seller has been removed or closed in compliance in all material respects with all applicable Environmental Laws and no additional investigation or remediation or other response actions is required with respect thereto under applicable Environmental Laws.

(iv) No Hazardous Substance used, possessed, generated, treated, stored, recycled, transported or disposed by Seller has come to be located at any site which is the subject of enforcement actions or other investigations by any Authority which may lead to claims against Seller or Purchaser for clean-up costs, remedial work, damages to natural resources or for personal injury claims, which could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(v) To Seller's Knowledge, and except as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, no Hazardous Substance has been released, spilled, leaked, discharged, disposed of, pumped, poured, emitted, emptied, injected, leached, dumped or allowed to escape by Seller or by any other Person at, on or under any property now or when owned, operated or leased by Seller in violation of Environmental Laws.

(vi) To Seller's Knowledge, there are no facts or circumstances related to environmental matters concerning its properties or businesses that could lead to any future environmental claims, liabilities or responsibilities against Seller or Purchaser, that could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

2.9. Consents. Except as set forth on Schedule 2.3, no consent, approval or authorization of, or registration or filing with or notice to, any Authority, or other Person (except, with respect to third parties, as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect) is required in connection with the execution, delivery and performance of this Agreement or the Seller Transaction Documents, or the consummation of the transactions contemplated hereby or thereby by Seller and its Subsidiaries, including in connection with the assignment of the Acquired Contracts and Permits (except for the failure to obtain such permits as could not reasonably be expected to materially impair the conduct of the Business as currently conducted).

2.10. Title; All Assets.

(a) Seller has, or in the case of Acquired Assets now owned by its Subsidiaries, will have at Closing, good and marketable title to all of the Acquired Assets, free

and clear of any Liens other than as set forth on Schedule 2.10(a) and other than Permitted Liens and, in the case of any Intellectual Property that is an Acquired Asset, subject to any license agreements set forth on Schedule 2.6.

(b) None of the Acquired Assets is subject to any Lien, except (i) minor imperfections of title, none of which, individually or in the aggregate, materially impairs the use of or materially detracts from the value of the affected asset or materially impairs any operations of the Business or the ability of Purchaser to obtain direct or indirect financing for the Acquired Assets, (ii) with respect to leased or licensed Acquired Assets, the terms and conditions of the lease or license applicable thereto, (iii) Liens with respect to real property, none of which, individually or in the aggregate, materially detract from the value of the affected real property, materially impair the intended use of the real property, or materially impair the operations of the Business as currently conducted, (iv) Liens for current Taxes or assessments or other governmental charges or levies which are not yet due and payable, or, to the extent fully reserved on the Closing Balance Sheet, which are overdue but are being contested in good faith by appropriate proceedings, (v) Liens in favor of customs and revenue authorities arising as a matter of Law to secure payment of customs duties in connection with the importation of goods, to the extent such customs duties are fully reserved for on the Closing Balance Sheet, (vi) purchase money mortgages or security interests incurred in connection with the purchase of property or assets after the Interim Balance Sheet Date, securing payment obligations fully accrued for on the Closing Balance Sheet and (vii) any workmen's, repairmen's, warehousemen's, mechanic's, and carriers' Liens and encumbrances arising in the ordinary course of business, to the extent relating to an account payable that is fully reflected on the Closing Balance Sheet (collectively, the "Permitted Liens"), (it being understood that Permitted Liens shall not include, in any event, Liens to the extent in respect of Excluded Liabilities) and except as set forth on Schedule 2.10(a) and provided that Acquired Assets that are Intellectual Property are subject to the license agreements set forth on Schedule 2.6.

(c) Except as set forth on Schedule 2.10(c), the Acquired Assets, together with Purchaser's rights under the Purchaser Transaction Documents, constitute all of the assets, rights, properties and contracts used in the operation of, and necessary to operate, the Business in all material respects as presently conducted in the ordinary course consistent with past practice. It is understood that the representation in this Section 2.10(c) does not relate to Intellectual Property.

2.11. Real Estate.

(a) Schedule 2.11 hereto contains (i) a complete and accurate list of all real property (together with all buildings and structures thereon), owned or leased, subleased, licensed or otherwise occupied by Seller in the conduct of the Business (the "Facilities") and (ii) identifies with specificity all leases, subleases, licenses and other material occupancy arrangements ("Leases") relating to the Facilities. All such real property owned by Seller shall hereinafter be referred to as the "Owned Facilities" and all such real property leased, subleased, licensed or otherwise occupied by Seller (other than the Owned Facilities) shall hereinafter be referred to as the "Leased Facilities."

(b) With respect to each Owned Facility:

(i) Seller has good, valid, marketable and indefeasible fee simple title to each such Owned Facility, except where the failure to have such title could not reasonably be expected to, individually or in the aggregate, materially detract from the value of the affected Owned Facility, materially impair the intended use of the affected Owned Facility, or materially impair the operations of Seller or the operations of the Business as currently conducted at such Owned Facility;

(ii) Subject to Section 6.5, Seller has the requisite power and authority to grant Purchaser a leasehold or other similar interest in each Owned Facility, other than the Owned Facilities being transferred to Purchaser pursuant to Section 1.1(b)(iii);

(iii) Other than Permitted Liens, no Owned Facility is subject to any Liens; and

(iv) Except to the extent that such condition would not reasonably be expected to have a Material Adverse Effect or not have a material adverse effect on the affected Facility or materially impair the conduct of the Business as currently conducted, (A) no improvements erected on any Owned Facility encroaches on any adjoining property or street; (B) Seller is in actual, exclusive possession or control of each Owned Facility; and (C) each owned Facility and the use thereof by Seller in connection with the Business as currently used complies with all material covenants, easements and restrictions of record affecting such Owned Facility.

(c) Except to the extent that such condition would not reasonably be expected to have a Material Adverse Effect or not have a material adverse effect on the affected Lease or Leased Facility or materially impair the conduct of the Business as currently conducted, with respect to each Lease or Leased Facility:

(i) Except as set forth on Schedule 2.11, (A) the basic rent, all additional rent and all other charges and amounts payable under any Lease by the lessee thereunder have been paid to date and (B) all work required to be performed under the Leases by Seller has been performed, and, to the extent that Seller is responsible for payment of such work, has been fully paid for, whether directly to the contractor performing such work or to such lessee as reimbursement therefor;

(ii) No rent or other payment called for under any Lease has been paid more than 30 days in advance of the due date, Seller is not in breach of or default under any Lease and no security deposit or portion thereof deposited with respect to any Lease has been applied in respect of a breach or default under such Lease which has not be been redeposited in full; and

(iii) Except as set forth on Schedule 2.11, there are no brokerage commissions or finder's fees due (or with the passage of time will become due) from Seller which are unpaid with regard to any of the Leases or the Leased Facilities.

(d) With respect to the Facilities, except in each case as is not material to the conduct of the Business as currently conducted:

(i) The water, gas, electricity, telecommunications and other utilities serving the Facilities are currently adequate in all material respects to service the normal operations conducted thereon consistent with past practice;

(ii) Each Facility has physical and, to Seller's Knowledge, legal vehicular and pedestrian access to and from public roadways;

(iii) Seller has not received any written notice for assessments for public improvements against any of the Facilities that remain unpaid and no such assessment has been proposed in writing. Seller has not received any written notice or order by any Authority, any insurance company which has issued a policy with respect to any of such Facilities or the Korea Fire Protection Association or other body exercising similar functions which (A) relates to any material violations of or material non-conformity with any applicable Law concerning zoning, building, safety or subdivision with respect to any of the Facilities, (B) claims any material defect or deficiency with respect to any of the Facilities or (C) requests the performance of any material repairs, alterations or other work to or in any of the Facilities or in the streets bounding the same;

(iv) There is no pending condemnation, expropriation, eminent domain or similar proceeding affecting all or any portion of any of the Facilities and, to Seller's Knowledge, no such proceeding is threatened; and

(v) The water, oil, gas, electrical, telecommunications, sewer, storm and waste water systems and other utility services or systems for the Facilities which have been installed are operational and sufficient for the operation of the Business as currently conducted.

2.12. Taxes. (a) Seller and its respective Subsidiaries transferring Acquired Assets pursuant to this Agreement have (i) timely filed all returns and reports for Taxes, including information returns, that are required to have been filed in connection with, relating to, or arising out of, the Business, (ii) paid, or made provision for the payment of, all Taxes that are shown to have come due pursuant to such returns or reports or are due and payable and (iii) paid all other Taxes in connection with, relating to, or arising out of, the Business for which a notice of assessment or demand for payment has been received. All such returns or reports are materially true and complete and have been prepared in accordance with all applicable Laws and requirements and accurately reflect in all material respects the taxable income (or other measure of Tax) of Seller, or, if applicable, any Subsidiary of Seller or any group of which any Seller or any Subsidiary of Seller is a member with respect to the Business. Schedule 2.12 hereto lists all jurisdictions in which Seller has filed income, employment, sales and use and personal and real

property Tax returns or from which Seller has received real property Tax bills with respect to the Business during the past three fiscal years. There are no ongoing or, to Seller's Knowledge, threatened Tax disputes with respect to the Business or Acquired Assets (or assertions by any governmental authority in any jurisdiction in which Tax returns or reports are not filed that such returns or reports should have been filed or that there is a Tax liability) with respect to the Business or any Acquired Assets that could reasonably be expected to affect Purchaser's responsibility for Taxes related to the Business or acquired Assets following the Closing Date.

(b) As used herein "Taxes" means all taxes, charges, duties, fees, levies or other assessments, including income, corporation, payroll, withholding, excise, sales, use, personal property, use and occupancy, business and occupation, mercantile, real estate, gross receipts, license, employment, severance, stamp, premium, windfall profits, social security (or similar unemployment), disability, transfer, acquisition, registration, value added, environmental, wealth, net worth, welfare, alternative, or add-on minimum, estimated, or capital stock and franchise and other tax of any kind whatsoever, including any interest, penalty or addition thereto, whether disputed or not.

2.13. Intellectual Property Rights. (a) Schedule 2.13(a) hereto contains a complete and accurate list of all patents and patent applications, utility model and utility model applications, registered and material unregistered trademarks and service marks, domain names, trade names, corporate names, registered and material unregistered mask works, registered and material unregistered copyrights (including computer software programs), and registered and material unregistered industrial designs, including in each case applications and renewals of and for the foregoing, that, with respect to registered Intellectual Property, is listed on Schedule 1.1(b)(iv) hereto and, with respect to all other Intellectual Property, to Seller's Knowledge, is primarily used or primarily held for use in the conduct of the Business as currently conducted, specifying as to each such item, as applicable: (i) the owner of the item, (ii) the jurisdictions in which the item is issued or registered or in which any application for issuance or registration has been filed, (iii) the respective issuance, registration, or application number of the item (iv) the date of application and issuance or registration of the item.

(b) By not later than the date of the meeting of Seller's shareholders convened for the purpose of obtaining shareholder approval of the Transaction, Seller shall deliver to Purchaser Schedule 2.13(b) containing a complete and accurate list of all material licenses, sublicenses, consents and other agreements (whether written or otherwise) other than "shrink wrap" and similar standard end-user licenses for standard, widely available, commercial off-the-shelf software and other licenses and related agreements with respect thereto (i) pertaining to any Intellectual Property used, or held for use, in the conduct of the Business as currently conducted, and/or (ii) by which Seller or any Subsidiary of Seller directly or indirectly licenses or otherwise authorizes a third party to use Intellectual Property related to the Business (each, a "Material License Agreement").

(c) Neither Seller, nor any of its Subsidiaries, nor to Seller's Knowledge, any other party is in breach of or default under any material provision of any Material License

Agreement, and each such license, sublicense, consent or other agreement is now valid and in full force and effect and the consummation of the Transaction and the Seller Transaction Documents, will not, subject to obtaining the consents set forth on Schedule 2.3, violate, conflict with, accelerate the term of, result in a breach of, or constitute a default (or an event which might, with the passage of time or the giving of notice, or both, constitute a default) under, or result in or permit (whether after the giving of notice or lapse of time or both) the termination, modification, acceleration, or cancellation of, or result in the creation or imposition of any Lien of any nature whatsoever upon any such license, sublicense, consent or other agreement or give to others any interests or rights therein under, such license, sublicense, consent or other agreement. There are no material contracts, licenses or agreements between Seller or any of its Subsidiaries and any other Person with respect to Intellectual Property used or held for use in the conduct of, or otherwise relating to, the Business under which there is any material dispute known to Seller or any of its Subsidiaries regarding the scope of such agreement, or performance under such agreement including with respect to any payments to be made or received by Seller or any of its Subsidiaries thereunder.

(d) Seller and its Subsidiaries have the rights provided under applicable Law to bring actions for the infringement or other violation of any and/or all Intellectual Property which is owned and used or held for use in the conduct of the Business by Seller or any Subsidiary of Seller.

(e) Except as set forth on Schedule 2.13(e), and to Seller's Knowledge, the operations of the Business as it is currently conducted do not infringe, dilute, misappropriate, or otherwise violate the Intellectual Property of any third party, except as could not reasonably be expected to be material to the Business as currently conducted; and no written claim has been made, written notice given, or, to Seller's Knowledge, dispute arisen to that effect. Neither Seller nor any of its Subsidiaries has any pending claim that is material to the Business, that a third party has infringed, diluted, misappropriated or otherwise violated any Intellectual Property owned, used or held for use by Seller and/or any of its Subsidiaries in the conduct of the Business as currently conducted, and to Seller's Knowledge there is no reasonable basis for such a claim. Except as in the ordinary course of business, neither Seller nor any of its Subsidiaries has in connection with the Business agreed to, or assumed, any obligation or duty to indemnify, reimburse, hold harmless, guaranty or otherwise assume or incur any obligation or liability or provide a right of rescission to any third party with respect to the infringement, dilution, misappropriation or other violation of the Intellectual Property of that or any other third party. No Intellectual Property owned, used or held for use by Seller or any of its Subsidiaries in the conduct of the Business as currently conducted is subject to any outstanding decree, order, judgment, settlement agreement or stipulation that restricts in any manner the use, transfer or licensing thereof by Seller or any of its Subsidiaries.

(f) All of the patents, trademarks, service marks, mask works and copyright registrations owned, used and/or or held for use in the conduct of the Business as currently conducted are, to Seller's Knowledge, valid and in full force and effect, are held of record exclusively in the name of Seller free and clear of all Liens other than any license or sublicense

with respect to any such Intellectual Property as is identified on Schedule 2.13(b) or any Lien set forth on Schedule 2.10(a), and are not the subject of any cancellation or reexamination proceeding or any other proceeding challenging their extent or validity. Seller is the applicant of record in all applications and registrations set forth on Schedule 2.13(a) hereto, and no opposition, extension of time to oppose, interference, rejection, or refusal to register has been received in connection with any such application. By not later than the date of the meeting of Seller's shareholders convened for the purpose of obtaining shareholder approval of the Transaction, Seller shall deliver to Purchaser Schedule 2.13(f) setting forth a complete and accurate list of all actions that must be taken in Korea and the United States by Seller or any other Person within 60 days of the Closing Date (assuming the Closing Date is March 31, 2004), including the payment of any registration, maintenance or renewal fees or the filing of any documents, applications or certificates for the purposes of maintaining, perfecting or preserving or renewing any rights in any such jurisdiction in any Intellectual Property listed in Schedule 2.13(a), and by not later than two weeks prior to the actual Closing Date Seller will provide Purchaser with an updated list of the foregoing which is complete and accurate as of the actual Closing Date (and not an assumed Closing Date).

(g) Seller and each of its Subsidiaries has taken reasonable steps to protect Seller's rights and/or the rights of Seller's Subsidiaries in material trade secrets, know-how or other confidential or proprietary information (including, without limitation, source code) of Seller or any of its Subsidiaries.

(h) The Transaction does not and will not trigger any provision under any license or agreement related to material software licensed by Seller and/or any of its Subsidiaries which is used in the Business (other than software for which Purchaser will not be obtaining any rights from Seller or any of Seller's Subsidiaries under any existing or future license) ("Licensed Software") to (i) renegotiate or increase the license, support or other fees or charges due under such license, or (ii) restrict, in any material way, Purchaser's use of the Licensed Software in the Business subsequent to the Closing Date.

(i) The information technology systems owned, licensed, leased, or otherwise held for use in the Business, including all computer hardware, software, firmware and telecommunications systems used in the Business, and to Seller's Knowledge, the information technology systems operated on behalf of the Business, perform in material conformance with the appropriate specifications or documentation for such systems and generally perform reliably. Seller and all of its Subsidiaries have taken commercially reasonable steps to provide for the archival in a manner which is customary in the industry, back-up, recovery and restoration of the critical business data of the Business.

(j) As used herein, the term "Intellectual Property" means (i) all inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto, and all utility patent patents, utility models, utility applications, patent applications, and utility and patent disclosures, together with all reissuances, continuations, continuations-in-part, revisions, extensions, and reexaminations thereof, (ii) all copyrights, trademarks, service marks,

trade dress, logos, business product codes, domain names, trade names, and corporate names, and registrations, applications for registration, and renewals of registration, of the foregoing and all goodwill associated therewith, (iii) all mask works (whether registered or unregistered), industrial designs and registrations and applications for registration and renewals of registration of the foregoing, (iv) all trade secrets and confidential business information (including ideas, research and development, technology, know-how, formulas, compositions, manufacturing and production processes and techniques, technical data, designs, drawings, specifications, customer and supplier lists, pricing and cost information, and business and marketing plans and proposals), (v) all computer software (including data and related documentation and object and source codes), (vi) all web site designs, (vii) technology, know-how, designs and formulae, and (viii) all other intellectual property and all other proprietary rights recognized as such by applicable Law.

(k) Schedule 2.13(k) contains, to Seller's Knowledge, a complete and accurate list of all claims made since July 7, 1999 expressly alleging that the design, manufacture, distribution, sale or marketing of any product of the Business infringes, dilutes, misappropriates, or otherwise violates the Intellectual Property rights of any third party or requires a license of the Intellectual Property of a third party.

2.14. Inventory. The inventory of Seller relating to the Business reflected in the Interim Financial Statements or acquired by Seller after the Interim Balance Sheet Date and before the Closing Date (including the Inventory) is carried at the lower of cost or net realizable value determined in accordance with the Accounting Principles, and the value of obsolete or below standard quality materials has been written down in accordance with Seller's accounting principles consistently applied and the Accounting Principles. All inventory of Seller set forth or reflected in the Interim Financial Statements or acquired after the Interim Balance Sheet Date, was acquired and has been maintained in the ordinary course of business and is of good and merchantable quality and of a quality generally readily useable in the ordinary course of business. All such inventory is owned by Seller free and clear of any and all Liens, other than Permitted Liens. Seller has not consigned any inventory or entered into any similar arrangements with any wholesalers, dealers, retailers or other customers, other than as set forth on Schedule 1.1(b)(vi). Schedule 1.1(b)(vi) hereto lists the location of the Inventory of the Business as of the Interim Balance Sheet Date.

2.15. Accounts Receivable; Prepaid Expenses. The accounts receivable of Seller arising from the Business reflected in the Interim Financial Statements and/or the Closing Balance Sheet are valid and genuine; have arisen solely out of bona fide sales and deliveries of goods, performance of services and other business transactions in the ordinary course of business consistent with past practice; and to Seller's Knowledge, are not subject to valid defenses, set-offs or counterclaims. The prepaid expenses of Seller arising from the Business and all the prepaid expenses reflected in the Interim Financial Statements and/or the Closing Balance Sheet have been reflected in accordance with the Accounting Principles.

2.16. Labor Relations; Employees. (a) Set forth on Schedule 2.16(a) is a complete and accurate list of any unions or other labor organizations representing any Employee and the type

of Employee represented by each such union or other labor organization. There is no unfair labor practice charge pending or, to Seller's Knowledge, threatened against Seller relating to any of the Employees which could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. There are no negotiations or strikes, disputes, arbitrations, lawsuits, administrative proceedings, slow downs or stoppages relating to any of the Employees or the Business pending or, to Seller's Knowledge, threatened against or involving Employees or the Business which could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. No labor grievance relating to any of the Employees as relating to the Business is pending which would have a Material Adverse Effect. Seller has not in the past three years experienced any material work stoppage or other material labor difficulty or, to Seller's Knowledge, collective activity relating to any of the Employees or the Business.

(b) There are no pending, or, to Seller's Knowledge, threatened, claims against Seller or the Business asserted by any Employee which would have a Material Adverse Effect.

(c) Set forth on Schedule 2.16(c) is a complete and accurate list of the following information with respect to all of the Employees (identifying Employees by Employee number and not by name): job title, date of hire, assigned location, current base salary or hourly wage and overtime for all of the Employees actively employed as of December 24, 2003, including any such individual on short-term disability or approved leave of absence who was so employed immediately before such disability or absence. No Employee is entitled to any sick time other than time constituting accrued and unpaid leave.

2.17. Employee Benefit Plans. (a) Set forth on Schedule 2.17(a) hereto is a true and complete list of each oral or written employee pension benefit plan; employee welfare benefit plan; agreement with labor unions or associations representing Employees; or any overtime compensation, wages or bonus; incentive compensation; profit sharing; retirement; pension; group insurance; disability; salary continuation; unemployment; death benefit; health; dependent care; stock option; stock purchase; stock appreciation rights; savings; deferred compensation; consulting; severance, termination or change-of-control; leave, vacation, holiday, sick-day or sabbatical; life, health or dental insurance; hospital, medical or surgical care; accident, welfare; or other employee benefit or fringe benefit plan, program or Contract maintained, contributed to, or required to be contributed to, by Seller or any Subsidiary of Seller in respect of any Employee, or under which Seller or any Subsidiary of Seller has, or could reasonably be expected to have, any liability or responsibility with respect to any Employee (each of the foregoing collectively, the "Benefit Plans").

(b) As applicable with respect to each Benefit Plan, Seller has made available to Purchaser, true and complete copies of (i) each Benefit Plan (and in the case of an unwritten Benefit Plan, a written description thereof), including all amendments thereto and (ii) the current summary plan description and each summary of material modifications thereto.

(c) Seller and its Subsidiaries are in compliance in all material respects with all Laws applicable to each Benefit Plan.

(d) No Employee is entitled to any deferred compensation.

2.18. Absence of Undisclosed Liabilities. Except as disclosed in Schedule 2.18 hereto, (i) Seller has no liabilities or obligations of any nature with respect to the Business, whether direct or indirect, matured or unmatured or absolute, contingent or liquidated, accrued, determined, determinable or otherwise, and (ii) to Seller's Knowledge, there is no existing condition, situation, or set of circumstances that could reasonably be expected to result in such a liability or obligation, except with respect to (i) and (ii) for such liabilities and obligations which could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

2.19. No Pending Litigation or Proceedings. There are no actions, suits, investigations or proceedings pending against or, to Seller's Knowledge, threatened against or affecting, the Business or any of the Acquired Assets before any Authority, except as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. Except as disclosed in Schedule 2.19 hereto, there are no outstanding judgments, decrees or orders of any court or Authority against Seller, or any Subsidiary of Seller, which relate to or arise out of the conduct of the Business or the ownership, condition or operation of the Business or the Acquired Assets as of the date hereof, or, except for such judgments, decrees or orders as could not reasonably be expected to have a Material Adverse Effect, as of the Closing.

2.20. Products Liability; Product Warranty. (a) There are no (i) liabilities, fixed or contingent, with respect to any product liability (as distinct from warranty claims described in clause (ii) below) or any similar claim that relates to any product manufactured or sold by Seller to others in the conduct of the Business up to and including the Closing Date that are outstanding or arose during the past three years, or (ii) liabilities of Seller, fixed or contingent, which have been asserted, with respect to any claim for the breach of any express or implied product warranty or any other similar claim with respect to any product manufactured or sold by Seller to others in the conduct of the Business up to and including the Closing Date that are outstanding or arose during the past three years, in each case except as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(b) Schedule 2.20 sets forth Seller's standard warranty and return policies applicable to products sold by Seller to others in the conduct of the Business.

2.21. Insurance. Seller maintains in effect insurance covering the Business, the Acquired Assets, and any liabilities relating thereto in the amounts and coverages set out in Schedule 2.21. Such insurance provides, and during its term has provided, coverage, in all material respects, to the extent and in the manner as may be or may have been required by Law and by any and all Acquired Contracts. No insurer has advised Seller in writing in the last two years that it intends to reduce coverage or increase any premium in any material respect or fail to renew any such policy or binder.

2.22. Relationship with Customers and Suppliers. Schedule 2.22 sets forth a true and correct list of (i) the names and addresses of the 20 largest customers of the Business in terms of

sales for the nine-month period ended September 30, 2003 (collectively, the "Key Customers"), setting forth the total sales to each such customer during each such period and (ii) the names and addresses of the 20 largest suppliers of Business in terms of purchases for the nine-month period ended September 30, 2003 (collectively, the "Key Suppliers"), setting forth for each such supplier the total purchases from each such supplier during each such period. Since the Interim Balance Sheet Date, there has not been any material modification to the terms of any Contract with the Key Customers or Key Suppliers, and none of such Contracts has been terminated. There are no ongoing discussions with any of the Key Customers or Key Suppliers in connection with any such modification to the terms of any Contract with the Key Customers or Key Suppliers, or in connection with any termination of such Contracts. To Seller's Knowledge, no Key Customer or Key Supplier has informed Seller in writing it intends to take any action to materially modify the terms of any current Contract with Seller relating to the Business or terminate any such Contract or materially adversely change its business or relationship with the Business as a result of the Transaction. Seller has made available to Purchaser true and correct copies of (i) all Contracts with Key Customers and Key Suppliers and (ii) all draft agreements, correspondence and written communications in any way relating to any currently proposed material modification, termination, extension or renewal of any Contracts with Key Customers or Key Suppliers. Schedule 2.22 sets forth, with respect to each Contract with Key Customers or Key Suppliers, (w) the name of the Key Customer or Key Supplier, (x) the expiration date of such Contract, (y) the status of such Contract (whether the contract is being modified, terminated, extended or renewed) and (z) whether consent is required to assign such Contract to Purchaser at Closing.

2.23. Condition of Assets. The Equipment and Other Tangible Personal Property are in good and serviceable condition and fit for the purposes for which they are used in the Business, subject to normal maintenance requirements and normal wear and tear reasonably expected in the ordinary course of business.

2.24. Transactions with Related Parties. Since January 1, 1998, no Subsidiary of Seller and no officer or director of any such Subsidiary has or has had:

(a) borrowed money from (other than in the ordinary course of business pursuant to established policies of Seller) or loaned money to Seller for the benefit of the Business;

(b) any contractual or other claims made against Seller relating to the Business or the Acquired Assets;

(c) any interest in the Acquired Assets or any property or assets used by Seller in the Business; or

(d) engaged in any material transaction with Seller relating to the Business or the Acquired Assets (other than employment relationships).

2.25. Brokerage. Except for Deutsche Bank, Seller and its Subsidiaries have not made any agreement or taken any other action which might cause any Person to become entitled to a broker's or finder's fee or commission as a result of the Transaction. Seller shall bear all such costs and expenses in accordance with Seller's agreement with such firm.

2.26. Due Consideration. The sale of the Acquired Assets pursuant to this Agreement is not being made with the actual intent to hinder, delay or defraud any Person to whom any of Seller or any of its Subsidiaries are indebted. Seller has valid business reasons for selling the Acquired Assets.

2.27. Management Data. None of the information contained on Schedule 2.27, to the extent that it purports to represent historical information, contains any untrue statement of a material fact or omits a material fact necessary to make the statements contained therein not misleading in light of the circumstances under which they were made.

2.28. Employee Bank Loans. The aggregate outstanding principal amount of all Employee Bank Loans does not exceed KRW 11.7 billion excluding any Employee Bank Loans existing as of the date hereof with respect to Employees of Seller to become employees of the Business at or prior to Closing as contemplated by Section 4.3.

2.29. NO OTHER REPRESENTATIONS. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS ARTICLE II, NEITHER SELLER NOR ANY OTHER PERSON OR ENTITY ACTING ON BEHALF OF SELLER MAKES ANY REPRESENTATION OR WARRANTY, EXPRESSED OR IMPLIED.

## ARTICLE III

## REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to Seller as follows:

3.1. Organization and Good Standing. Purchaser is duly incorporated and validly existing under the Laws of Korea.

3.2. Authorization and Enforceability. Purchaser has the requisite corporate power and authority to execute, deliver and perform this Agreement and will have the requisite corporate power and authority to execute, deliver and perform the Purchaser Transaction Documents as of the Closing Date. The execution, delivery and performance of this Agreement by Purchaser has been and, as of the Closing Date the Purchaser Transaction Documents will be, duly authorized by all necessary action on the part of Purchaser, including, if necessary, approval of its shareholders. This Agreement has been, and as of the Closing Date the other Purchaser Transaction Documents will be, duly executed and delivered by Purchaser. This Agreement is, assuming due and valid authorization, execution and delivery hereof by Seller, a legal, valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms, except to the extent that such enforceability may be subject to applicable bankruptcy, insolvency,

reorganization, moratorium and similar Laws affecting the enforcement of creditors rights generally and by general equitable principles. As of the Closing Date, the Purchaser Transaction Documents will be, assuming due and valid authorization, execution and delivery hereof by Seller, the legal, valid and binding obligations of Purchaser, enforceable against Purchaser in accordance with their respective terms, except to the extent that such enforceability may be subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar Laws affecting the enforcement of creditors rights generally and by general equitable principles.

3.3. No Violation of Laws or Agreements. The execution, delivery and performance of this Agreement and the Purchaser Transaction Documents do not, and the consummation of the Transaction will not, (a) contravene any provision of the articles of incorporation or bylaws of Purchaser; (b) violate, conflict with, result in a breach of, or constitute a default (or an event which might, with the passage of time or the giving of notice, or both, constitute a default) under, or result in or permit (whether after the giving of notice or lapse of time or both) the termination, modification, acceleration, or cancellation of, or result in the creation of any Lien of any nature whatsoever upon any assets of Purchaser or give any other any interests or rights therein under (i) any indenture, mortgage, loan or credit agreement, license, instrument, lease, contract, plan, permit, or other agreement to which Purchaser is a party, or by which Purchaser may have rights or by which Purchaser or any of the assets of Purchaser may be bound or affected, or (ii) any judgment, injunction, writ, award, decree, restriction, ruling or order of any Authority, domestic or foreign, or any applicable constitution, Law, ordinance, rule or regulation, except, in the case of the foregoing clause (b)(i), for such violations, conflicts, breaches, defaults, default events, terminations, modifications, accelerations, cancellations or Liens that, individually or in the aggregate, could not reasonably be expected to materially impair the ability of Purchaser to consummate the Transaction.

3.4. Consents. Except as set forth on Schedule 3.4 or as could not reasonably be expected, individually or in the aggregate, (i) to have a material adverse effect on Purchaser's assets or operation of business or (ii) to materially impair Purchaser's ability to consummate the Transaction, no consent, approval or authorization of, or registration or filing with, any Authority or other Person is required in connection with the execution, delivery and performance of this Agreement or the Purchaser Transaction Documents or the consummation of the transactions contemplated hereby or thereby by Purchaser.

3.5. Brokerage. Purchaser, Warrant Issuer and their respective Subsidiaries have not made any agreement or taken any other action which might cause any Person to become entitled to a broker's or finder's fee or commission as a result of the Transaction.

3.6. Ability to Evaluate and Bear Risk. Purchaser is able to bear the economic risk of purchasing and holding the Acquired Assets and the Business and assuming the Assumed Liabilities for an indefinite period, and has knowledge and experience in financial and business matters such that it is capable of evaluating the risks of the investment in the Acquired Assets and the Business.

3.7. Litigation. There are no actions, suits, investigations or proceedings pending against or, to Purchaser's knowledge, threatened against Purchaser, Warrant Issuer or any of their respective Subsidiaries before any Authority that, individually or in the aggregate, could reasonably be expected, to impede the ability of Purchaser to consummate the Transaction.

3.8. Equity Financing. Attached hereto as Schedule 3.8(A) and Schedule 3.8(B) are true and complete copies of the letters, each dated as of the date hereof, executed by Warrant Issuer and Citigroup Venture Capital Equity Partners, L.P. and by System Semiconductor Luxembourg S.à r.l., CVC Capital Partners Asia Pacific LP and Asia Investors LLC, respectively (the "Equity Commitment Letters"). The Equity Commitment Letters have not been amended or modified prior to the date of this Agreement, and the commitments contained in the Equity Commitment Letters have not been withdrawn or rescinded in any respect. There are no agreed conditions precedent or other agreed contingencies related to the funding of the full amount of such equity commitments, other than as set forth in the Equity Commitment Letters.

## ARTICLE IV

## COVENANTS

4.1. Conduct of Business. From the date of this Agreement to the Closing Date:

(a) Seller shall, and shall cause its Subsidiaries to, operate in all material respects in the ordinary course of business with respect to the Business, and use its commercially reasonable efforts (i) to conduct, carry on and maintain and preserve the Business intact; (ii) to comply in all material respects with all applicable Laws; (iii) to maintain and preserve its relationships with and the goodwill of major suppliers and customers and others who have substantial business relations with the Business; (iv) to maintain the Acquired Assets, as well as books of account, records and files related to the conduct of the Business and key Employees, all in the ordinary course of business and consistent with prior practice and to make the same available in all material respects to Purchaser as of the Closing, to the extent such items are Acquired Assets; (v) to keep available to Purchaser the Employees of the Business; and (vi) to operate the Business in all material respects in accordance with such portions of the business plan attached hereto as Schedule 4.1 that are attributable to the period between the date hereof and the Closing Date, other than to the extent such business plan relates to capital expenditures, which shall be governed solely by Section 4.13, and the implementation of the plan for the separation of the Business from the other businesses of Seller, which shall be governed solely by Section 4.3.

(b) Seller shall inform Purchaser in writing of any event or circumstance that has or could reasonably be expected to have a Material Adverse Effect promptly after Seller's Knowledge of any such event or circumstance.

(c) Seller and its Subsidiaries shall not, without the prior written consent of Purchaser, take or omit to take any action which would result in any of the occurrences or events set forth in Section 2.5(a), (b), (e), (g), (i) (without regard to the KRW limitation set forth therein), (j), (k), (l), (m), (n) or (o) hereof.

(d) Seller shall, and shall cause its Subsidiaries to, use commercially reasonable efforts consistent with past practice to preserve and to keep in effect any rights in, to or for the use of any Permit of the Business; except where the failure to preserve or keep in effect any such Permit could not (with notice, the passage of time or both) reasonably be expected to materially impair the conduct of the Business as currently conducted.

(e) Seller shall, and shall cause its Subsidiaries to, use commercially reasonable efforts consistent with past practice to preserve and to keep in effect any rights in, to or for the use of any of the Intellectual Property used or held for use in the conduct of the Business.

4.2. Access, Information and Documents.

Seller shall, and shall cause its Subsidiaries to, afford to Purchaser and its representatives (including Purchaser's agents, accountants, counsel, surveyors, financing sources and employees), reasonable access during regular business hours throughout the period from the date of this Agreement to the Closing Date to all their respective books, documents, records, properties and facilities that relate to the Business and, during such period, shall furnish as promptly as reasonably practicable to Purchaser all available information as Purchaser reasonably may request to the extent relating to the Business in furtherance of the Transaction. Seller shall, and shall cause its Subsidiaries to, permit Purchaser, its representatives and financing sources reasonable access throughout the period from the date of this Agreement to the Closing Date to discuss matters related to the Business with the officers, directors, employees and auditors of Seller and its Subsidiaries. Notwithstanding the foregoing, no such access shall unreasonably interfere with the operation of the respective business of Seller and its Subsidiaries and neither Seller nor any of its Subsidiaries shall be obligated to disclose to Purchaser any information the disclosure of which, in the reasonable opinion of Seller, as confirmed by the advice of Seller's legal counsel, would violate applicable Laws or any other legal obligation of Seller or its Subsidiaries. Any non-public information provided by Seller to Purchaser shall be governed by the terms of Section 4.15.

4.3. Implementation of Separation. From and after the date hereof until the Closing Date, Seller shall use its commercially reasonable efforts to implement the separation plan attached hereto as Schedule 4.3 (the "Separation Plan") in accordance with the timetable set forth therein. Seller and Purchaser agree to jointly and promptly identify and discuss in good faith a schedule of the additional employees of Seller (which is expected to consist of approximately 175 people) who will become employees of the Business at or prior to Closing whose principal functions will be accounting, finance, human resources and purchasing. Seller and Purchaser shall use their respective commercially reasonable efforts to minimize the costs and expenses relating to the separation of the Business from Seller and transitioning the Business to a standalone business ("Separation Plan Costs"). Seller shall pay for the Separation Plan Costs arising from the implementation of the Separation Plan between the date hereof and the Closing Date up to a maximum of KRW 4,878,000,000.

4.4. Monthly Financial Statements; Accounting Engagement.

(a) By no later than the 15th day of each calendar month or if such day is not a business day, the next succeeding business day, beginning the month immediately following the date hereof, Seller shall deliver to Purchaser the consolidated profit and loss statements of the Business, prepared on the basis of available managerial accounts and the template set forth on Schedule 4.4(a), for the previous month and for that part of the fiscal year ending with such month (the "Monthly Financial Statements").

(b) Seller and Purchaser shall jointly appoint a team of accountants, from Samil PricewaterhouseCoopers, who has performed audits on Seller in the past, and has been involved in the Transaction (the "Joint Accountants"). Beginning promptly following the date hereof, the Joint Accountants shall perform (i) an audit in accordance with auditing standards generally accepted in the United States of America ("United States") of the financial statements, prepared under accounting principles generally accepted in the United States ("US GAAP") and suitable for inclusion in a potential filing with the Securities and Exchange Commission in the United States, with respect to the Business on a carve-out basis as of December 31, 2002, December 31, 2003, and March 31, 2004 and for each of the three years in the period ended December 31, 2003 and for the three-month period ended March 31, 2004, which shall include a reconciliation of net income and net assets from US GAAP to those items prepared under accounting principles generally accepted in Korea ("Korean GAAP") and a condensed Korean GAAP balance sheet, income statement and cash flow statement, all presented in a footnote (the "Audits") and (ii) a reconciliation of EBITDA derived from such Korean GAAP financial information to EBITDA as determined pursuant to the Accounting Principles (the "AUP EBITDA" and, together with the Audits, the "Accounting Engagement"). Purchaser shall pay 65% of the cost of the Accounting Engagement and Seller shall pay 35% of the cost of the Accounting Engagement. Seller will provide, and will cause its Subsidiaries to provide, all reasonable cooperation to the Joint Accountants in connection with completing the Accounting Engagement, including providing reasonable access at all reasonable times to Seller's personnel, accountants and books, records, documents, working papers (subject to execution of a customary accountant's access letter) and other information related to the foregoing, except that Seller shall not be required to provide access to the asset accounting information, including asset revaluation in 1994 and 1998, for any facilities located at Seller's Ichon site.

4.5. Approvals; Financing.

(a) Seller shall use all commercially reasonable efforts to obtain, as soon as reasonably practicable after the date hereof, but in no event later than seven weeks from the date hereof, approval of the Transaction from the shareholders of Seller. Seller agrees to call a meeting of its shareholders for the purpose of obtaining shareholder approval of the Transaction to be held no later than seven weeks from the date hereof. Purchaser shall use all commercially reasonable efforts to obtain, as soon as reasonably practicable after the date hereof, the approval of the Korean Ministry of Commerce, Industry and Energy contemplated by Section 5.2(c) hereof.

(b) Purchaser shall use all commercially reasonable efforts to effect the Financing on or prior to the Closing Date. If the lenders with respect to the Financing so require, in order to provide the Financing on the terms and conditions set forth in the term sheet attached as Exhibit C, Seller shall enter into the definitive documentation with respect to the Term Debt portion of the Financing (the "Loan Documents") and Purchaser shall assume such Loan Documents at the Closing, on the following terms and conditions: (i) Seller and Purchaser shall enter into an assignment and assumption agreement reasonably satisfactory to both parties pursuant to which Seller shall assign and Purchaser shall assume such Loan Documents and all liabilities and obligations thereunder, effective as of the Closing Date, (ii) Seller shall enter into the Loan Documents on such terms and conditions as are requested by Purchaser, (iii) Seller shall not have incurred any liability or borrowed any funds under the Loan Documents (provided that it is understood that the initial indebtedness under the Term Debt portion of the Financing may be indebtedness that was first incurred by Seller under its existing credit agreements and assigned to Purchaser at Closing), (iv) such Loan Documents shall provide that Purchaser's liabilities and obligations under the Loan Documents (A) do not exceed what its liabilities and obligations would have been under the terms and conditions set forth in the term sheet attached as Exhibit C and such other terms and conditions as would have been reasonably acceptable to Purchaser had the Term Debt been incurred directly by Purchaser and (B) do not extend to any other liabilities or obligations of Seller or any of its Subsidiaries, (v) Seller shall execute, acknowledge and deliver to Purchaser such other instruments, documents, certifications, and further assurances, and take such other actions, as Purchaser may reasonably require in order to carry out the purpose of the preceding clause (iv)(B) (such arrangement, the "Assumed Financing Arrangement") and (vi) at Closing, (A) any costs or expenses up to KRW50 million, including actual attorney's fees, incurred by Seller in connection with the preparation, negotiation and execution of the Loan Documents and the Assumed Financing Arrangement and (B) any Taxes or fees, including actual legal agent fees, relating to the establishment of any Lien in connection therewith shall be paid by Purchaser or reimbursed to Seller by Purchaser, as the case may be, provided that if any Lien, the obligor of which is Seller, is or has been established in relation to the Term Debt, Seller shall cooperate to change the obligor thereof to Purchaser pursuant to the Assumed Financing Arrangement, and provided further that Seller shall be absolutely and irrevocably released from the obligations and responsibilities under such Term Debt so assumed by Purchaser as at the Closing. For the avoidance of doubt, if the parties proceed with the Assumed Financing Arrangement, the Cash Purchase Price shall be reduced at the Closing accordingly on a Won-for-Won basis by the amount of any indebtedness incurred by Purchaser under the Assumed Financing Arrangement as of the Closing.

4.6. Mutual Covenants. The parties mutually covenant from the date of this Agreement to the Closing Date (and subject to the other terms of this Agreement, including Section 4.7 hereof):

(a) to cooperate with each other in determining whether any filings are required to be made or any consents, approvals, permits or authorizations are required to be obtained in any jurisdiction in connection with the consummation of the Transaction and in making or causing to be made any such filings promptly and in seeking to obtain timely any such consents, approvals, permits or authorizations;

(b) to use all reasonable efforts to satisfy, or cause the satisfaction of, promptly (but not waiver of) the conditions to the Closing of the Transaction (each party hereto shall furnish to the other and to the other's counsel all such information as may be reasonably required in order to effectuate the foregoing action); and

(c) to advise the other party promptly if such party determines that any condition precedent to such party's obligations hereunder will not be satisfied in a timely manner.

4.7. Antitrust Filings. Seller and Purchaser, as appropriate, shall as reasonably promptly as practicable, make or cause to be made all filings and submissions under Laws applicable to it or its Affiliates, as the case may be, as may be required in connection with the Transaction, including all notifications and information to be filed or supplied pursuant to the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), the Monopoly Regulation and Fair Trade Act of Korea (and enforcement decrees and regulations issued thereunder) (the "MRFTA") and similar competition and antitrust Laws of other Authorities ("Antitrust Laws"). Any such filings and supplemental information will be in substantial compliance with the requirements of applicable Law. Subject to applicable Laws relating to the sharing of information, each of Seller and Purchaser shall furnish to the other such necessary information and reasonable assistance as the other may reasonably request in connection with its preparation of any filing or submission that is necessary under the HSR Act, the MRFTA or Antitrust Laws. Seller and Purchaser shall keep each other apprised of the status of any communications with, and inquiries or requests for additional information from, any Authority, including the United States Federal Trade Commission ("FTC"), the Antitrust Division of the United States Department of Justice (the "DOJ") and other similar Authorities, and shall comply with any such inquiry or request. Each of Seller and Purchaser will use its commercially reasonable efforts to obtain any clearance required under the HSR Act, MRFTA and Antitrust Laws for the Transaction. Seller and Purchaser shall bear all of their respective fees due to the FTC or DOJ under the HSR Act or to any Authority under the MRFTA or Antitrust Laws in connection with all filings and submissions and costs of preparing any information required in connection with any such filings and submissions.

4.8. Public Announcement. Prior to Closing, neither Seller nor Purchaser shall make or issue, or cause to be made or issued, any public announcement or public written statement concerning this Agreement or the Transaction (except disclosure to creditors or financing sources who agree to keep such information confidential) without the prior written consent of the other party (which will not be unreasonably withheld or delayed), except as required by applicable Law or listing standards provided that the disclosing party gives the non-disclosing party adequate opportunity, to the extent reasonably practicable, to review and comment on the form and substance of such disclosure.

4.9. Further Assurances. Seller will, and will cause its Subsidiaries to, from time to time after the Closing, at Purchaser's request, execute, acknowledge and deliver to Purchaser such other instruments of conveyance and transfer and take such other actions and execute such other documents, certifications, and further assurances as Purchaser may reasonably require in order to put Purchaser in possession or more fully in possession of any of the Acquired Assets in accordance with the terms of this Agreement. Subject to Section 1.4, each party shall cooperate and deliver such instruments and take or cause to be taken such action as may be reasonably requested by the other party in order to carry out the provisions and purposes of this Agreement and the Transaction, including any reasonable action reasonably requested by the other party to assign and transfer the Permits to Purchaser and record the transfer of the Intellectual Property in accordance with Section 1.1.

4.10. Cooperation. Purchaser and Seller shall cooperate and shall cause their respective Subsidiaries, officers, employees, agents and representatives to cooperate with respect to the orderly transition of the Business from Seller to Purchaser and to minimize the disruption to the Business resulting from the Transaction.

4.11. Employees.

(a) Within five Business Days of the date hereof, Seller shall deliver to Purchaser Schedule 2.16(c) revised to identify Employees by name. At the Closing, Seller shall deliver to Purchaser an updated Schedule 2.16(c) which shall disclose all of the information required by Section 2.16(c) as of the 24th day of the calendar month immediately preceding the month in which the Closing occurs and shall include all Employees designated to become employees of the Business. With respect to any Employee who is not actively employed due to short-term disability or approved leave of absence, the updated Schedule 2.16(c) shall indicate the reason for such absence and the date such individual is reasonably expected to return to active employment.

(b) Purchaser shall, promptly after Seller has obtained approval of the Transaction from its shareholders, extend to each and all Employees listed on Schedule 2.16(c) (including those Employees designated to become employees of the Business pursuant to Section 4.3) an offer of employment effective as of 12:01 A.M. on the day immediately following the Closing Date on terms and conditions that are no less favorable in the aggregate than those provided to such Employees as of the Closing Date to the extent such terms and conditions have been disclosed to Purchaser; provided however, that with respect to those Employees on short-term disability or an approved leave of absence, Purchaser shall offer employment to such Employees upon their return from short-term disability or approved leave of absence. All Employees to whom Purchaser offers employment and who accept and commence such employment are herein referred to as the "Transferred Employees." At the Closing, Purchaser shall assume the terms and conditions of any collective bargaining agreement set forth on Schedule 2.16(a) to the extent applicable to the Transferred Employees. Purchaser shall use its

commercially reasonable efforts to not terminate any Transferred Employee, except as permitted by Law or as agreed to by any such Transferred Employee, for a period of two years from the Closing Date. Purchaser shall have no obligation whatsoever with regard to (i) individuals who are Former Employees as of the day prior to the Closing or (ii) Employees who do not accept the offer of employment given by Purchaser in accordance with this Section 4.11(b).

(c) Seller shall before the Closing Date obtain a release and waiver from each Transferred Employee confirming whether he elects to have Seller pay the amount of his severance pay accrued as of the Closing Date, or to have such accrued severance pay carried over to his employment by Purchaser, and releasing Seller from any liability in respect thereof and in respect of any salary, wage, leave or other benefits owed to him (other than any severance payment in accordance with Section 4.11(d)) up to the Closing Date, releasing Purchaser from any liability in respect thereof with respect to Transferred Employees who have elected to have Seller pay the amount as of the Closing Date and waiving any claims against Seller and Purchaser in connection with the Transaction. Seller shall promptly pay and/or reimburse Purchaser upon request for all Pre-Closing Employee Liabilities.

(d) To the extent that any Transferred Employee elects to receive his/her severance payment accrued prior to the Closing Date (the "Accrued Severance Payment") from Seller, Seller shall prepare and deliver to Purchaser at least five Business Days prior to the Closing Date, a notice (the "Severance Payment Notice") stating (i) Seller's good faith estimate of the aggregate amount of the Accrued Severance Payments, (ii) whether Seller reasonably believes in good faith that the Aggregate Accrued Severance Payment will exceed KRW 15 billion (which shall be accompanied by reasonable documentation supporting such belief) and (iii) whether Seller elects to pay the amount, if any, by which the Aggregate Accrued Severance Payment exceeds KRW 15 billion (the "Excess Severance"). Seller shall timely pay the Accrued Severance Payment, as calculated in accordance with applicable Law, to each Transferred Employee who elects such option and who accepts Purchaser's offer of employment pursuant to Section 4.11(b) and executes a release and waiver in accordance with Section 4.11(c) (the sum of such Accrued Severance Payments being the "Aggregate Accrued Severance Payment"). Within two Business Days after such payments are made by Seller to such Transferred Employees, Seller shall deliver a statement to Purchaser of the aggregate amount of the Accrued Severance Payments actually paid by Seller to such Transferred Employees (the "Actual Severance Payment"), together with supporting documentation for such amount reasonably satisfactory to Purchaser. Purchaser shall reimburse Seller, after receipt of such statement and supporting documentation from Seller, in cash by wire transfer, as follows: (i) 100% of the first KRW 4 billion of the Actual Severance Payment and, if Purchaser so elects pursuant to Section 5.3(g), 100% of the amount of the Excess Severance to the extent paid by Seller, in each case within seven days after Seller's payment of the Actual Severance Payment to relevant Transferred Employees, but in no event prior to the Closing Date; (ii) 50% of the next KRW 11 billion of the Actual Severance Payment within seven days of Seller's payment of the Actual Severance Payment to relevant Transferred Employees, but in no event prior to the Closing Date, and the remaining 50% of such KRW 11 billion within six months after the Closing Date; and (iii) 100% of the amount of any Excess Severance, to the extent not paid pursuant to clause (i) of this sentence, in equal annual installments on each of the first six anniversaries of the Closing Date.

(e) With respect to loans provided by third party financial institutions to the Transferred Employees (the "Employee Bank Loans"), the payment obligations of which have been guaranteed by Seller in favor of such lending institutions, Purchaser shall provide a joint and several guarantee in favor of such institutions, in form and substance reasonably satisfactory to such financial institutions and to Seller and Purchaser, that is to take effect from the Closing Date, in respect of the obligations of any Transferred Employee to make any and all payments under the relevant Employee Bank Loan (the "Employee Bank Loan Guarantees"). As used herein, "Net Exposure" means the amount that each of the guarantors of the Employee Bank Loans is called upon to pay pursuant to the Employee Bank Loan Guarantees, net of any sums actually recovered from or against the Employees by the applicable guarantor in respect of such Employee Bank Loans. The parties agree to the following allocation of the aggregate Net Exposure, regardless of which party actually makes payment under any Employee Bank Loan Guarantee at any point in time: Purchaser shall be responsible for the first KRW 4.7 billion of any Net Exposure and Seller shall be responsible for any Net Exposure in excess thereof. To effect such allocation, Purchaser and Seller agree that if, as a result of payments required to be made by one party under its Employee Bank Loan Guarantees at any given time, such party is required to make payments inconsistent with the foregoing allocation, the other party shall promptly reimburse the party required to make such payment. Seller and Purchaser shall use their commercially reasonable efforts, subject to applicable Law, to recover sums from or against the Employees in respect of the Employee Bank Loans in accordance with Seller's past practices that Seller has applied with respect to the collection of Employee Bank Loans. Seller and Purchaser shall use their commercially reasonable efforts to refinance the Employee Bank Loans when they mature and to extend the Employee Bank Loan Guarantees. Seller shall not incur any new Employee Bank Loan Guarantees after the date hereof.

(f) At the Closing, Seller shall deliver to Purchaser an updated Schedule 1.1(b)(xv), which shall disclose all of the information required by Section 1.1(b)(xv) as of two days prior to the Closing Date.

4.12. Taxes. (a) No election with respect to Taxes relating to or in any way affecting the Acquired Assets or the Business after Closing may be made or changed by Seller after the date of this Agreement without the prior written consent of Purchaser.

(b) Each of Seller and Purchaser shall provide the other party with such information and records as may be reasonably requested by such other party requesting them in connection with the preparation of any Tax return, any audit or other examination by any Taxing authority or any judicial or administrative proceeding with respect to Taxes that relates to Taxes with respect to the Acquired Assets or the Business.

4.13. Capital Expenditure. Prior to Closing, Seller shall use commercially reasonable efforts to release all purchase orders for the capital expenditures set forth on Schedule 4.13 and to have the equipment related to such capital expenditures delivered, in each case substantially in

accordance with, and substantially on the timetable contemplated by, the management plan set forth on Schedule 4.13. Without limiting the foregoing, at Closing, the Cash Purchase Price shall be (a) increased by the amount, if any, by which Seller has paid (as evidenced by reasonable documentation provided to Purchaser) between December 1, 2003 and the Closing Date more than KRW 56.2 billion for capital expenditures for the Business and (b) decreased by the amount, if any, by which Seller has paid (as evidenced by reasonable documentation provided to Purchaser) between December 1, 2003 and the Closing Date less than KRW 56.2 billion for capital expenditures for the Business. For the avoidance of any doubt, upon Closing, any outstanding purchase orders for the capital expenditures set forth on Schedule 4.13 shall constitute Assumed Liabilities and the rights to receive the equipment ordered thereunder shall constitute Acquired Assets. The adjustment to the Cash Purchase Price at Closing pursuant to this Section 4.13 shall be based on reasonable documentation evidencing Seller's payments provided to Purchaser at least two days prior to the Closing Date. If, based on reasonable documentation provided by Seller to Purchaser between the second day prior to the Closing Date and the fifth Business Day after the Closing Date, the adjustment to the Cash Purchase Price at Closing pursuant to this Section 4.13 would have been different if such documentation had been taken into account in computing the adjustment made at Closing, then a payment shall be made within 10 Business Days after the Closing Date by Purchaser to Seller or by Seller to Purchaser (as applicable) so that the adjustment made at Closing, taken together with such payment, equals the adjustment that would have been made at Closing had such documentation been taken into account at Closing.

4.14. [intentionally left blank]

4.15. Confidentiality.

(a) At all times after the Closing Date, Seller shall, and shall cause each of its Subsidiaries and representatives to, keep confidential all data, trade secrets, proprietary secrets and any other confidential information regarding the Business and not disclose such confidential information to anyone other than Purchaser, except with the express written consent of Purchaser or as required by Law, order or legal process. Confidential information shall not be deemed to include information (i) that is or becomes generally available to the public other than by breach of these confidentiality obligations by Seller, (ii) is or becomes available to Seller or any of its Subsidiaries from any person who is not subject to any confidentiality obligation to Purchaser, (iii) is developed after the Closing by or on behalf of Seller or any of its Subsidiaries without reliance on confidential information regarding the Business acquired prior to the Closing or (iv) to the extent Seller uses such information in the ordinary course of its business under any right or license to so use such information from Purchaser. In the event Seller or any of its Subsidiaries or representatives is required by Law, order or legal process to disclose any such confidential information, such person will promptly notify Purchaser in writing so that Purchaser may, at its expense, seek a protective order and/or other motion to prevent or limit the production or disclosure of such confidential information; provided that in the absence of a protective order or the receipt of a waiver from Purchaser after a request in writing therefor is made by any such person, if any such person is legally required to disclose confidential information, such person will be entitled to disclose such information without liability under these confidentiality provisions.

(b) Purchaser shall, and shall cause each of its Affiliates and representatives to, keep confidential all data, trade secrets, proprietary secrets and any other confidential information of Seller disclosed heretofore or hereafter by Seller to Purchaser, other than any such information included in the Acquired Assets, and not disclose such confidential information to anyone other than Seller, except with the express written consent of Seller or as required by Law, order or legal process. Confidential information shall not be deemed to include information (i) that is or becomes generally available to the public other than by breach of these confidentiality obligations by Purchaser, (ii) is or becomes available to Purchaser or any of its Affiliates from any person who is not subject to any confidentiality obligation to Seller, (iii) is developed after the Closing by or on behalf of Purchaser or any of its Affiliates without reliance on confidential information of Seller acquired prior to the Closing or (iv) to the extent Purchaser uses such information in the ordinary course of its business under any right or license to so use such information from Seller. In the event Purchaser or any of its Affiliates or representatives is required by Law, order or legal process to disclose any such confidential information, such person will promptly notify Seller in writing so that Seller may, at its expense, seek a protective order and/or other motion to prevent or limit the production or disclosure of such confidential information; provided that in the absence of a protective order or the receipt of a waiver from Seller after a request in writing therefor is made by any such person, if any such person is legally required to disclose confidential information, such person will be entitled to disclose such information without liability under these confidentiality provisions.

(c) Notwithstanding the foregoing, each party to this Agreement (and any employee, representative or other agent of each party to this Agreement) may disclose to its respective officers, directors, advisors and representatives, without limitation of any kind, the Tax treatment and Tax structure of the Transaction and all materials of any kind (including opinions or other Tax analyses) that are provided to it relating to such Tax treatment and Tax structure; provided, however, that such disclosure may not be made to the extent required to be kept confidential to comply with any applicable domestic or foreign securities Laws; provided further that (to the extent not inconsistent with the foregoing) such disclosure shall be made without disclosing the names or other identifying information of any party.

4.16. No Solicitation. (a) During the period from the date hereof until the date of the Closing, or such earlier date as this Agreement may be terminated as provided herein (the "Exclusivity Period"), Seller shall not, and shall cause its Subsidiaries, officers, directors, advisors and representatives (collectively, the "Seller Representatives") not to, directly or indirectly, (i) solicit, initiate, facilitate or encourage the initiation of any inquiries or the submission of any proposals regarding any merger, business combination, reorganization, recapitalization, liquidation, sale of all or substantially all assets, sale of equity interests or any proposal or offer to acquire, directly or indirectly, any partnership interest, or any other equity, participation or voting interest, or other similar transactions involving the Business (any of the foregoing inquiries or proposals being referred to herein as an "Acquisition Proposal"), (ii)

engage in negotiations or discussions concerning, or provide or disclose any information or afford access to the books and records of Seller or any of its Subsidiaries to any Person considering making, or that has made, any Acquisition Proposal or (iii) agree to, approve or recommend any Acquisition Proposal. Without limiting the foregoing, it is understood that any violation of the restrictions set forth in the preceding sentence by any Seller Representative, whether or not such Person is purporting to act on behalf of Seller or its Subsidiaries or otherwise, shall be deemed to be a breach of this exclusivity covenant by Seller.

4.17. Appraisal Financing. If shareholders of Seller have exercised their appraisal rights with respect to the Transaction in an aggregate amount in excess of KRW 40 billion, Seller shall, within three Business Days following the expiration of the period in which such shareholders are entitled to exercise such rights and the period in which the amount of such appraisal rights is fixed under Korean law (the "Appraisal Rights Exercise Period"), notify Purchaser of such fact and state in such notice whether Seller elects to waive the condition to closing set forth in Section 5.3(b). In the event that Seller does not state in such notice its election to waive the condition to closing set forth in Section 5.3(b), then Purchaser shall be entitled to elect, in its sole discretion and subject to the remaining provisions of this Section 4.17, to fund the amount exceeding KRW 40 billion (the "Excess Appraisal Amount") and shall provide Seller with written notice of such election within three Business Days of Purchaser's receipt of Seller's notice pursuant to this Section 4.17. In the event that Purchaser so elects to fund the Excess Appraisal Amount, Purchaser shall pay such Excess Appraisal Amount to Seller at Closing, which shall in no event occur later than 25 days after expiration of the Appraisal Rights Exercise Period. If Purchaser elects to fund the Excess Appraisal Amount, Purchaser will have the right to determine the timing of the resale by Seller of any such acquired shares, and Seller shall sell such acquired shares on Purchaser's behalf, subject to relevant Law. Purchaser shall be entitled to the proceeds from any such resales (less any sales costs), and such proceeds shall represent payment in full by Seller and shall constitute Purchaser's sole recourse with respect to the financing of the Excess Appraisal Amount.

4.18. Services for Cheongju Facilities. If Seller sells the Owned Facilities located at Seller's Cheongju Site ("Cheongju Facilities"), Seller shall cause any and all services provided by third parties (including waste water purification services) for the operation of Seller's business at Cheongju Facilities to be provided to Purchaser for its operation of the Business at Buildings R, C1 and C2 located at Seller's Cheongju Site after such sale.

4.19. Registration of Intellectual Property; Transfer of Intellectual Property after the Closing; Extension/Sublicense.

(a) On or prior to the Closing, Seller shall cause, at its expense, all registered Intellectual Property included on Schedule 1.1(b)(iv) to be registered in the name of Seller.

(b) After the Closing, Purchaser shall, upon the request of Seller, take such steps as are reasonably necessary to promptly assign, transfer, deliver and convey ownership to Seller of any Intellectual Property that is not an Acquired Asset in accordance with the terms hereof but was included in Schedule 1.1(b)(iv) hereto. After the Closing, Seller shall, upon the

request of Purchaser, take such steps as are reasonably necessary to promptly assign, transfer, deliver and convey ownership to Purchaser of any Intellectual Property that is an Acquired Asset in accordance with the terms hereof that was not included in Schedule 1.1(b)(iv) hereto. With respect to the inadvertent failure to transfer any such Intellectual Property at Closing or the inadvertent transfer of any such Intellectual Property at Closing, neither Purchaser nor Seller shall be liable whatsoever to the other party (including any liability or obligation under Section 6.3) other than to effect the transfers contemplated by this Section 4.19(b).

(c) Upon the Closing, Seller shall effect an extension or sublicense to Purchaser, as applicable, of the Contracts listed on Schedule 4.19(c) in accordance with the terms of such Contracts and this Section 4.19(c), under which Purchaser shall be granted rights which are equal to the rights of Seller and its Subsidiaries thereunder as of the date hereof with respect to the Business. With respect to the Contracts with International Business Machines Corporation ("IBM") dated as of September 1, 1994 and January 1, 1996 included in such schedule, Seller shall grant an extension of its rights under those Contracts to Purchaser in return for which Purchaser shall pay to Seller, unless otherwise agreed to among IBM, Seller and Purchaser, a royalty of US$6.054 million in the aggregate, payable in four equal annual installments due on December 1 of each of 2004, 2005, 2006 and 2007. With respect to the Contract with Agere Systems Guardian Corporation ("Agere") and Lucent Technologies GRL Corporation dated as of January 1, 2001, Seller shall sublicense its rights under that Contract to Purchaser in return for which Purchaser shall pay to Agere, unless otherwise agreed to between Agere and Purchaser, a running royalty at a commuted rate of ninety-three thousands of a percent (0.093%) of the Net Sales (as defined in such Contract) of Purchaser until December 31, 2004 (minus any permitted exclusions), in accordance with the terms and conditions of that Contract and such sublicense. With respect to the Contract with Infineon Technologies A.G. dated as of December 18, 2000, Purchaser shall have no royalty obligation. Seller shall not willfully terminate, breach or default under any of the Contracts listed on Schedule 4.19(c) or willfully cause the termination, breach or default under any of them.

4.20. Use of Permits. To the extent permitted by Law, Seller shall allow Purchaser to use Seller's Permits, and Seller shall take such reasonable action as may be necessary or desirable or as may be reasonably requested by Purchaser in furtherance of the foregoing.

4.21. Youngdong Lease; Certain Transaction Documents; Apartment Complexes.

(a) Seller shall use its commercially reasonable efforts to cause Samsung Life Insurance Co., Ltd. (the "Youngdong Landlord") to enter into a lease agreement with Purchaser substantially on the terms and conditions set forth in the term sheet attached hereto as Exhibit D (the "Youngdong Lease Agreement"). If Purchaser enters into the Youngdong Lease Agreement under which Purchaser will incur costs in excess of the costs set forth on Exhibit D, Seller agrees to bear such excess costs for the term of the Youngdong Lease Agreement. Seller shall pay any additional key money deposit (the "Additional Key Money Deposit") to Purchaser at the commencement of the term of the Youngdong Lease Agreement and any such additional monthly rent and maintenance fees to Purchaser on a monthly basis, in each case upon

presentation of the relevant certificate or invoices relating to such Additional Key Money Deposit, rent or maintenance fees. Purchaser shall return the full amount of the Additional Key Money Deposit to Seller at the earlier of (i) 15 months after commencement of the term of the Youngdong Lease Agreement and (ii) expiration or termination of the Youngdong Lease Agreement.

(b) On or prior to the Closing, Seller shall cause ASTEC (Hyundai Advanced Service Technology) to enter into the Service Agreement on General Administration and Industry Security with Purchaser substantially on the terms and conditions set forth in the applicable term sheet contained in Term Sheets for Operating Agreements attached as Exhibit E and on such other terms and conditions as are reasonably acceptable to Purchaser. Seller shall cooperate with Purchaser in connection with Purchaser's negotiation of a welfare support services agreement with Humantopia, an education manpower support services agreement with Humanplus and a product reliability test service agreement with Semiconductor Reliability Center.

(c) At the Closing, Purchaser may occupy the units in Apartment Complex I and Apartment Complex II occupied by the employees of the Business as of the date hereof, at the cost currently paid by Seller to occupy such units and free from any disturbance of its quiet enjoyment by Seller. In the event that Purchaser is forced to vacate Apartment Complex I and Apartment Complex II, Seller shall cooperate with Purchaser to obtain replacement apartments for Apartment Complex I and Apartment Complex II. In addition, Purchaser shall have the option exercisable within one year of the date that Purchaser is required to vacate Apartment Complex I and Apartment Complex II by written notice to Seller to lease from Seller dormitory accommodations in Seller's Cheongju dormitories for a number of employees equivalent to the number of employees of the Business occupying Apartment Complex I and Apartment Complex II as of the date hereof, at a cost equal to Seller's actual cost and on such other terms and conditions as are mutually agreeable. Purchaser shall indemnify Seller for any and all liabilities, obligations, damages, costs or expenses arising out of, resulting from or relating to the use or occupancy of Apartment Complex I and/or Apartment Complex II by employees of Purchaser following the Closing.

4.22. Shared Payables. At the Closing, an account payable (the "Hynix Payable") from Purchaser to Seller shall be created in an amount equal to the sum of that portion of each of the Shared Payables that relates to the Business; provided that no more than one month's accrual shall be included in the Hynix Payable for payables that are payable according to a monthly schedule, including payments due to Vivendi. The Hynix Payable shall be paid by Purchaser to Seller on or prior to the day that is 30 days after the Closing Date and the Pre-Closing Balance Sheet and the Closing Balance Sheet shall reflect such as a current liability. Seller shall pay the Shared Payables in accordance with their terms.

4.23. IP Dispute Consultation. Seller agrees to consult with Purchaser in good faith in connection with any disputes against Purchaser that relate to products and processes used prior to Closing.

4.24. Equity Commitment Letter Amendment. Purchaser shall not agree to any amendment, modification or waiver of any of the terms of either Equity Commitment Letter without the prior written consent of Seller, which consent shall not be unreasonably withheld.

4.25. Outsourcing; Semiconductor Manufacturing Equipment.

(a) Purchaser agrees that Seller shall be its preferred provider of foundry services for Solution Products and Specialty Products for a period of five years from the Closing Date (or for such longer period as the parties mutually agree). If at any time between the Closing Date and the fifth anniversary of the Closing Date (or such later date as the parties mutual agree) Purchaser determines in its sole discretion to outsource foundry of Solution Products or Specialty Products to a non-Affiliated third party, Purchaser shall notify Seller of such determination prior to implementing such outsourcing and shall negotiate in good faith with Seller regarding Seller providing such services.

(b) Seller agrees that Purchaser shall be its preferred purchaser of used semiconductor manufacturing equipment for the manufacture of Memory Products for a period of five years from the Closing Date (or such longer period as the parties mutually agree). If at any time between the Closing Date and the fifth anniversary of the Closing Date (or such later date as the parties mutual agree), Seller determines in its sole discretion to sell, lease or otherwise dispose of any of its semiconductor manufacturing equipment for the manufacture of Memory Products to a non-Affiliated third party, Seller shall notify Purchaser of such determination prior to implementing such sale, lease or other disposition to a non-Affiliated third party and shall negotiate in good faith with Purchaser regarding Purchaser purchasing such equipment.

4.26. Certain System IC Equipment.

(a) Following the Closing, Purchaser shall assign and transfer to Seller, and Seller shall acquire and accept, the equipment set forth in Schedule 4.26 in accordance with the timetable set forth thereon. Seller shall remove such equipment and transport it to Seller's facility at Seller's sole risk and expense in accordance with the timetable set forth on Schedule 4.26. Seller shall take such equipment AS-IS WHERE-IS, WITHOUT ANY REPRESENTATIONS OR WARRANTIES EXPRESS OR IMPLIED. Title to such equipment shall pass to Seller, at no charge, at the time Seller removes such equipment, and at such time such equipment shall then be deemed to be Excluded Assets. Notwithstanding the foregoing, Seller shall be entitled to remove such equipment from the premises of the Business prior to the Closing in which case such equipment shall constitute Excluded Assets.

(b) If (i) Purchaser fails (other than as a result of Seller's failure to comply with its obligations under Section 4.26(a)) to assign and transfer any equipment set forth in Schedule 4.26 that Purchaser takes possession of at the Closing ("Missing Equipment") to Seller that is to be assigned and transferred by June 30, 2005 as set forth in Schedule 4.26 or (ii) Purchaser seeks to purchase in advance from Seller certain Missing Equipment that is to be assigned and transferred during the period from July 1, 2005 to December 31, 2005 as set forth

in Schedule 4.26, Purchaser shall pay to Seller, in cash by wire transfer, and by July 15, 2005, an amount equal to the aggregate amount of the value of such Missing Equipment (specified in sub-paragraphs (i) and (ii) above) as set forth in Schedule 4.26. If Purchaser fails (other than as a result of Seller's failure to comply with its obligations under Section 4.26(a)) to assign and transfer any Missing Equipment to Seller that is to be assigned and transferred during the period from July 1, 2005 to December 31, 2005 as set forth in Schedule 4.26, Purchaser shall pay to Seller, in cash by wire transfer and by January 15, 2006, an amount equal to the value of such Missing Equipment as set forth in Schedule 4.26. Purchaser shall take all such Missing Equipment AS-IS WHERE-IS, WITHOUT ANY REPRESENTATIONS OR WARRANTIES EXPRESS OR IMPLIED. Title to the Missing Equipment shall pass to Purchaser upon Seller's receipt of such payment for such equipment.

## ARTICLE V

## CONDITIONS PRECEDENT; TERMINATION; LIQUIDATED DAMAGES

5.1. Conditions Precedent to Obligations of Each Party. The obligations of each party to consummate the Transaction are subject to the satisfaction, on or prior to the Closing Date, of each of the following conditions (any one or more of which may be waived in writing in whole or in part by each party in its sole discretion with respect to its conditions precedent):

(a) Antitrust Clearances. The applicable waiting periods, including any extensions thereof, under the HSR Act, the MRFTA and Antitrust Laws applicable to the Transaction shall have expired or been terminated.

(b) Injunction; Litigation. (i) No statute, rule, regulation, executive order, decree, decision, ruling, order of any Authority or preliminary or permanent injunction shall have been enacted, entered, promulgated or enforced by any U.S. federal or state court or Korean or other governmental Authority with jurisdiction over the Transaction that prohibits, restrains, enjoins or restricts the consummation of the Transaction, which has not been withdrawn or terminated, (ii) nor shall there be pending or, to the Knowledge of Seller, threatened any litigation, suit, action or proceeding by any Authority to restrain or prohibit the Transaction.

(c) Approvals. The requisite approval of the Transaction by the shareholders of Seller shall have been obtained (and, in each case, such approval shall not have expired or been withdrawn as of the Closing Date).

5.2. Conditions Precedent to Obligations of Purchaser. The obligations of Purchaser to purchase the Acquired Assets are subject to the satisfaction, on or prior to the Closing Date, of each of the following conditions (any one or more of which may be waived in writing in whole or in part by Purchaser in its sole discretion):

(a) Performance of Agreements; Representations and Warranties. Seller shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by it at or prior to the Closing, and the

representations and warranties set forth in this Agreement made by Seller that are not qualified by materiality shall be true and correct in all material respects, and the representations and warranties set forth in this Agreement made by Seller that are qualified by materiality shall be true and correct, in each case on and as of the Closing Date (irrespective of any notice delivered to Purchaser after the date hereof) with the same force and effect as though such representations and warranties had been made on, as of and with reference to the Closing Date, except for those representations and warranties which address matters only as of a particular date (which shall have been true and correct or true and correct in all material respects, as the case may be as of such date). Purchaser shall have been furnished with a certificate of an executive officer of Seller, dated the Closing Date, certifying to the foregoing.

(b) Consents. Seller shall have received (and furnished to Purchaser evidence thereof reasonably satisfactory to Purchaser) (i) any and all approvals and consents from all third parties, necessary or required to complete the Transaction, on terms reasonably satisfactory to Purchaser, other than as set forth in clause (ii) and other than from Authorities which are dealt with in Sections 5.1(a), 5.2(c) and 5.2(l) and (ii) any and all consents under those Acquired Contracts and any Contract that would be an Acquired Contract but for Section 1.4, including those set forth on Schedule 5.2(b) but excluding any Contract on Schedule 1.1(c)(ii), the absence of which consent, with or without the giving of notice or the lapse of time or both, would give rise to a right of modification, termination or amendment or a loss of a benefit under such Contract that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect or a material adverse effect on the possession, use, occupancy or operation, of the Business, the Acquired Assets taken as a whole, or the Owned Facilities (and, in each case, such approvals and consents shall not have expired or been withdrawn as of the Closing Date).

(c) Korean Ministry of Commerce, Industry and Energy. The Korean Ministry of Commerce, Industry and Energy shall have approved Purchaser's application for full tax benefits under Article 121-2 of the Special Tax Treatment Control Law of the Republic of Korea in form and substance reasonably satisfactory to Purchaser.

(d) No Material Adverse Effect. No Material Adverse Effect shall have occurred since the date of this Agreement.

(e) Financing. (i) If Seller and Purchaser effect the Assumed Financing Arrangement, the Assumed Financing Arrangement shall have been consummated, (ii) Purchaser shall receive gross proceeds of at least KRW 379.25 billion of term debt consisting of at least KRW 154.85 billion in Tranche A and at least KRW 224.4 billion in Tranche B (collectively, the "Term Debt") (or shall have incurred such principal amount of debt pursuant to Section 4.5) and (iii) Purchaser shall receive at least KRW 60 billion of available revolving credit facilities (the "Revolving Debt" and, together with the Term Debt, the "Financing"), in the case of each of (i), (ii) and (iii), with or from (as applicable) either the existing creditor group of Seller (the "KEB Group"), a subset thereof or a new group of lenders, and substantially on the terms and conditions set forth in the term sheet attached as Exhibit C and on such other terms and conditions as are reasonably acceptable to Purchaser or, in the case of the Assumed Financing Arrangement, on the terms and conditions provided in Section 4.5(b).

(f) Opinion of Seller's Counsel. Purchaser shall have received a legal opinion addressed to Purchaser and dated the Closing Date from Bae, Kim & Lee, in customary form, and addressing such topics as are customary, for an asset sale and purchase transaction of a similar nature and type as the Transaction.

(g) Completion of Audit. The Audits shall have been completed and Purchaser shall have received an unqualified opinion of Samil PricewaterhouseCoopers with respect thereto. Purchaser shall have received a report from Samil PricewaterhouseCoopers which shall show that AUP EBITDA for the twelve-month period ended December 31, 2002 does not negatively materially deviate from EBITDA for the corresponding period as shown in the Financial Statements.

(h) Capital Expenditure. Seller shall have complied with the covenant contained in Section 4.13 in all material respects.

(i) Release. The creditors with respect to any Indebtedness of Seller or any of its Subsidiaries secured by a Lien on any of the Acquired Assets shall have terminated and/or released such Lien other than any Lien solely in respect of the Financing under the Loan Documents. Purchaser shall have received copies of such payoff letters and other evidences of termination and/or release as are reasonably satisfactory to Purchaser.

(j) Management; Employees. Purchaser shall have received an executed employment agreement in form and substance reasonably satisfactory to it from each of the individuals listed on Schedule 5.2(j) hereto. Substantially all of the Employees shall have accepted Purchaser's offer of employment pursuant to Section 4.11(b).

(k) Seller Transaction Documents. Seller shall have, or shall have caused one of its Subsidiaries, as applicable, to have, duly authorized, executed and delivered the following agreements (collectively, the "Seller Transaction Documents"), substantially in the form attached to this Agreement as an Exhibit in the case of the following:

(i) Warrant Agreement;

(ii) Wafer Foundry Service Agreement; and

(iii) Wafer Mask Production and Supply Agreement;

substantially on the terms and conditions set forth on the applicable term sheet attached to this Agreement as an Exhibit, or the applicable term sheet contained in the Term Sheets for Operating Agreements attached as Exhibit E, and on such other terms and conditions as are reasonably acceptable to the parties in the case of the following:

(iv) Intellectual Property License Agreement;

(v) Trademark License Agreement;

(vi) Securityholders Agreement;

(vii) Building Lease Agreement;

(viii) General Service Supply Agreement:

(ix) IT & FA Service Agreement;

(x) Land Lease and Easement Agreement;

(xi) R&D Equipment Utilization Agreement;

(xii) Joint Purchasing Agreement;

(xiii) Overseas Sales Service Agreement; and

(xiv) Service Agreement on General Administration and Industry Security;

and in form and substance reasonably satisfactory to Purchaser in the case of the following:

(xv) LSPA; and

(xvi) Partition Agreement.

(l) Certain Permits. All Permits as may be required by any Authority having jurisdiction over the parties in connection with the subject matter hereof or actions herein proposed to be taken the absence of which Permit, with or without the giving of notice or the lapse of time or both, could reasonably be expected to have a Material Adverse Effect or a material adverse effect on the possession, use, occupancy or operation, of the Business or the Acquired Assets by Purchaser, including those Permits set forth on Schedule 5.2(l), shall have been obtained in form reasonably satisfactory to Purchaser (and, in each case, such Permits shall not have expired or been withdrawn as of the Closing Date).

(m) Youngdong Lease Agreement. The Youngdong Landlord shall have duly executed and delivered the Youngdong Lease Agreement.

5.3. Conditions Precedent to Obligations of Seller. The obligations of Seller to sell the Acquired Assets are subject to the satisfaction on or prior to the Closing Date, of each of the following conditions (any one or more of which may be waived in writing in whole or in part by Seller in its sole discretion):

(a) Performance of Agreements, Representations and Warranties. Purchaser shall have performed or complied with all agreements and covenants required by this Agreement to be performed or complied with by it at or prior to the Closing in all material respects, and the representations and warranties set forth in this Agreement made by Purchaser that are not qualified by materiality shall be true and correct in all material respects, and the representations and warranties set forth in this Agreement made by Purchaser that are qualified by materiality shall be true and correct, in each case on and as of the Closing Date, with the same force and effect as though such representations and warranties had been made on, as of and with reference to the Closing Date, except for those representations and warranties which address matters only as of a particular date (which shall have been true and correct or true and correct in all material respects, as the case may be, as of such date) and, in each case, except for breaches that, individually or in the aggregate, would not reasonably be expected to have a Seller Material Adverse Change. Seller shall have been furnished with a certificate of an executive officer of Purchaser, dated the Closing Date, certifying to the foregoing.

(b) Appraisal Rights. If any shareholders of Seller shall have exercised their appraisal rights with respect to the Transaction, the aggregate amount to be paid to those shareholders exercising appraisal rights shall not have exceeded KRW 40 billion; provided, however, that this condition shall be deemed to have been waived by Seller if Purchaser elects to fund and actually funds the Excess Appraisal Amount in accordance with Section 4.17. If the Closing does not occur because the aggregate amount to be paid to the shareholders exercising appraisal rights would exceed KRW 40 billion, then Seller promptly shall reimburse Purchaser, Citigroup Venture Capital Equity Partners, L.P. and CVC Asia Pacific Ltd. for all of their out-of-pocket expenses incurred since November 3, 2003 in connection with the Transaction, up to a maximum amount of US$2.5 million.

(c) Purchaser Transaction Documents. Purchaser shall have duly authorized, executed and delivered each of the following operating and separation agreements (collectively, the "Purchaser Transaction Documents"), substantially in the form attached to this Agreement as an Exhibit in the case of the following:

(i) Wafer Foundry Service Agreement; and

(ii) Wafer Mask Production and Supply Agreement;

substantially on the terms and conditions set forth on the applicable term sheet attached to this Agreement as an Exhibit, or the applicable term sheet contained in the Term Sheets for Operating Agreements attached as Exhibit E, and on such other terms and conditions as are reasonably acceptable to the parties in the case of the following:

(iii) Intellectual Property License Agreement;

(iv) Trademark License Agreement;

(v) Building Lease Agreement;

(vi) General Service Supply Agreement:

(vii) IT & FA Service Agreement;

(viii) Land Lease and Easement Agreement;

(ix) R&D Equipment Utilization Agreement;

(x) Joint Purchasing Agreement;

(xi) Overseas Sales Service Agreement; and

(xii) Service Agreement on General Administration and Industry Security;

and in form and substance reasonably satisfactory to Seller in the case of the following:

(xiii) LSPA; and

(xiv) Partition Agreement.

(d) Opinion of Purchaser's Counsel. Seller shall have received a legal opinion addressed to Seller and dated the Closing Date from Kim & Chang, in customary form, and addressing such topics as are customary, for an asset sale and purchase transaction of a similar nature and type as the Transaction.

(e) Warrant Agreement; Securityholders Agreement. The issuer under the Warrant Agreement (the "Warrant Issuer") shall have duly executed and delivered the Warrant Agreement substantially in the form attached as Exhibit B and the Securityholders Agreement substantially on the terms and conditions set forth on the term sheet attached hereto as Exhibit I and on such other terms and conditions as are reasonably acceptable to the parties.

(f) Consents. Seller shall have received (i) any and all approvals and consents from all third parties, necessary or required to complete the Transaction, other than as set forth in clause (ii) and other than from Authorities which are dealt with in Section 5.1(a) and (ii) any and all consents under those Acquired Contracts or any Contract that would be an Acquired Contract but for Section 1.4, including those set forth on Schedule 5.2(b) but excluding any Contract on Schedule 1.1(c)(ii), the absence of which consent, with or without the giving of notice or the lapse of time or both, could reasonably be expected to have a material adverse effect on Seller (and, in each case, such approvals and consents shall not have expired or been withdrawn as of the Closing Date).

(g) Aggregate Accrued Severance Payments. Seller's reasonable good faith estimate of the Aggregate Accrued Severance Payment as notified to Purchaser pursuant to Section 4.11(d) shall not exceed KRW 15 billion; provided, however, that Purchaser may elect, in its sole discretion, to agree to fund the amount of the Excess Severance within seven days after

Seller's payment of the Actual Severance Payment, in which case this condition shall be deemed to have been waived by Seller, provided that Purchaser shall notify Seller of its intention to fund such amount in writing within three Business Days after Purchaser's receipt of Seller's notice electing not to pay the Excess Severance.

5.4. Termination. (a) Anything contained herein to the contrary notwithstanding, this Agreement may be terminated and the Transaction abandoned at any time prior to Closing:

(i) by mutual written consent of Seller and Purchaser;

(ii) by Seller at any time if there has been a breach of any representation, warranty, covenant or agreement in this Agreement made by Purchaser such that Section 5.3(a) would not be satisfied, and such breach continues uncured for thirty (30) days after written notice thereof by Seller;

(iii) by Purchaser at any time if there has been a breach of any representation, warranty, covenant or agreement in this Agreement made by Seller such that Section 5.2(a) would not be satisfied, and such breach continues uncured for thirty (30) days after written notice thereof by Purchaser;

(iv) by any party hereto, if there shall exist any statute, rule, regulation or order of any court or Authority which permanently (without right of appeal or reconsideration) restrains or prohibits the Transaction; or

(v) by any party hereto, if the Closing does not occur on or prior to September 30, 2004 (provided that the terminating party shall not be in material breach of this Agreement).

(b) If this Agreement is terminated and the Transaction is abandoned as described in this Section 5.4, this Agreement shall become void and of no further force and effect, except for the provisions of Section 4.8 relating to publicity, Section 4.15 relating to confidentiality, the last sentence of Section 6.1 relating to certain expenses, the last sentences of each of Section 2.25 and Section 3.5 relating to brokerage, Section 7.6 relating to governing law and Section 7.7 relating to jurisdiction. In the event of termination of this Agreement under this Section 5.4, there shall be no liability or obligation thereafter on the part of Seller or Purchaser except for fraud or willful breach of this Agreement.

5.5. Liquidated Damages. In the event that (i) the conditions set forth in Sections 5.1, 5.2 and 5.3 are satisfied or waived and the Closing does not occur on or before September 30, 2004 because Seller fails to perform its obligations under Section 1.7 or (ii) the conditions set forth in Sections 5.1, 5.2 and 5.3 are satisfied or waived other than the condition set forth in Section 5.2(a) and the Closing does not occur on or before September 30, 2004 because of the failure of the condition set forth in Section 5.2(a) to be satisfied or waived, Seller agrees to pay Five Million United States Dollars (US$5,000,000) to Purchaser as liquidated damages. In the event that (i) the conditions set forth in Sections 5.1, 5.2 and 5.3 are satisfied or waived and the

Closing does not occur on or before September 30, 2004 because Purchaser fails to perform its obligations under Section 1.7 or (ii) the conditions set forth in Sections 5.1, 5.2 and 5.3 are satisfied or waived other than the condition set forth in Section 5.3(a) and the Closing does not occur on or before September 30, 2004 because of the failure of the condition set forth in Section 5.3(a) to be satisfied or waived, Purchaser agrees to pay Five Million United States Dollars (US$5,000,000) to Seller as liquidated damages. Each party acknowledges and agrees that the foregoing liquidated damages shall be such party's sole recourse in the circumstances described in this Section 5.5, that such liquidated damages constitute an adequate remedy under such circumstances and that such party shall not be entitled to any other damages or equitable relief (including specific performance) and hereby waives any such rights it may otherwise have in respect thereof.

## ARTICLE VI

## CERTAIN ADDITIONAL COVENANTS

6.1. Certain Taxes and Expenses. Except as set forth in Section 6.5, all foreign and domestic sales, use, value added ("VAT"), transfer, real property transfer, documentary, stamp, recording, acquisition and other similar taxes, including any interest, penalties and additions thereon (collectively, the "Transfer Taxes"), arising from and with respect to the sale and purchase of the Acquired Assets shall be borne or reimbursed, as the case may be, by Purchaser. Seller shall make due and timely payment of the Transfer Tax to the applicable Tax Authority on behalf of Purchaser (as applicable). Seller shall on the Closing Date issue an invoice (the "Closing Transfer Tax Invoice") to Purchaser stating the amount of VAT payable by Purchaser ("VAT Payable") and Purchaser shall pay such invoiced amount to Seller, to the extent Purchaser receives a refund of such amount from the applicable Tax Authorities, in immediately available funds within two days of the date on which Purchaser receives such refund of VAT. In the event that the Purchase Price is adjusted upward or downward after the Closing Date such that there is an increase ("VAT Increase") or decrease ("VAT Decrease") in the amount of VAT Payable under applicable Law from the amount stated in the Closing Transfer Tax Invoice (the amount of any such VAT Increase or VAT Decrease being referred to herein as a "Post-Closing VAT Adjustment"), Seller shall promptly (a) use its commercially reasonable efforts to obtain a refund from the applicable Tax Authorities in the amount of any VAT Decrease and (b) make due and timely payment to the applicable Tax Authorities of any VAT Increase. Promptly after any VAT Decrease, Seller shall issue an invoice (a "Post-Closing Transfer Tax Invoice") to Purchaser stating the amount of the VAT Decrease and Seller shall pay the amount of such VAT Decrease to Purchaser, in immediately available funds within two days of the date on which Seller receives the refund of VAT for such VAT Decrease from the applicable Tax Authorities. Promptly after any VAT Increase, Seller shall issue a Post-Closing Transfer Tax Invoice to Purchaser stating the amount of the VAT Increase and Purchaser shall pay the amount of such Post-Closing Transfer Tax Invoice to Seller, to the extent Purchaser receives a refund of such VAT Increase amount from the applicable Tax Authorities, in immediately available funds within two days of the date on which Purchaser receives the refund of VAT for such invoiced amount from the applicable Tax Authorities. For the purpose of obtaining any refund of VAT,

Purchaser or Seller (as applicable) shall file the necessary returns with the relevant Tax Authorities in a manner consistent with applicable rules and regulations as soon as practicable following receipt of the Closing or Post-Closing Transfer Tax Invoice from Seller or the occurrence of a Post-Closing VAT Adjustment. To the extent permitted by applicable Law, Seller and Purchaser shall cooperate and use their respective reasonable best efforts to minimize all Transfer Taxes. Whether or not the Transaction is consummated, except as otherwise provided in this Agreement, Seller and Purchaser each shall bear their respective accounting, legal and other expenses incurred in connection with the Transaction, including with respect to Section 1.6.

6.2. Maintenance of Books and Records. Seller and Purchaser shall cooperate fully with each other after the Closing so that (subject to any limitations that are reasonably required to preserve any applicable attorney-client privilege) each party has access to the business records, contracts and other information existing at the Closing Date and relating to the Acquired Assets or the conduct of the Business (whether in the possession of Seller or Purchaser) in connection with any Tax determination, defense of any claim relating to the conduct of the Business prior to the Closing or any governmental investigation of the Business. No files, books or records existing at the Closing Date and primarily relating in any manner to the Acquired Assets or the conduct of the Business shall be destroyed by any party for a period of six years after the Closing Date without giving the other party at least 30 days prior written notice, during which time such other party shall have the right (subject to the provisions hereof) to examine and to remove, to the extent not prohibited by operation of Applicable Laws to make and retain a copy of, any such files, books and records prior to their destruction. The access to files, books and records contemplated by this Section 6.2 shall be during normal business hours and upon not less than five Business Days' prior written request, shall be subject to such reasonable limitations as the party having custody or control thereof may impose to preserve the confidentiality of information contained therein, and shall not extend to material subject to a claim of privilege unless expressly waived by the party entitled to claim the same.

6.3. Indemnification. Seller and Purchaser agree as follows:

(a) General Indemnification Obligations.

(i) Except as set forth in Section 4.19(b), Seller shall indemnify Purchaser and its directors, officers, and other Affiliates (the "Purchaser Indemnified Parties"), and hold the Purchaser Indemnified Parties harmless from and against, any and all Damages arising out of, resulting from or relating to (A) any misrepresentation or breach of any representation or warranty made by Seller in this Agreement or in any schedule, statement, document or certificate furnished or required to be furnished to Purchaser by or on behalf of Seller or its Subsidiaries pursuant thereto; (B) breach of any covenant or agreement made by Seller in this Agreement or in any schedule, statement, document or certificate furnished or required to be furnished to Purchaser by or on behalf of Seller or its Subsidiaries pursuant thereto; (C) the Excluded Liabilities; or (D) any claim or cause of action from any shareholder or creditor of Seller brought in their capacity as such against any Purchaser Indemnified Party in connection with the Transaction.

(ii) Except as set forth in Section 4.19(b), Purchaser shall indemnify Seller and its directors, officers and other Affiliates (the "Seller Indemnified Parties") and hold the Seller Indemnified Parties harmless from and against, any and all Damages arising out of, resulting from or relating to (A) any misrepresentation or breach of any representation or warranty made by Purchaser in this Agreement or in any schedule, statement, document or certificate furnished or required to be furnished to Seller by or on behalf of Purchaser or its Subsidiaries pursuant thereto (other than the Warrant Agreement); (B) breach of any covenant or agreement made by Purchaser in this Agreement or in any schedule, statement, document or certificate furnished or required to be furnished to Seller by or on behalf of Purchaser or its Subsidiaries pursuant thereto (other than the Warrant Agreement); or (C) the Assumed Liabilities.

(iii) For purposes of this Agreement, "Damages" shall mean any and all losses, liabilities, obligations, damages (including any governmental penalty or costs of investigation, clean-up and remediation), deficiencies, royalties, interest, costs and expenses and any claims, actions, demands, causes of action, judgments, costs and expenses (including reasonable attorneys' fees and all other expenses reasonably incurred in investigating, preparing or defending any litigation or proceeding, commenced or threatened incident to the successful enforcement of this Agreement).

(b) General Indemnification Procedures.

(i) A party seeking indemnification pursuant to this Section 6.3 (an "Indemnified Party") shall give prompt notice to the party from whom such indemnification is sought (the "Indemnifying Party") of the assertion of any claim, the incurrence of any Damages, or the commencement of any action, suit or proceeding, of which it has knowledge and in respect of which indemnity may be sought hereunder, and will give the Indemnifying Party such information with respect thereto as the Indemnifying Party may reasonably request, but failure to give such required notice shall relieve the Indemnifying Party of any liability hereunder only to the extent that the Indemnifying Party has suffered actual prejudice thereby. The Indemnifying Party shall have the right, exercisable by written notice to the Indemnified Party within twenty (20) days of receipt of notice from the Indemnified Party of the commencement of or assertion of any claim or action, suit or proceeding by a third party in respect of which indemnity may be sought hereunder (a "Third Party Claim"), to assume the defense of such Third Party Claim, provided that (A) the defense of such Third Party Claim by the Indemnifying Party will not, in the reasonable judgment of the Indemnified Party, have any continuing material adverse effect on the Indemnified Party's business and (B) the Indemnifying Party shall keep the Indemnified Party reasonably informed of the progress of such Third Party Claim (the conditions set forth in clauses (A) and (B) are collectively referred to as the "Litigation Conditions"); and provided further that in the event that the Indemnifying Party assumes the defense of such Third Party Claim, the Indemnifying Party agrees that, regardless whether it is otherwise required to indemnify the Indemnified Party hereunder with respect to such Third Party Claim, it will be

responsible for the costs and fees of its attorneys and related litigation expenses incurred by it in the prosecution of the defense of such Third Party Claim (but not any other Damages arising out of, resulting from or relating to such Third Party Claim, the responsibility for which shall be governed exclusively by Section 6.3(a)). The Indemnifying Party assuming the defense of such Third Party Claim will use its commercially reasonable efforts, determined in accordance with its reasonable discretion, to vigorously defend such Third Party Claim.

(ii) Within 10 Business Days after the Indemnifying Party has given notice to the Indemnified Party of its intended exercise of its right to defend a Third Party Claim, the Indemnified Party shall give notice to the Indemnifying Party of any objection thereto based upon the Litigation Conditions. If the Indemnified Party so objects, the Indemnified Party shall continue to defend the Third Party Claim until such time as such objection is withdrawn. If no such notice is given, or if any such objection is withdrawn, the Indemnifying Party shall be entitled to assume and conduct such defense, with counsel selected by the Indemnifying Party and reasonably acceptable to the Indemnified Party, until such time as the Indemnified Party shall give notice that any of the Litigation Conditions, in its reasonable judgment, are no longer satisfied.

(iii) The Indemnifying Party or the Indemnified Party, as the case may be, shall have the right to participate in (but not control), at its own expense, the defense of any Third Party Claim which the other party is defending as provided in this Agreement. Notwithstanding the foregoing, an Indemnified Party shall have the right to employ separate counsel at the Indemnifying Party's expense if the named parties to any such proceeding (including any impleaded parties) include both such Indemnified Party and the Indemnifying Party, and such Indemnified Party shall have been advised by counsel that a conflict of interest is reasonably likely to exist if the same counsel were to represent such Indemnified Party and the Indemnifying Party (in which case, if such Indemnified Party notifies the Indemnifying Party in writing that it elects to employ separate counsel at the expense of the Indemnifying Party, the Indemnifying Party shall not have the right to assume the defense thereof and the reasonable expenses of such counsel shall be at the expense of the Indemnifying Party).

(iv) The Indemnifying Party, if it shall have assumed the defense of any Third Party Claim as provided in this Agreement, shall not consent to a settlement of, or the entry of any judgment arising from, any such Third Party Claim without the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld or delayed) and the Indemnifying Party shall not, without the prior written consent of the Indemnified Party, enter into any compromise or settlement which commits the Indemnified Party to take, or to forbear to take, any action; provided, however, that the Indemnifying Party shall have the right to settle a Third Party Claim to the extent that the settlement solely involves the payment of monetary damages, provides for the unconditional release of the Indemnified Party and poses no reasonable danger of establishing a precedent that may be adverse to the Indemnified Party's interests. The Indemnified Party shall have the sole and exclusive right to settle any Third Party Claim, on such terms and conditions as it deems reasonably appropriate, to the extent such Third Party Claim involves equitable or other non-monetary relief, and shall have the right to settle any Third Party Claim involving monetary damages with the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed.

(v) Whether or not the Indemnifying Party chooses to defend or prosecute any claim involving a third Person, the other party hereto shall cooperate in the defense or prosecution thereof and shall furnish such records, information and testimony, and attend such conferences, discovery proceedings, hearings, trials and appeals, as may be reasonably requested in connection therewith.

(vi) Amounts paid in respect of indemnification obligations of the parties shall be treated as an adjustment to the Purchase Price.

(vii) No action or claim for Damages arising out of or resulting from a breach of representations and warranties, a breach of the covenants and agreements contained in Section 4.1 or the indemnification provided for in Section 6.3(a)(i)(D) shall be brought or made after the expiration of the period set forth in Section 7.1; provided, however, that the foregoing time limitations shall not apply to any such claims which have been the subject of a written notice from Purchaser to Seller or from Seller to Purchaser, as the case may be, prior to the end of such period, which notice specifies in reasonable detail the nature and basis for such claim. No Indemnified Party shall be entitled to indemnification for Damages incurred as a result of any breach of representations or warranties in this Agreement (provided that the limitation contained in clause (B) shall not apply to breaches of Section 2.1 or 2.2) unless (A) the amount of Damages incurred by the Purchaser Indemnified Parties or Seller Indemnified Parties, as the case may be, for any individual claim or group of related claims, thereunder, exceeds KRW 250,000,000 (a "Permitted Claim") and (B) the aggregate amount of Damages incurred by the Purchaser Indemnified Parties or Seller Indemnified Parties, as the case may be, with respect to Permitted Claims exceeds in the aggregate KRW 8 billion (the "Deductible Amount"), in which case the applicable Indemnifying Party shall then be liable for the amount that exceeds the Deductible Amount; provided, however, that (Y) at such time as the Damages of Purchaser Indemnified Parties with respect to breaches of representations and warranties (other than the representations and warranties set forth in Sections 2.1, 2.2, 2.10(c) and 2.28) and with respect to the indemnification set forth in Section 6.3(a)(i)(D) first exceeds KRW 80 billion, Seller shall have no further indemnification obligations with respect to breaches of representations and warranties (other than the representations and warranties set forth in Sections 2.1, 2.2, 2.10(c) and 2.28) and with respect to the indemnification set forth in Section 6.3(a)(i)(D) and (Z) at such time as the Damages of Seller Indemnified Parties with respect to breaches of representations and warranties (other than the representations and warranties set forth in Sections 3.1 and 3.2) first exceeds KRW 80 billion, Purchaser shall have no further indemnification obligations with respect thereto. For purposes of calculating the amount of Damages incurred by the Indemnified Party arising out of or resulting from any breach of a representation or warranty by Seller or Purchaser, the references to a "Material Adverse Effect" or materiality (or other correlative terms, including as expressed in accounting concepts such as "US GAAP") shall be disregarded. The parties acknowledge that any limitation or condition of liability contained in this Section 6.3(b)(vii) is not applicable to breaches of covenants or agreements in this Agreement and the Excluded Liabilities, except to the extent specifically provided herein.

(viii) No right to indemnification under this Section 6.3 shall be limited by reason of any investigation or audit conducted before or after the Closing of any party hereto or the knowledge of such party of any breach of any representation, warranty, agreement or covenant by the other party at any time, or the decision by such party to complete the Closing. Notwithstanding anything to the contrary herein, Purchaser shall have the right, irrespective of any knowledge of or investigation by Purchaser, to rely fully on the representations, warranties and covenants of Seller contained herein.

(ix) The amount of any Damages for which indemnification is provided under this Section 6.3 shall be net of (A) any amounts recovered by the Indemnified Party pursuant to any indemnification by or indemnification agreement with any third party, (B) an amount equal to the Tax benefit (net of any Tax detriment), if any, attributable to such Damages if and when actually realized and (C) any insurance proceeds or other cash receipts or sources of reimbursement received as an offset against such Damages, net of any increase in premiums or retroactive premium adjustment attributable to such recovery of insurance proceeds.

(x) In the event the existence of a circumstance shall give rise to a breach of more than one representation, warranty, covenant or agreement, any liability of an Indemnifying Party for indemnification under this Section 6.3 shall be determined without duplication of recovery.

(xi) The indemnity provided in this Section 6.3 shall be the sole and exclusive remedy of the parties with respect to any and all claims for monetary Damages sustained or incurred arising out of this Agreement and the Transaction with respect to the other party hereto, except for claims for fraud or willful breach of the Agreement; provided that the foregoing shall not limit the right of either party to obtain specific performance or injunctive relief.

6.4. Non-Compete; Non-Solicitation; Non-Interference. (a) Seller understands that Purchaser shall be entitled to protect and preserve the going concern value of the Business to the extent permitted by Law and that Purchaser would not have entered into this Agreement absent the provisions of this Section 6.4 and, therefore, for a period of three years from the Closing, Seller shall not, and shall cause each of its Subsidiaries not to, engage, directly or indirectly, in any area of the world, in the (i) except as permitted by the second succeeding sentence, design, manufacture, distribution, sale or marketing of any Solution Products or their derivatives or (ii) management, ownership, operation or control of any business, venture or activity which engages in the foregoing. Seller will not attempt to circumvent any of the foregoing by means of licensing or sublicensing technology but will not be prevented from entering into cross license agreements or other arrangements with producers of products similar to those produced by Seller or its Subsidiaries for the purpose of protecting Seller's or its Subsidiaries' own ability to manufacture products. In addition, for a period of two years after the Closing, neither Seller nor any of its Subsidiaries will engage, directly or indirectly, in any area of the world, in (i) foundry

or semiconductor manufacturing services for Solution Products, Specialty Products or their derivatives or (ii) the management, ownership, operation or control of any business, venture or activity which engages in the foregoing. Seller will not attempt to circumvent any of the foregoing by means of licensing or sublicensing technology but will not be prevented from entering into cross license agreements or other arrangements with producers of products similar to those produced by Seller or its Subsidiaries for the purpose of protecting Seller's and its Subsidiaries' own ability to manufacture products. Notwithstanding the foregoing, beneficial or record ownership of up to five percent of the outstanding stock of any publicly traded company shall not be deemed a breach of the foregoing restrictions.

(b) Purchaser understands that Seller shall be entitled to protect and preserve the going concern value of its Memory Products business to the extent permitted by Law and that Seller would not have entered into this Agreement absent the provisions of this Section 6.4 and, therefore, for a period of three years from the Closing, Purchaser shall not, and shall cause each of its Subsidiaries not to, engage, directly or indirectly, in any area of the world, in the (i) except as permitted by the second succeeding sentence, design, manufacture, distribution, sale or marketing of any Memory Product other than ICs for memory modules including buffer ICs, or (ii) management, ownership, operation or control of any business, venture or activity which engages in the foregoing. Purchaser will not attempt to circumvent any of the foregoing by means of licensing or sublicensing technology but will not be prevented from entering into cross license agreements or other arrangements with existing producers of products similar to those produced by Purchaser or its Subsidiaries for the purpose of protecting Purchaser's or its Subsidiaries' own ability to manufacture products. In addition, for a period of two years after the Closing, neither Purchaser nor any of its Subsidiaries will engage, directly or indirectly, in any area of the world, in (i) foundry or semiconductor manufacturing services for Memory Products except Solution Products, Specialty Products, high speed static random access memory ("RAM") for cache, contents addressable memory ("CAM") or ICs for memory modules including buffer ICs, or (ii) the management, ownership, operation or control of any business, venture or activity which engages in the foregoing; provided, however, that in no event shall any foundry services provided by Purchaser to Seller be regarded as a breach of the non-competition provision hereunder. Purchaser will not attempt to circumvent any of the foregoing by means of licensing or sublicensing technology but will not be prevented from entering into cross license agreements or other arrangements with existing producers of products similar to those produced by Purchaser or its Subsidiaries for the purpose of protecting Purchaser's or its Subsidiaries' own ability to manufacture products. Nothing in this Section 6.4(b) shall prevent Purchaser from producing standalone Memory Products for the purpose of maturing new developed technology to ramp up the yield and stabilize the production of such new developed technology necessary for the Business as part of technology development. "Memory Products" shall mean memory semiconductors capable of storing data consisting of dynamic RAM ("DRAM"), ferroelectric RAM, static RAM (including pseudo static RAM, slow static RAM and fast static RAM) except for high speed static RAM for cache or CAM, flash memory, memory-linked DRAM, phase change DRAM, magnetoresistive RAM, ICs for memory modules including buffer ICs and any derivatives of any of the foregoing. Notwithstanding the foregoing, beneficial or record ownership of up to five percent of the outstanding stock of any publicly traded company shall not be deemed a breach of the foregoing restrictions.

(c) During the three-year period from and after the date of Closing, Seller and Purchaser shall not, and shall cause Seller's Subsidiaries, Purchaser's Subsidiaries or Warrant Issuer and Warrant Issuer's Subsidiaries, as the case may be, not to, (i) induce or attempt to induce any employee of the other party to leave the employ of the other party, provided that this restriction shall not apply to general advertisements for employment, discussions resulting from the services of an employment agency in connection with a nondirected solicitation or discussions initiated by any employee of the other party who was not solicited in violation of the terms of this restriction (the "Non-Solicit Exceptions"), (ii) hire any person who was an employee of the other party or any of its Affiliates at Closing or who was an employee of the other party or any of its Affiliates at any point in the 12 months preceding the Closing within one year of the last day such person was an employee of Seller or Purchaser, as the case may be, or their respective Affiliates, except in the event that such employment is the result of actions contemplated by the Non-Solicit Exceptions, or (iii) induce or attempt to induce any customer, supplier, licensee or other business relation of the other party to cease doing business with the other party or in any way interfere with the relationship between any such customer, supplier, licensee or business relation (including making defamatory statements or communications about the other party); provided that the foregoing restrictions shall not apply to Purchaser or its Affiliates with respect to the employment offer extended by Purchaser to the Employees set forth on Schedule 2.16(c) pursuant to Section 4.11(b) of this Agreement.

(d) The parties agree that to the extent any provision or portion of this Section 6.4 shall be held, found or deemed to be unlawful or unenforceable by a court of competent jurisdiction, then any such provision or portion thereof shall be deemed to be modified to the extent necessary in order that any such provision or portion thereof shall be legally enforceable to the fullest extent permitted by applicable Law; and the parties do further agree that any court of competent jurisdiction shall, and the parties hereto do hereby expressly authorize, require and empower any court of competent jurisdiction to, enforce any such provision or portion thereof in order that any such provision or portion thereof shall be enforced to the fullest extent permitted by applicable Law.

(e) As the violation by either party, Seller's Subsidiaries, Purchaser's Subsidiaries, Warrant Issuer or Warrant Issuer's Subsidiaries, as the case may be, of the provisions of this Section 6.4 would cause irreparable injury to the other party, and there is no adequate remedy at law for such violation, the injured party shall, notwithstanding anything to the contrary herein, have the right in addition to any and all other remedies available, at law or in equity, to seek to enjoin the other party or such other party's Subsidiaries or Warrant Issuer or Warrant Issuer's Subsidiaries, as the case may be, in a court of equity from violating such provisions. Each party, on behalf of itself and its Subsidiaries or Warrant Issuer and Warrant Issuer's Subsidiaries, as the case may be, hereby waive any and all defenses it may have on the ground of damages as an adequate remedy at law. The existence of this right shall not preclude any other rights and remedies at law or in equity which the parties may have. The prevailing

party in any enforcement action or court proceeding under this Section 6.4 shall be entitled to the extent permitted by Law to reimbursement from the other party for all of the prevailing party's reasonable costs, expenses and attorneys' fees.

6.5. Registration of Purchaser's Lease Rights.

(a) Seller shall provide that (i) Purchaser's lease rights (the "Lease Rights") with respect to the site occupied by the C1, C2 and R buildings and the surrounding land that is necessary for Purchaser's use of the C1, C2 and R buildings (the "Lease Rights Site"), and Purchaser's easement right (the "Easement Rights I") with respect to the access road and the parking lot located on the Land (the "Easement Site I") granted by Seller to Purchaser under the land lease and easement agreement (the "Land Lease and Easement Agreement"), which are portions of the Land, shall have first priority over other Liens on the Land, including the Lease Rights Site and the Easement Site I, except for statutory Liens that may have priority over the Lease Rights and the Easement Rights I, provided, that Seller shall not be in default of any payment obligations, the failure of which may grant a Tax Authority, Seller's employees or any other Person statutory Liens having priority over the Lease Rights or the Easement Rights I, (ii) two parcels of land respectively located at 105-27, Oibuk-dong, Heungduk-gu, Cheongju City, Chung Cheong Buk-do, Korea and 1, Hyangjeong-dong, Heungduk-gu, Cheongju City, Chung Cheong Buk-do, Korea (the "Parcels") shall be partitioned into the land, which shall include the Lease Rights Site and the Easement Site I (the "Land"), and land other than the Land (the "Remaining Land") in accordance with the survey result to be conducted in accordance with Section 6.5(b) below and (iii) all existing Liens on the Land that would have higher priority over the Lease Rights and the Easement Rights I shall be cancelled or released and reregistered subsequent to the registration of the Lease Rights and the Easement Rights I by taking the steps set forth in this Section 6.5. Seller's failure to perform its obligations under this Section 6.5 due to the imposition by Purchaser's lenders in connection with the Term Debt of any Lien senior to the Lease Rights and the Easement Rights I shall in no event constitute a breach by Seller thereof.

(b) Seller and Purchaser shall request the Korea Cadastral Survey Corporation or other qualified cadastral company to conduct a survey of the Land, the Lease Rights Site and the Easement Site to determine the boundary and the size of the Land, the Lease Rights Site and the Easement Site, which shall be completed prior to the execution of the agreements identified in Section 6.5 (c) herein below.

(c) After satisfaction of the requirements in Section 6.5(b) above but by the Closing, based upon the result of survey of the Land, the Lease Rights Site and the Easement Site, Seller and Purchaser shall enter into: (i) the Land Lease and Easement Agreement with respect to the Lease Rights Site and the Easement Site, substantially on the terms and conditions set forth in the relevant term sheet attached hereto as an Exhibit, whereby (A) Seller shall lease the Lease Rights Site to Purchaser and Purchaser shall lease the Lease Rights Site from Seller, and (B) Seller shall grant Purchaser the Easement Rights I to use the Easement Site I and easement rights (the "Easement Rights II" and, together with the Easement Right I, the "Easement Rights") with respect to the access road and the parking lot located outside of the

Land (the "Easement Site II" and, together with Easement Site I, the "Easement Site"), and Purchaser shall obtain from Seller the Easement Right to use the Easement Site; (ii) a land sale and purchase agreement ("LSPA") in form and substance mutually agreeable to Seller and Purchaser whereby Seller shall sell and transfer certain proportional ownership to the Parcels (which proportional ownership shall be calculated by dividing the area of the Land by the area of the Parcels) to Purchaser prior to the partition of the Parcels, and Purchaser shall sell and transfer to Seller the ownership to the Land after the partition of the Parcels has been completed in accordance with the Partition Agreement and the procedures described in Sections 6.5(e), (f) and (g) below; and (iii) an agreement for the partition of the Parcels ("Partition Agreement") in form and substance mutually agreeable to Seller and Purchaser whereby Seller and Purchaser shall agree that the Parcels shall be partitioned into the Land and the Remaining Land and Purchaser shall solely own the Land and Seller shall solely own the Remaining Land.

(d) On the Closing Date, Seller shall transfer title to certain proportional ownership to the Parcels to Purchaser pursuant to the LSPA.

(e) On the Business Day immediately following the Closing Date, Purchaser shall institute legal proceedings (the "Proceedings") against Seller with a competent court seeking the partition of the Parcels as described in the Partition Agreement based thereon. With respect to the Proceedings, (i) Purchaser shall retain as its legal counsel the attorney of its own choosing, (ii) any and all filings in connection with the Proceedings shall be mutually agreed to by the parties and Seller and Purchaser shall cooperate to achieve the result contemplated by this Section 6.5 and (iii) Seller agrees not to contest the Proceedings.

(f) Upon such court rendering its judgment in favor of a partition of the Parcels, Seller shall waive its right to appeal such judgment and Purchaser shall commence the procedures for the partition of the Parcels (including filing an application with the Korea Cadastral Survey Corporation requesting a survey of the Parcels to determine the boundary of the Land, to the extent required and necessary, and file an application with the pertinent Authority requesting a partition of the Parcels based on such court judgment and results of the survey by the Korea Cadastral Survey Corporation).

(g) Upon the completion of the procedures for the partition of the Parcels as described in Section 6.5(a) through (f) above, Seller and Purchaser shall file applications to the competent real property registry office to register (i) the partition of the Parcels, after which Seller shall be registered as the sole owner of the Remaining Land and Purchaser shall be registered as the sole owner of the Land and (ii) the cancellation or release of all existing Liens registered in the real property registry of the Land.

(h) Upon the parties' satisfaction of the steps in Section 6.5(g) above, Purchaser shall transfer title to the Land to Seller pursuant to the LSPA and then Seller shall grant the Lease Rights and the Easement Rights (the Easement Rights I shall have first priority as provided in Section 6.5(a) and the Easement Rights II shall be subject to Liens existing prior to the registration thereof) to Purchaser pursuant to the Land Lease and Easement Agreement and shall, if requested by Purchaser, provide the Land as collateral for Purchaser's obligations under

the Financing. In connection with the granting of the Lease Rights and the Easement Rights, Purchaser, with the cooperation of Seller, shall register the Lease Rights and the Easement Rights with the relevant real property registry office.

(i) Seller hereby acknowledges and agrees that, after the completion of the steps set forth in Sections (a) through (h) above, it shall not establish any Lien on the Lease Rights Site and the Easement Site I.

(j) All Taxes imposed on Seller or Purchaser with respect to the procedures set forth in this Section 6.5, except for Taxes related to the Land Lease and Easement Agreement and registration of the Lease Rights and the Easement Rights, shall be borne by Seller and all Taxes related to the Land Lease and Easement Agreement and registration of the Lease Rights and the Easement Rights shall be borne by Purchaser. All other costs and expenses (including reasonable attorney's costs) related to the procedures set forth in this Section 6.5, except for the costs and expenses related to the Land Lease and Easement Agreement and the registration of the Lease Rights and the Easement Rights, shall be equally borne by Seller and Purchaser, all other costs and expenses related to the Land Lease and Easement Agreement shall be borne by the party incurring such costs and expenses, and all other costs and expenses related to the registration of the Lease Rights and the Easement Rights shall be borne by Purchaser. Each of Seller and Purchaser shall use reasonable efforts and Seller and Purchaser shall cooperate to minimize the Tax, costs and expenses related to the procedures set forth in this Section 6.5.

## ARTICLE VII

## MISCELLANEOUS

7.1. Nature and Survival of Covenants and Representations. With respect to the covenants, agreements, representations and warranties of the parties hereto in this Agreement or in any Schedule or Exhibit hereto or any certificate or other document delivered pursuant to this Agreement: (a) the covenants and agreements (including in respect of Excluded Liabilities and Assumed Liabilities) shall survive the Closing indefinitely, except for Sections 4.1 and 6.3(a)(i)(D) which shall survive until the date that is eighteen (18) months after the Closing Date and (b) the representations and warranties shall survive until the date that is eighteen (18) months after the Closing Date, except that (i) the representations and warranties of Seller set forth in Sections 2.1, 2.2 and 2.28 and of Purchaser set forth in Sections 3.1 and 3.2 shall survive indefinitely; (ii) the representations and warranties of Seller set forth in Section 2.8 shall survive until the date that is sixty (60) months after the Closing Date and (iii) the representations and warranties of Seller set forth in Sections 2.12 and 2.17 shall survive until the date sixty (60) days after expiration of the statute of limitations applicable to such matters after the Closing Date.

7.2. No Right to Setoff. Neither party, nor their respective Subsidiaries, shall be entitled to offset any amounts owed to it or its Subsidiaries by the other or the other's Subsidiaries pursuant to this Agreement or any of the Transaction Documents against amounts it or its Subsidiaries otherwise owe to the other or the other's Subsidiaries pursuant to this Agreement and the Transaction Documents.

7.3. Notices. Any notice, request, demand, waiver, consent, approval or other communication which is required or permitted to be given to any party hereunder shall be in writing and shall be deemed duly given only upon delivery to the party personally (including by reputable overnight courier service), when telecopied (with confirmation of transmission having been received) during normal business hours or three days after being mailed by registered or certified mail (return receipt requested), with postage and registration or certification fees thereon prepaid, addressed to the party at its address set forth below (or at such other address for a party as shall be specified by such party by like notice):

If to Purchaser:

System Semiconductor Ltd.
Hyangjeong-dong
Heungduk-gu
Cheongju City
Chung Cheong Bok-do
Korea
Fax: +82-43-270-2134
Attention: Dr. Youm Huh

with a copy to:

Dechert LLP
4000 Bell Atlantic Tower
1717 Arch Street
Philadelphia, PA 19103
USA
Fax: (215) 994-2222
Attention: Geraldine A. Sinatra, Esq.

Dechert LLP
30 Rockefeller Plaza
New York, NY 10112
USA
Fax: (212) 698-3599
Attention: Sang H. Park, Esq.

and

Kim & Chang
North Gate Building
66 Juksun-Dong
Chongro-Ku, Seoul
Korea 110-052
Fax: +82-2-3703-1029
Attention: Y.J. Ro, Esq.

If to Seller:

Hynix Semiconductor Inc.
Hynix Youngdong Bldg 891
Daechi-dong
Kangnam-gu, Seoul 135-738
Korea
Fax: +82 2 3459 3647
Attention: Mr. O.C. Kwon

with a copy to:

Bae, Kim & Lee
647-15 Yoksam-dong
Kangnam-gu, Seoul 135-723
Korea
Fax: +82 2 3404 0803
Attention: Gun-Chul Do, Esq.

and

Sullivan & Cromwell LLP
1888 Century Park East
Los Angeles, CA 90067
USA
Fax: (310) 712-8800
Attention: Alison S. Ressler, Esq.

7.4. Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement, including by operation of law or otherwise, except (i) with the written consent of the other party hereto, (ii) by Purchaser to one or more direct or indirect Subsidiaries of the Warrant Issuer, which assignment shall not relieve Purchaser of any of its obligations hereunder or (iii) by Purchaser as collateral security to any entity providing financing of indebtedness for borrowed money to Warrant Issuer or any of its Subsidiaries.

7.5. Exhibits and Schedules. All Exhibits and Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein.

7.6. Governing Law. This Agreement shall be governed by and construed in accordance with the Laws of the Republic of Korea without giving effect to the rules of conflict of Laws of the Republic of Korea that would require application of any other Law.

7.7. Consent to Jurisdiction. Seller and Purchaser shall consent to and submit to the non-exclusive jurisdiction of the Seoul Central District Court located in the Republic of Korea in connection with any action, suit or proceeding arising out of or relating to this Agreement, and Seller and Purchaser shall irrevocably waive, to the fullest extent permitted by Law, any objection which it may have to the laying of the venue of any such proceeding brought in such court and any claim that any such proceeding brought in such court has been brought in an inconvenient forum.

7.8. Severability. The parties agree that (a) the provisions of this Agreement shall be severable in the event that any provision hereof is held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, (b) such invalid, void or otherwise unenforceable provision shall be automatically replaced by another provision which is as similar as possible in terms to such invalid, void or otherwise unenforceable provision but which is valid and enforceable and (c) the remaining provisions shall remain enforceable to the fullest extent permitted by Law.

7.9. No Third Party Beneficiaries. Nothing herein expressed or implied is intended or should be construed to confer upon or give to any Person other than the parties hereto (and the Seller Indemnified Parties and Purchaser Indemnified Parties referred to in Section 6.3) and their successors and assigns any rights or remedies under or by reason of this Agreement.

7.10. Entire Agreement. This Agreement, together with the Schedules and Exhibits hereto and the other Transaction Documents, constitutes the entire understanding of the parties with respect to the subject matter hereof, supersedes any prior agreements or understandings, written or oral, between the parties with respect to the subject matter hereof, and is not intended to confer upon any Person other than the parties hereto (and the Seller Indemnified Parties and Purchaser Indemnified Parties) any benefit, right or remedy.

7.11. Amendment and Waiver. The parties may, by mutual agreement, amend this Agreement in any respect, and any party, as to such party, may (i) extend the time for the performance of any of the obligations of the other party; (ii) waive any inaccuracies or omissions in representations and warranties by the other party; (iii) waive compliance by the other party with any of the covenants or agreements contained herein and performance of any obligations by the other party; and (iv) waive the fulfillment of any condition that is precedent to the performance by such party of any of its obligations under this Agreement. To be effective, any such amendment or waiver must be in writing and be signed by the party providing such waiver or extension, as the case may be. The rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies which any party may otherwise have at law or in equity. The waiver by any party hereto of any breach by the other party of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by the other party, whether or not similar.

7.12. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but which together shall constitute one and the same instrument.

7.13. Headings. The headings preceding the text of the sections and subsections hereof are inserted solely for convenience of reference, and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.

7.14. Construction; Certain Defined Terms. Purchaser and Seller have participated jointly in the negotiation and drafting of this Agreement and the Transaction Documents. In the event any ambiguity or question of intent or interpretation arises, this Agreement and the Transaction Documents shall be construed as if drafted jointly by Purchaser and Seller, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any foreign or domestic statute or Law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. Words in the singular shall held to include the plural and vice versa. The word "including" in this Agreement shall mean "including without limitation." Section references refer to sections in this Agreement unless otherwise specified. As used herein, the terms below have the following definitions:

(a) "Affiliate" of any Person means any other Person, directly or indirectly controlling, controlled by or under common control with such Person.

(b) "Authority" means any federal, state, local, provincial or foreign governmental or regulatory entity (or any department, agency, authority or political subdivision thereof or any court or arbitrator).

(c) "Business Day" means any day other than a Saturday, a Sunday or a day on which banks in Seoul are authorized or obligated by Law or executive order to close.

(d) "Contract" means any written, oral or other agreement, contract or, instrument.

(e) "Employees" shall mean, all individuals with whom Seller or any of its Subsidiaries maintain on the specified date, an employer-employee relationship and whose primary responsibilities relate to the Business or who has been designated to become an employee of the Business in accordance with Section 4.3.

(f) "Former Employees" means all individuals who were previously employed by Seller or any of its Subsidiaries and whose primary responsibilities related to the Business but who are no longer so employed on the specified date, including any such individual receiving long term-disability benefits.

(g) "ICs" means integrated circuits.

(h) "Indebtedness" means (i) all obligations for borrowed money (including any interest rate swap breakage or associated fees); (ii) all obligations to pay the deferred purchase price of property or services (including the earned portion of any so-called "earn-out" obligations); (iii) all obligations evidenced by notes, bonds, debentures, or other similar instruments; (iv) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to acquired property; (v) all reimbursement obligations, contingent or otherwise, under a drawn acceptance, letter of credit or a similar facility; (vi) all deferred compensation obligations and (vii) all guarantees of any of the foregoing.

(i) "Knowledge" means, with respect to Seller, the actual knowledge after reasonable inquiry of the Persons listed on Schedule 7.14(i).

(j) "Law" means any law, statute, rule, regulation, ordinance, code, judgment or other pronouncement having the effect of law of Korea, the United States, any other country or any domestic or foreign provincial, state, county, city or other political subdivision or of any Authority.

(k) "Lien" means any lien, charge, claim, agreement to sell, pledge, security interest, conditional sale agreement or other title retention agreement, lease, mortgage, deed of trust, security agreement, right of first refusal or offer (or other similar right), option, restriction, tenancy, license, covenant, encroachment (whether upon any real property or by any improvement situated on any real property onto any adjoining real property or onto any easement area), right of way, easement, title defect or other encumbrance or title matter.

(l) "Material Adverse Effect" means any change, effect or circumstance that, individually or when taken together with all other such changes, effects or circumstances that have occurred prior to the date of determination of the occurrence of a Material Adverse Effect, has or could reasonably be expected to have, any material adverse effect on (i) the assets, liabilities, operations, business, results of operations or condition (financial or otherwise) of the Business or (ii) the ability of Seller to consummate the Transaction; provided, however, that in no event shall any changes in general business or economic conditions, except to the extent such changes affect Seller in a significantly disproportionate manner, constitute a Material Adverse Effect for the purposes of this Agreement.

(m) "Person" means an individual, a corporation, a partnership, an association, a joint venture, a limited liability company, an Authority, a trust or other entity or organization.

(n) "ROM" means read-only memory.

(o) "Seller Material Adverse Change" means any change, effect or circumstance that, individually or when taken together with all other such changes, effects or circumstances that have occurred prior to the date of determination of the occurrence of a Seller Material Adverse Change, has or could reasonably be expected to (i) have any material adverse effect on the expected benefits to be received by Seller from the Transaction other than as contemplated herein or (ii) materially impair the ability of Purchaser to consummate the Transaction.

(p) "Subsidiary" of any Person means any Person directly or indirectly controlled by such Person.

7.15. Disclosure Schedules. Nothing in the schedules hereto shall be deemed adequate to disclose an exception to a representation or warranty made herein unless the matter to which the exception relates is reasonably apparent from a reading of such disclosure on its face. The disclosure on any schedule hereto pursuant to Article II shall be deemed to be disclosed on any other schedule hereto pursuant to Article II but only to the extent that it is reasonably apparent from a reading of such disclosure on its face that it also applies to such other schedule.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the day and year first written above.

HYNIX SEMICONDUCTOR INC.

By _____

Name:
Title:

SYSTEM SEMICONDUCTOR LTD.

By _____

Name:
Title:

The following schedules and exhibits to the Agreement have been omitted from this Exhibit 2.1:

| | |
|---|---|
| Schedule 1.1(b)(iv) | Intellectual Property |
| Schedule 1.1(b)(v) | Accounts Receivable |
| Schedule 1.1(b)(vi) | Inventory |
| Schedule 1.1(b)(viii) | Other Receivables/Other Current Assets |
| Schedule 1.1(b)(x) | Permits |
| Schedule 1.1(b)(xv) | Company Loans |
| Schedule 1.1(c)(ii) | Excluded Contracts |
| Schedule 1.1(c)(xi) | Certain Excluded Assets |
| Schedule 1.2(b) | Severance Liability |
| Schedule 1.6(b)(i)-A | Accounting Principles; Closing Normalized Working Capital |
| Schedule 1.6(b)(i)-B | Reference Amount Calculation |
| Schedule 1.8 | Allocation of Consideration |
| Schedule 2.1 | Places of Business |
| Schedule 2.3 | Consents |
| Schedule 2.4 | Financial Statements |
| Schedule 2.5 | Changes |
| Schedule 2.5(a) | Quarterly Management Performance Bonus Plan |
| Schedule 2.6 | Contracts |
| Schedule 2.7(b) | Compliance With Laws; Violations; Proceedings |
| Schedule 2.8(a) | Environmental Permits |
| Schedule 2.8(b)(iii) | Underground Storage Tanks |
| Schedule 2.10(a) | Liens |
| Schedule 2.10(c) | Assets |
| Schedule 2.11 | Facilities |
| Schedule 2.12 | Jurisdictions for Tax Returns |
| Schedule 2.13(a) | Intellectual Property Rights |
| Schedule 2.13(b) | Licenses |
| Schedule 2.13(e) | Third Party Intellectual Property Claims |
| Schedule 2.13(f) | Post-Closing Intellectual Property Actions |
| Schedule 2.13(k) | Historical Third Party Intellectual Property Claims |

| | |
|---|---|
| Schedule 2.16(a) | Labor Relations |
| Schedule 2.16(c) | Employees |
| Schedule 2.17(a) | Employee Benefit Plans |
| Schedule 2.18 | No Undisclosed Liabilities |
| Schedule 2.19 | Litigation |
| Schedule 2.20 | Warranty and Return Policies |
| Schedule 2.21 | Insurance |
| Schedule 2.22 | Relationship with Customers and Suppliers |
| Schedule 2.27 | Management Data |
| Schedule 3.4 | Purchaser Consents |
| Schedule 3.8(A) | CVC Equity Commitment Letter |
| Schedule 3.8(B) | CVC Asia Equity Commitment Letter |
| Schedule 4.1 | Business Plan |
| Schedule 4.3 | Separation Plan |
| Schedule 4.4(a) | Monthly Financial Statements Template |
| Schedule 4.13 | Capital Expenditures |
| Schedule 4.19(c) | Contracts to be Extended or Sublicensed |
| Schedule 4.26 | Certain System IC Equipment |
| Schedule 5.2(b) | Contracts Requiring Consent |
| Schedule 5.2(j) | Management |
| Schedule 5.2(l) | Certain Permits |
| Schedule 7.14(i) | Seller's Knowledge |
| Exhibit A | Business Plan |
| Exhibit B | Warrant Agreement |
| Exhibit C | Financing Term Sheet |
| Exhibit D | Youngdong Lease Agreement Term Sheet |
| Exhibit E | Term Sheets for Operating Agreements |
| Exhibit F | Form of Wafer Foundry Service Agreement |
| Exhibit G | Intellectual Property License Agreement Term Sheet |
| Exhibit H | Trademark License Agreement Term Sheet |
| Exhibit I | Securityholders Agreement Term Sheet |
| Exhibit J | Form of Wafer Mask Production and Supply Agreement |

The registrant agrees to furnish supplementally a copy of any omitted schedule or exhibit to the Securities and Exchange Commission upon request.

**EXHIBIT 2.2**

*Execution Copy*

FIRST AMENDMENT TO BUSINESS TRANSFER AGREEMENT

This FIRST AMENDMENT TO BUSINESS TRANSFER AGREEMENT (the "Amendment") is made and entered into on October 6, 2004, by and between HYNIX SEMICONDUTOR INC., a corporation organized under the Laws of Republic of Korea, on the one hand, and MAGNACHIP SEMICONDUCTOR, LTD., a company organized as a yuhan hoesa under the Laws of the Republic of Korea, on the other hand.

WITNESSETH:

WHEREAS, Seller and Purchaser are parties to the Business Transfer Agreement, dated as of June 12, 2004 (the "BTA"); and

WHEREAS, Seller and Purchaser desire to amend certain provisions of the BTA as set forth more specifically below.

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants, agreements, undertakings and obligations set forth herein and other consideration the sufficiency and adequacy of which is hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

Section 1. Amendment to Article I.

(a) Schedule 1(a) hereto is hereby added to the BTA as Schedule 1.1(b)(xx) thereof. Section 1.1(b) of the BTA is hereby amended by deleting the word "and" after Section 1.1(b)(xviii), inserting the word "and" after Section 1.1(b)(xix) and inserting a new Section 1.1(b)(xx) that reads as follows:

"(A) the Cooperation Agreement ('Cooperation Agreement') C500 Microcontroller Cores dated May 16, 1994 by and between Infineon Technologies AG and Goldstar Electron Co. Ltd. and (B) the golf memberships described on Schedule 1.1(b)(xx) hereof which shall be delivered to Purchaser by Seller on the Closing Date and, with respect to the East Valley membership, in consideration for which the Cash Purchase Price shall be increased by KRW 919,800,000;"

(b) Section 1.1(b)(v) shall be amended by replacing the word "Closing" where it first appears in such section with the words "Effective Time."

(c) Schedule 1.1(c)(ii) of the BTA is amended by adding thereto the Patent Cross-License Agreement by and between Hitachi, Ltd. and Hyundai Electronics Inc. dated June 10, 1993.

(d) Purchaser and Seller acknowledge that, as of the Closing Date, Koninklijke Philips Electronics N.V. has refused to consent to the assignment of the patent license agreement, effective as of July 1, 1999, between Seller and Koninklijke Philips Electronics N.V. (the "Philips Agreement"), to Purchaser. Purchaser and Seller agree that, in light of the failure of Koninklijke Philips Electronics N.V. to consent to

such assignment, the Philips Agreement shall not be an Acquired Contract. Following the Closing, Seller shall, at Purchaser's request, use its commercially reasonable efforts to assist Purchaser in obtaining an agreement with Koninklijke Philips Electronics N.V. in lieu of the Philips Agreement.

(e) Seller represents that it has reached an agreement-in-principle with Cadence Design Services Y.K. (successor in interest to Excellent Design, Inc.) ("Cadence") to the assignment of the EXD *parquet* License Agreement (Agreement No. EXD/P-9803004E), dated March 13, 1998, by and between Cadence and Seller, to Purchaser, subject only to payment by or on behalf of Seller to Cadence of 400,000 United States dollars (the "Cadence Fee"). Seller agrees to pay the Cadence Fee to Cadence and thereby obtain Cadence's unconditional consent to such assignment (the "Cadence Consent") within 14 days of the date hereof. Seller agrees that notwithstanding anything in the BTA or any other agreement between the parties to the contrary, if Seller fails to obtain the Cadence Consent within 14 days of the date hereof, Purchaser, in addition to any other rights and remedies available to it, may deduct an amount equal to the Cadence Fee and any additional amount necessary to obtain the Cadence Consent from any amounts owed to Seller or any Subsidiary of Seller by Purchaser or any Subsidiary of Warrant Issuer.

(f) Seller and Purchaser desire to amend the BTA to provide for the sale by certain Subsidiaries of Seller of the Acquired Assets owned by such Subsidiaries to certain Subsidiaries of Warrant Issuer and the assumption by such Subsidiaries of Warrant Issuer of the Assumed Liabilities of such Subsidiaries of Seller. Accordingly, a new Section 1.10 shall be added to the BTA as follows:

"1.10 Subsidiary to Subsidiary Transfer and Assumption. Notwithstanding anything to the contrary in this Article I, at the Closing hereunder Acquired Assets owned by a Subsidiary of Seller included in Schedule 1.6(a) shall be sold, assigned, transferred, delivered and conveyed directly by such Subsidiary to the Subsidiary of Warrant Issuer included in Schedule 1.6(a) opposite the name of such Subsidiary of Seller and any Assumed Liabilities that are liabilities of a Subsidiary of Seller included in Schedule 1.6(a) shall be assumed by the Subsidiary of Warrant Issuer included in Schedule 1.6(a) opposite the name of such Subsidiary of Seller."

Section 2. Amendment to Section 1.2(a). Section 1.2(a) of the BTA shall be amended and restated in its entirety as follows:

"the 'Hynix Payable', which shall be defined as an account payable from Purchaser to Seller in an amount equal to the sum of (i) that portion of each of the Shared Payables that relates to the Business, provided that no more than one month's accrual shall be included in the Hynix Payable for payables that are payable according to a monthly schedule, including payments to Vivendi,

and (ii) except as set forth in Section 1.3(j), those accounts payable that (x) arise in the ordinary course of business, are attributable to the Acquired Assets, and only in the amount and to the extent such accounts payable exist as of the Effective Time and are reflected on the Closing Balance Sheet (as finally determined pursuant to Section 1.6(c)), as more specifically defined and determined in accordance with the Accounting Principles or (y) are attributable to an Acquired Asset to the extent such Acquired Asset is subject to a Lien;"

Section 3. Amendment to Section 1.2(b). Section 1.2(b) of the BTA shall be amended and restated in its entirety as follows:

"all accrued liabilities of Seller for severance payments with respect to Transferred Employees to the extent not owed to such Transferred Employees as of the Effective Time (the 'Severance Liability'), the calculation of which is as set forth in the formula on Schedule 1.2(b) hereto;"

Section 4. Amendment to Section 1.4. Section 1.4 shall be amended by adding the following sentence to the end of such section:

"Notwithstanding anything to the contrary, in the event of any conflict or inconsistency between any consent to the assignment of all or any portion of any Acquired Contract (including the Cooperation Agreement) or Acquired Permit and the terms and conditions of this Agreement, Seller and Purchaser acknowledge and agree that as between Seller and Purchaser the terms and conditions of this Agreement shall govern."

Section 5. Amendment to Section 1.5. Provided that the Closing occurs no later than October 6, 2004, Section 1.5 shall be amended and restated to read as follows:

"Closing; Effective Time. Subject to the terms and conditions of this Agreement, the closing of the sale and purchase of the Acquired Assets (the 'Closing') shall take place on October 6, 2004 (the 'Closing Date'). On the Closing Date, the Seller shall deliver to Purchaser the Acquired Assets and the Purchaser shall assume the Assumed Liabilities as of the Effective Time subject to such changes therein as have occurred from the Effective Time through the Closing Date, and such other assets (including, for the avoidance of doubt, cash and cash equivalents arising after the Effective Time (subject to any cash expenses arising after the Effective Time that are paid in satisfaction of Assumed Liabilities as of the Effective Time or other expenses that otherwise would have been liabilities assumed by Purchaser in accordance with this sentence) and any assets acquired by Seller or its Subsidiaries after

the Effective Time that would have been Acquired Assets if they were owned by Seller or its Subsidiaries as of the Effective Time) and liabilities (including, for the avoidance of doubt, any liabilities incurred by Seller or its Subsidiaries after the Effective Time that would have been Assumed Liabilities if they had been liabilities of Seller or any of its Subsidiaries as of the Effective Time) as are necessary to convey to Purchaser the financial benefits and burdens of the Business (as constituted as of the Effective Time in accordance with this Agreement) from the Effective Time through the Closing Date. In furtherance of the foregoing, Seller agrees to operate the Business for the benefit of Purchaser from the Effective Time until the Closing Date pursuant to the terms and conditions of this Agreement, and on and after the Closing Date to cooperate in good faith with Purchaser to identify the assets to which Purchaser is entitled and the liabilities to which Purchaser is subject, in each case pursuant to the preceding sentence. Furthermore, Seller and Purchaser agree that promptly upon request (and in any event within 30 days after any such request), Seller and Purchaser shall each take any such actions as the other shall reasonably request (including the execution and delivery of instruments of conveyance or transfer and the payment of cash) to provide for the result specified in the second sentence of this Section 1.5; provided that any dispute between Seller and Purchaser with respect to the foregoing shall be referred to the Independent Accounting Firm for resolution as if such dispute were submitted pursuant to Section 1.6(c)(ii). As used herein, the term 'Effective Time' shall mean October 1, 2004 at 12:00 A.M. in each jurisdiction in which the Acquired Assets are located. Purchaser and Seller acknowledge and agree that from and after the Closing, the Acquired Assets and Assumed Liabilities shall be deemed to have passed to Purchaser or a Subsidiary of Warrant Issuer, as the case may be, at the Effective Time for all financial and accounting purposes."

Section 6. Amendment to Section 1.6(a). Schedule 6 hereto shall be added as Schedule 1.6(a) of the BTA and Section 1.6(a) of the BTA shall be amended and restated in its entirety as follows:

"Purchase Price. Upon the terms and subject to the conditions set forth herein, the aggregate price (the 'Purchase Price') to be paid by Purchaser for the purchase of the Acquired Assets shall be (i) (y) the Parent Cash Purchase Price to be paid by Purchaser, payable as set forth in Section 1.7, and (z) the KRW Equivalent Subsidiary Cash Purchase Price to be paid by the Subsidiaries of Warrant Issuer in accordance with Schedule 1.6(a), payable as set forth in Section 1.7, (ii) the warrant substantially in the form attached hereto as Exhibit B (the 'Warrant Agreement') and (iii)

the assumption by Purchaser and the Subsidiaries of Warrant Issuer listed on Schedule 1.6(a) (as applicable) of the Assumed Liabilities. The term 'Parent Cash Purchase Price' shall mean an amount equal to the difference between (x) Korean Won ('KRW') 860,550,000,000 (the 'Cash Purchase Price'), subject to adjustment pursuant to Section 1.1(b)(xx)(B), Section 1.6(b) through (d), Section 4.3, Section 4.5(b), Section 4.13 and Section 6.3(b)(vi), and (y) an amount in KRW equal to the sum of the amounts set forth under the heading 'KRW Equivalent Subsidiary Cash Purchase Price' on Schedule 1.6(a) (such sum, the 'KRW Equivalent Subsidiary Cash Purchase Price')."

Section 7. Amendment to Section 1.6(b). Purchaser and Seller agree that the Inventory Date shall be September 30, 2004 and that the Pre-Closing Statement, Pre-Closing Balance Sheet and Pre-Closing Working Capital Adjustment Amount have been prepared prior to the physical inventory contemplated by Section 1.6(b) of the BTA.

Section 8. Amendment to Section 1.7(b). Section 1.7(b) of the BTA shall be amended and restated in its entirety as follows:

"Deliveries to Seller. Subject to Section 1.10, Purchaser will deliver to Seller the Parent Cash Purchase Price, and will cause the applicable Subsidiary of Warrant Issuer to deliver to the applicable Subsidiary of Seller the KRW Equivalent Subsidiary Cash Purchase Price (as set forth on Schedule 1.6(a)), in each case by wire transfer of immediately available funds to the accounts designated on Schedule 1.6(a) and, in the case of the KRW Equivalent Subsidiary Cash Purchase Price, in United States dollars in the amounts set forth under the heading 'USD Equivalent Subsidiary Cash Purchase Price' on Schedule 1.6(a); (ii) Purchaser will deliver to Seller the Purchaser Transaction Documents; and (iii) Purchaser will deliver to Seller the certificates and other documents required to be delivered by Purchaser pursuant to Section 5.3 hereof and certified resolutions evidencing the authority of Purchaser as set forth in Section 3.2 hereof, and all other agreements, records and other documents required by this Agreement as of the Closing Date."

Section 9. Amendment to Schedule 2.6. Schedule 2.6 of the BTA is hereby amended by adding thereto the Termination and License Agreement, dated as of February 25, 1998, by and among Hyundai Electronics America, Hyundai Electronics Industries Co., Ltd, Symbios, Inc. and LSI Logic Corporation. Purchaser agrees that such agreement shall be deemed to have been included in schedule as of June 12, 2004 and Seller shall have no liability to Purchaser for failure to have included such agreement in such schedule at such date.

Section 10. Certain Intellectual Property Matters.

(a) As contemplated by Sections 10 and 14 hereof, Purchaser and Seller have agreed upon resolutions related to the Intellectual Property Matters. As defined herein, the "Intellectual Property Matters" shall mean (i) the co-ownership of the Intellectual Property by third parties as to be set forth in the list to be delivered pursuant to Section 14(e) hereof and (ii) the registration of certain Intellectual Property in the name of Persons other than Seller as set forth in Schedule 10(a) hereto. In consideration for the representations, warranties and covenants of Seller contained in Sections 10 and 14 hereof, Purchaser agrees that the Intellectual Property Matters shall be deemed to have been disclosed as exceptions to the representations contained in Section 2.13(f) of the BTA as of June 12, 2004 and Seller shall have no liability to Purchaser, other than as set forth in Sections 10 and 14 hereof, for failure to have disclosed such Intellectual Property Matters with respect to such representations at such date, including pursuant to Section 6.3(a)(i)(A) of the BTA.

Section 11. Amendment to Section 4.3 and Separation Plan Agreements. Seller and Purchaser desire to amend the BTA to set forth their final agreement with respect to the responsibility for implementation of the Separation Plan and the responsibility for Separation Plan Costs. In that regard, Seller represents to Purchaser that Seller has released purchase orders with respect to the Separation Plan as set forth in Schedule 11 hereto (the "Released Separation Plan Purchase Orders") and incurred those expenses with respect to the Separation Plan as set forth on Schedule 11 hereto (such incurred expenses, collectively with the Released Separation Plan Purchase Orders, the "Seller Separation Plan Expenses"). Seller shall pay for the equipment delivered pursuant to the Released Separation Plan Purchase Orders and shall, in the event Seller receives any equipment contemplated by the Released Separation Plan Purchase Orders, promptly transfer to Purchaser any such equipment. Seller shall pay all Released Separation Plan Purchase Orders in accordance with the terms thereof. To the extent that within a reasonable period of time following the due date for any such Released Separation Plan Purchase Order, Seller fails to provide Purchaser with reasonable evidence of payment of the full amount of such Released Separation Plan Purchase Order, Seller shall reimburse Purchaser for the amount of such shortfall within 10 Business Days of Purchaser's demand therefor, up to KRW 2,056,074,341 in the aggregate. To the extent that Seller provides Purchaser with reasonable evidence that Seller incurred prior to the Closing Date any Separation Plan Cost that was not reflected as a Seller Separation Plan Expense, Purchaser shall reimburse Seller for the amount of such cost within 10 Business Days of Purchaser's receipt of such evidence, up to KRW 2,450,495,259 in the aggregate. In consideration for such agreements and the amendment to Section 4.3 below,

Purchaser and Seller agree that, other than for such agreements and as contemplated by such amendment, Seller shall have no further obligation or liability under Section 4.3. Section 4.3 is hereby amended by adding the following sentence to the end of such section:

"In connection with the Separation Plan Costs, the Cash Purchase Price shall be reduced at the Closing by KRW 2,450,495,259."

Section 12. Amendment to Section 4.11.

(a) Schedule 2.16(c) of the BTA is hereby amended and restated in the form of Schedule 12(a) hereto. Section 4.11(a) of the BTA shall be amended and restated in its entirety as follows:

"All Employees included on Schedule 2.16(c) are herein referred to as the 'Transferred Employees.' Schedule 2.16(c) indicates, with respect to any Employee who is not actively employed due to short-term disability or approved leave of absence, the reason for such absence and the date such individual is reasonably expected to return to active employment."

(b) Section 4.11(b) of the BTA shall be amended and restated in its entirety as follows:

"At the Closing, Purchaser shall assume the terms and conditions of any collective bargaining agreement set forth on Schedule 2.16(a) to the extent applicable to the Transferred Employees. Purchaser shall use its commercially reasonable efforts to not terminate any Transferred Employee, except as permitted by Law or as agreed to by any such Transferred Employee, for a period of two years from the Closing Date. Purchaser shall have no obligation whatsoever with regard to (i) individuals who are Former Employees as of the day prior to the Closing or (ii) Employees who do not become Transferred Employees."

(c) The first sentence of Section 4.11(c) of the BTA is hereby deleted in its entirety.

(d) Section 4.11(d) of the BTA shall be amended and restated in its entirety as follows:

"Purchaser and Seller agree that Purchaser shall pay Seller KRW 2,144,000,000 within six months of the Closing Date in respect of certain severance payments previously made by Seller to Transferred Employees. Seller agrees to pay to each Employee the amount of any severance that is owed to such Employee as of the Effective Time (which, for the avoidance of doubt, does not include the Severance Liability)."

(e) Section 4.11(e) shall be amended by adding the following to the end of such section:

"Notwithstanding anything to the contrary, in the event of any conflict or inconsistency between the Employee Bank Loan Guarantees (or any other document effecting the Employee Bank Loan Guarantees) and the terms and conditions of this Agreement, Seller and Purchaser acknowledge and agree that as between Seller and Purchaser the terms and conditions of this Agreement shall govern."

(f) Purchaser and Seller agree that Purchaser shall not be deemed to have breached the BTA by failure to have made the offer of employment contemplated by Section 4.11(b) of the BTA prior to the amendment contemplated hereby, and Seller hereby irrevocably waives any claims with respect thereto. Purchaser and Seller agree that Seller shall not be deemed to have breached the BTA by failure to have obtained any release and waiver contemplated by Section 4.11(c) of the BTA prior to the amendment contemplated hereby, and Purchaser hereby irrevocably waives any claims with respect thereto.

Section 13. Amendment to Section 4.13. Section 4.13 is amended by deleting the third sentence thereof in its entirety and by adding the following sentence to the end of such section:

"Furthermore, to the extent that Purchaser believes that the computation of the adjustment to the Cash Purchase Price at Closing pursuant to this Section 4.13 reflects the inclusion of any amounts that are not properly included pursuant to this Section 4.13 and Purchaser so notifies Seller within 90 days after the Closing Date, Seller shall within 10 Business Days of receipt of such notice (i) provide written notice to Purchaser of any dispute with respect thereto and the grounds therefor and (ii) pay to Purchaser the amount necessary to correct for such improperly included amounts to the extent that Seller does not dispute such amounts. Any such dispute between Seller and Purchaser with respect to the foregoing shall be referred to the Independent Accounting Firm for resolution as if such dispute were submitted pursuant to Section 1.6(c)(ii) and Seller shall pay to Purchaser any disputed amounts that Seller is determined to owe upon resolution of any such dispute in accordance with the preceding sentence within 10 Business Days of such resolution. Seller represents to Purchaser that Seller has released purchase orders with respect to capital expenditures set forth on Schedule 4.13 and with respect to which the equipment to be purchased thereunder has not yet been delivered (the 'Released CapEx Purchase Orders'). Following the Closing Date, each of Seller and Purchaser shall use their commercially reasonable efforts to attempt to have the Released

CapEx Purchase Orders modified, revised or cancelled and replaced with equivalent purchase orders reflecting Purchaser as the purchaser with respect to the applicable equipment. In the event that Seller and Purchaser are unable to so change the Released CapEx Purchase Orders and equipment is delivered pursuant to the Released CapEx Purchase Orders to Seller, Seller shall promptly transfer to Purchaser any such equipment. In addition, in such event Seller shall pay all such Released CapEx Purchase Orders in accordance with their terms and Purchaser shall reimburse Seller therefor promptly following receipt of notice thereof (together with reasonable supporting documentation therefor), and Purchaser shall use its commercially reasonable efforts to establish appropriate administrative procedures to provide for Purchaser to make such reimbursements on the same day that Purchaser receives any such notice. Seller shall keep Purchaser reasonably informed of the delivery of any such equipment and the payment terms with respect to any such Released CapEx Purchase Orders to facilitate the foregoing."

Section 14. Amendment to Section 4.19.

(a) Section 4.19(a) of the BTA shall be amended and restated in its entirety as follows:

"Seller shall indemnify and hold harmless the Purchaser Indemnified Parties from any and all Damages arising from the use by Purchaser or its permitted assignees or licensees of any Intellectual Property referred to in Sections 4.19(d) and (e) that is an Acquired Asset from the Effective Time until the date that Seller has fully satisfied its obligations under Sections 4.19(d) and (e), to the extent relating to or in connection to the fact that the matters to be undertaken by Seller thereunder were not accomplished prior to the Closing Date."

(b) Section 4.19(b) of the BTA is hereby amended by adding the following sentence to the end of such section:

"For the avoidance of doubt, the covenants and limitations of liability set forth in this Section 4.19(b) shall apply only to the inadvertent failure to transfer such Intellectual Property that is an Acquired Asset at Closing or the inadvertent transfer of any Intellectual Property that is not an Acquired Asset only. Such limitations of liability shall not apply to a breach of Seller's covenants under Sections 4.19(d), (e) or (f)."

(c) The third sentence of Section 4.19(c) of BTA is hereby deleted in its entirety. Schedule 4.19(c) of the BTA is hereby amended and restated in the form of Schedule 14(c) hereto.

(d) A new Section 4.19(d) shall be added to the BTA that reads as follows:

"Seller covenants and agrees to execute and deliver, and use its reasonable best efforts to have all appropriate third parties execute and deliver, such instruments of conveyance or transfer and take all such action reasonably necessary to assign and transfer all of Seller's rights in and to the Intellectual Property contained in Schedule 1.1(b)(iv) to Seller as soon after Closing as reasonably practicable, solely at the expense of Seller. Seller shall use its reasonable best efforts to record all such assignments and transfers of Intellectual Property so that Seller is the owner of record of all of Seller's rights in and to the Intellectual Property contained in Schedule 1.1(b)(iv) within 90 days after Closing, solely at the expense of Seller."

(e) A new Section 4.19(e) shall be added to the BTA that reads as follows:

"As soon as reasonably practicable after the Closing (and in any event within 30 days of the Closing Date), Seller shall use its reasonable best efforts to provide Purchaser with a complete and accurate list of all patents and patent applications in which Seller has a partial or joint ownership interest which are included in or called for by Schedule 1.1(b)(iv) (the 'Co-owned Patents') specifying as to each such patent or patent application, as applicable: (i) the owners of the patent or patent application (the 'Co-owner'); (ii) the percentage ownership of each Co-owner (or, if such Co-owner's ownership is not stated in percentage terms, the nature of such co-ownership); (iii) the jurisdiction in which each Co-owned Patent is issued or in which any application for issuance has been filed; and (iv) the respective issuance or application number of the Co-owned Patent. Further, from and after the Closing, Seller shall use its reasonable best efforts to (x) obtain the consent of any and all Co-owners whose consents are necessary to transfer and assign Seller's right, title and interest in the Co-owned Patent to Purchaser; (y) execute and deliver, and have all necessary Co-owners execute and deliver, to Purchaser any and all assignment documents or any other such instruments of conveyance or transfer that may be necessary in order to transfer Seller's right, title and interest in the Co-owned Patents (including any contractual rights with respect to the Co-owned Patents) to Purchaser; and (z) obtain from all Co-owners a waiver or other consent or agreement by which such Co-owner agrees not to exercise any preemptive right or right-of-first-refusal to acquire or

have acquired Seller's right, title and interest in the Co-owned Patents with respect to the Transaction, in the case of each of (x), (y) and (z) solely at the expense of Seller."

(f) A new Section 4.19(f) shall be added to the BTA that reads as follows:

"If Seller is unable to put Purchaser fully in possession of Seller's right, title and interest with respect to the Co-owned Patents, to the extent allowed by the Laws of the jurisdiction in which any Co-owned Patent is issued or which an application for issuance has been filed, Seller shall grant to Purchaser an exclusive, perpetual, irrevocable, royalty-free, and fully sublicensable right and license under all of the Co-owned Patents to practice and commercially exploit the Co-owned Patents throughout the world, subject to any licenses or sublicenses to which Seller or any of its Subsidiaries is a party and included in Schedule 2.13(b) of this Agreement. Seller shall obtain the consent of any Co-owner that may be necessary to grant the exclusive license contemplated above, solely at the expense of Seller. Such license shall be in a form reasonably acceptable to Purchaser and shall extend for the full life of any of the Co-owned Patents. Purchaser shall, at its own expense, maintain all Co-owned Patents and take whatever action is necessary to ensure the continued validity and enforceability of the Co-owned Patents that are subject to this license (to the extent that, among Co-owners, Seller had this obligation prior to transfer to Purchaser). To this end, Purchaser shall have the authority to direct the prosecution of all pending applications for Co-owned Patents and shall have the exclusive right to bring suit in its own name and at its expense against any infringement of the Co-owned Patents (but only to the extent that, among Co-owners, Seller had this right prior to transfer to Purchaser). Seller will join as a plaintiff in any such suit, if requested by Purchaser, and will cooperate at the request of Purchaser in the prosecution of any such suit, provided that Purchaser will reimburse Seller for Seller's reasonable expenses. Purchaser shall retain all amounts recovered, whether by judgment, award, settlement or otherwise, in any suit commenced and maintained to its conclusion by Purchaser."

Section 15. Amendment to Section 4.21(a). Section 4.21(a) of the BTA is hereby amended and restated in its entirety as follows:

"On the Closing Date, Purchaser shall enter into a lease agreement with Samsung Life Insurance Co., Ltd upon the terms and conditions negotiated among Purchaser, Seller and Samsung Life Insurance Co., Ltd (the 'Youngdong Lease Agreement'). With respect to the Youngdong Lease Agreement, Seller shall pay Purchaser in cash as additional key money deposit (the 'Additional Key Money Deposit') as follows: on the Closing Date, KRW 85,998,380 and on October 6, 2005, KRW 2,580,000. Purchaser shall return the

full amount of the Additional Key Money Deposit to Seller on the earlier of (i) the day that is fifteen (15) months after the commencement of the term of the Youngdong Lease Agreement and (ii) the day of expiration or termination of the Youngdong Lease Agreement. As long as the Youngdong Lease Agreement remains in effect, Seller shall pay Purchaser in cash as additional monthly rent and maintenance fees on the fifteenth (15th) day of every month during the fifteen (15) months immediately following commencement of the Youngdong Lease Agreement as follows: (x) for the period from the Closing Date through August 31, 2005, KRW 8,600,000; (y) for the period from September 1, 2005 through October 5, 2005, KRW 4,476,000; and (z) for the period from October 6, 2005 through January 5, 2006, KRW 8,859,000. In the event of any modification or amendment to the Youngdong Lease Agreement resulting in a reduction to the key money deposit or the monthly rent and/or maintenance fees, Seller and Purchaser agree to enter into an amendment to this Section 4.21 to proportionately reduce the amounts paid or payable by Seller. In addition to the space Purchaser shall have the right to occupy under the Youngdong Lease Agreement (the 'Initial Space'), Seller agrees to provide Purchaser with the right to occupy 70 pyung on the 14th floor of the Youngdong Building promptly following Closing and to use its good faith efforts to make available to Purchaser up to one-half of the 14th floor of the Youngdong Building in the aggregate as soon as reasonably practicable (the 'Additional Space'). In furtherance of the foregoing, Seller and Purchaser shall cooperate to provide Purchaser with the same rights with respect to the Additional Space as Purchaser has under the Youngdong Lease Agreement with respect to the Initial Space."

Section 16. Amendment to Section 4.22. Section 4.22 of the BTA is hereby amended and restated in its entirety as follows:

"4.22 Hynix Payable and Post-Effective Time Payables. At the Closing, the Hynix Payable from Purchaser to Seller shall be created in an amount as set forth in Section 1.2(a), and the Pre-Closing Balance Sheet and the Closing Balance Sheet shall reflect such as a current liability. Purchaser shall pay to Seller on or prior to the day that is 30 days after the Closing Date an amount equal to (a) the Hynix Payable and (b) any other accounts payable of Seller or its Subsidiaries that arise in the ordinary course of business pursuant to the operation of the Business in accordance with the third sentence of Section 1.5 between the Effective Time and the Closing Date ('Post-Effective Time Accounts Payable'). For purposes of the prior two sentences, no effect shall be given to that portion of Section 1.2(a) restricting accounts payable to those reflected on the Closing Balance Sheet. Seller shall provide notice to Purchaser of the amount of (and reasonable supporting documentation for) the Post-Effective Time Accounts Payable on or prior to the fifth Business Day after the Closing Date. Seller shall pay in accordance with their terms the Shared Payables, all other accounts payable included in the determination of the Hynix Payable and the Post-Effective Time Accounts Payable."

Section 17. Amendment to Section 5.3(g). Section 5.3(g) of the BTA is hereby deleted in its entirety.

Section 18. Amendment to Article VI.

(a) A new Section 6.4(f) shall be added to the BTA that reads as follows:

"Notwithstanding anything herein to the contrary, the taking of any action expressly contemplated by the Purchaser Transaction Documents shall not constitute a breach of any of the restrictions set forth in this Section 6.4."

(b) A new Section 6.6 shall be added to the BTA that reads as follows:

"6.6 Post-Closing Cooperation and Other Agreements.

(a) Seller shall, and shall cause its Subsidiaries, from and after the Closing, upon the reasonable request of Purchaser, to cooperate with Purchaser in the preparation by Purchaser and Purchaser's accountants of (i) an audited balance sheet as of December 31, 2000, (ii) audited financial statements for any fiscal period in 2004, in each case that conform to the requirements of US GAAP and Regulation S-X promulgated by the Securities and Exchange Commission and the regulations promulgated thereunder ('Regulation S-X'), (iii) an audited (x) reconciliation of net income and net assets from US GAAP to those items prepared under Korean GAAP and (y) a condensed Korean GAAP balance sheet, income statement and cash flow statement, in the case of both (x) and (y), as of December 31, 2002, December 31, 2003 and the end of each calendar quarter of 2004 and for each of the three years in the period ended December 31, 2004 and for any fiscal period in 2004 and (iv) a reconciliation of EBITDA derived from such Korean GAAP financial information to EBITDA as determined pursuant to the Accounting Principles, including in the case of (i), (ii), (iii) and (iv) by providing reasonable access at all reasonable times to Seller's personnel and accountants and, to the extent related to such periods, books, records, documents, working papers (subject to execution of a customary accountant's access letter) and other information related to the foregoing.

(b) Purchaser agrees to be bound by the Settlement Agreement, dated as of April 25, 2002, by and between Seller and Nintendo of America Inc. and Purchaser and Seller agree to cooperate to obtain the consent of Nintendo of America Inc. to the foregoing.

(c) Each of Seller and Purchaser agrees that, following the Closing, upon the reasonable request of the other, it shall cooperate with the

other with respect to any litigation or claims with respect to the Business or the Acquired Assets and Assumed Liabilities or the Excluded Assets and Excluded Liabilities to the extent related to the Business, or with respect to the other party's need to demonstrate compliance with any contract (including the Settlement Agreement, dated as of April 25, 2002, by and between Seller and Nintendo of America Inc.) by way of providing or providing access to files, books and records and making personnel available in each case during regular business hours."

Section 19. Separation Plan Amendment. The 23rd and 24th pages of Schedule 4.3 of the BTA are hereby deleted and replaced in their entirety by the pages attached hereto as Schedule 19.

Section 20. Certain Real Estate Matters.

(a) As contemplated by Section 20(b) hereof and the Partition Agreement, the LSPA and the Land Lease and Easement Agreement, Purchaser and Seller have agreed upon resolutions related to the Real Estate Matters. As defined herein, the "Real Estate Matters" shall mean with respect to each of Seller's sites in Gumi and Cheong-Ju, (i) certain discrepancies in the description of the real estate and related improvements at such sites between the ledger and the registry and (ii) ownership interests and registered lease rights of Veolia Water Industrial Development Co., Ltd. ("Veolia") with respect to each of such sites. In consideration for the covenants of Seller contained in Section 20(b) hereof and in the Partition Agreement, the LSPA and the Land Lease and Easement Agreement, Purchaser agrees that the Real Estate Matters shall be deemed to have been disclosed as exceptions to the representations contained in Section 2.10(a), 2.10(b) and 2.11(b) as of June 12, 2004 and Seller shall have no liability to Purchaser, other than as set forth in Section 20(b) hereof and the Partition Agreement, the LSPA and the Land Lease and Easement Agreement, for failure to have disclosed such Real Estate Matters with respect to such representations at such date, including pursuant to Section 6.3(a)(i)(A) of the BTA.

(b) Section 6.5 of the BTA is hereby amended and restated in its entirety as follows:

"6.5 Registration of Purchaser's Lease Rights.

(a) Seller shall provide that (i) Purchaser's lease rights (the 'Lease Rights') with respect to the site occupied by the C1, C2 and R buildings located at Seller's Cheong-Ju site and certain surrounding lands agreed upon by the parties hereto (collectively, the 'Land'), and Purchaser's easement right (the 'Easement Rights I') with respect to the main access roads connecting from public roads to the Land located on the Remaining Land (the 'Easement Site I'), each of which granted by Seller to Purchaser under the land lease and easement agreement (the 'Land Lease and Easement

Agreement'), shall have first priority over all other Liens on the Land and the Easement Site I, as the case may be, except for (A) statutory Liens that may have priority over the Lease Rights and the Easement Rights I and (B) the Seller's Easement Rights over the Access Areas, provided, that Seller shall not be in default of any payment obligations, the failure of which may grant a Tax Authority, Seller's employees or any other Person statutory Liens having priority over the Lease Rights or the Easement Rights I, (ii) two parcels of land respectively located at 105-27, Oibuk-dong, Heungduk-gu, Cheongju City, Chung Cheong Buk-do, Korea and 1, Hyangjeong-dong, Heungduk-gu, Cheongju City, Chung Cheong Buk-do, Korea (the 'Parcels') shall be partitioned into the Land, and land other than the Land (the 'Remaining Land') in accordance with the survey result to be conducted in accordance with Section 6.5(b) below and (iii) all existing Liens on the Land or the Easement Site I, as the case may be, that would have higher priority over the Lease Rights or the Easement Rights I, as the case may be, shall be cancelled or released and reregistered subsequent to the registration of the Lease Rights and the Easement Rights I by taking the steps set forth in this Section 6.5. Seller's failure to perform its obligations under this Section 6.5 due to the imposition by Purchaser's lenders in connection with the Financing of any Lien senior to the Lease Rights and the Easement Rights I shall in no event constitute a breach by Seller thereof.

(b) Seller and Purchaser shall request the Korea Cadastral Survey Corporation or other qualified cadastral company to conduct a survey (the 'Survey') of the Land, the Lease Rights Site II, the Easement Site I, the Easement Site II and the Access Areas to determine the respective boundaries and the sizes thereof, which shall be completed prior to the execution of the agreements identified in Section 6.5(c) herein below.

(c) After satisfaction of the requirements in Section 6.5(b) above by the Closing, based upon the result of the Survey, or otherwise based on diagrams approved by Purchaser and Seller at Closing to be replaced by the results of the Survey to be agreed upon by the Parties, Seller and Purchaser shall enter into: (i) the Land Lease and Easement Agreement with respect to the Land, certain lots on which the gas warehouse building and waste water facility building will be built by Purchaser (the 'Lease Rights Site II' and, together with the Lease Rights Site I, the 'Lease Rights Site') and the Easement Site, substantially on the terms and conditions set forth in the Land Lease and Easement Agreement, whereby (A) Seller shall lease the Lease Rights Site to Purchaser and Purchaser shall lease the Lease Rights Site from Seller, (B) Seller shall grant Purchaser the Easement Rights I to use the

Easement Site I and easement rights (the 'Easement Rights II' and, together with the Easement Right I, the 'Easement Rights') with respect to the access roads and the parking lot located outside of the Land (the 'Easement Site II' and, together with Easement Site I, the 'Easement Site'), and Purchaser shall obtain from Seller the Easement Right to use the Easement Site, and (C) Purchaser shall grant Seller the easement rights (the 'Seller Easement Rights') with respect to the access roads and areas located in the Land (the 'Access Areas'), and Seller shall obtain from Purchaser the Seller Easement Rights to use the Access Areas; and (D) prior to the partition of the Parcels into Land and Remaining Land (the 'Partition'), Seller will lease one-half of the Easement Site I together with the Land as a registered first priority lease right, (ii) a land sale and purchase agreement ('LSPA') in form and substance mutually agreeable to Seller and Purchaser whereby Seller shall sell and transfer the Land to Purchaser prior to the Partition, and Purchaser shall sell and transfer to Seller the ownership to the Land after the Partition has been completed in accordance with the Partition Agreement and the procedures described in Sections 6.5(e), (f) and (g) below; and (iii) an agreement for the Partition ('Partition Agreement') in form and substance mutually agreeable to Seller and Purchaser whereby Seller and Purchaser shall agree that they shall undertake to partition the Parcels into the Land and the Remaining Land, and if Partition is not achieved, then Purchaser will retain a registered first priority lease right in the Land and Easement Site I.

(d) [Intentionally left blank]

(e) As soon as practically possible, but in no event later than fourteen (14) days after the Closing Date, Purchaser shall institute legal proceedings (the 'Proceedings') against Seller with a competent court seeking the Partition of the Parcels as described in the Partition Agreement based on the LSPA. With respect to the Proceedings, (i) Purchaser shall retain as its legal counsel the attorney of its own choosing, (ii) any and all filings in connection with the Proceedings shall be mutually agreed to by the parties and Seller and Purchaser shall cooperate to achieve the result contemplated by this Section 6.5 and (iii) Seller agrees not to contest the Proceedings.

(f) Upon such court rendering its judgment in favor of a Partition of the Parcels, Seller shall waive its right to appeal such judgment and Purchaser shall commence the procedures for the Partition of the Parcels (including filing an application with the Korea Cadastral Survey Corporation requesting a survey of the Parcels to determine the boundary of the Land, to the extent

required and necessary, and file an application with the pertinent Authority requesting a Partition of the Parcels based on such court judgment and results of the survey by the Korea Cadastral Survey Corporation).

(g) Upon the completion of the procedures for the Partition of the Parcels as described in Section 6.5(a) through (f) above, Seller and Purchaser shall file applications to the competent real property registry office to register (i) the Partition of the Parcels, after which Seller shall be registered as the sole owner of the Remaining Land and Purchaser shall be registered as the sole owner of the Land and (ii) the cancellation or release of all existing Liens registered in the real property registry of the Land.

(h) Upon the parties' satisfaction of the steps in Section 6.5(g) above, Purchaser shall transfer title to the Land to Seller pursuant to the Partition Agreement and then Seller shall grant the Easement Rights (the Easement Rights I shall have first priority as provided in Section 6.5(a) and the Easement Rights II shall be subject to Liens existing prior to the registration thereof) to Purchaser pursuant to the Land Lease and Easement Agreement and shall, if requested by Purchaser, provide the Land as collateral for Purchaser's obligations under the Financing. In connection with the granting of the Lease Rights and the Easement Rights, Purchaser, with the cooperation of Seller, shall register the Lease Rights and the Easement Rights with the relevant real property registry office pursuant to the Land Lease and Easement Agreement.

(i) Seller hereby acknowledges and agrees that, after the completion of the steps set forth in Sections (a) through (h) above, it shall not establish any Lien on the Land.

(j) All Taxes imposed on Seller or Purchaser with respect to the procedures set forth in this Section 6.5, except for Taxes related to the Land Lease and Easement Agreement and registration of the Lease Rights and the Easement Rights shall be borne by Seller and, all Taxes related to the Land Lease and Easement Agreement and registration of the Lease Rights and the Easement Rights shall be borne by Purchaser. All other costs and expenses (including reasonable attorney's costs) related to the procedures set forth in this Section 6.5, except for the costs and expenses related to the Land Lease and Easement Agreement and the registration of the Lease Rights and the Easement Rights, shall be equally borne by Seller and Purchaser. All other costs and expenses related to the Land Lease and Easement Agreement shall be borne by the party incurring such costs and expenses, except

that all other costs and expenses related to the registration of the Lease Rights and the Easement Rights shall be borne by Purchaser. Each of Seller and Purchaser shall use reasonable efforts and Seller and Purchaser shall cooperate to minimize the Tax, costs and expenses related to the procedures set forth in this Section 6.5.

(k) Seller has disclosed to Purchaser that Seller will not be able to provide to Purchaser at Closing title conveyance or registered lease rights for various buildings and improvements as otherwise required under this Agreement because the buildings and improvements are unregistered or improperly registered. Seller agrees that it will use best efforts to register all buildings and improvements which it is obligated to provide to Purchaser at Closing by registered title or registered priority lease rights or for which Seller has represented to tenants whose leases will be assigned to Purchaser that the landlord under the lease would provide such tenant with registered lease rights. Seller agrees that it will provide Purchaser with such registration that it leaves Purchaser in the identical position it would have been in if Seller had delivered the conveyance of title and registration of lease rights in the form and quality otherwise required under this Agreement, and Seller hereby agrees it shall take no action to disturb or diminish the quality of Purchaser's interest in the buildings and improvements from that interest Seller covenanted to register as of Closing or Partitioning, as applicable. Seller agrees to indemnify and hold harmless Purchaser from all claims, liabilities, obligations, losses, or damages, direct or indirect, arising from Seller's failure, deficiency or delay in providing such registered title or lease rights as the case may be, including, warranties of title to Purchaser's lenders or tenants. Seller acknowledges that Purchaser shall be entitled to exercise all powers, rights, and interests of ownership of such unregistered building and improvements as if Purchaser held current registered title rather than equitable title to such buildings and improvements, and Seller shall cooperate with Purchaser and perform such acts as Purchaser on behalf of Purchaser as Purchaser may notify Seller in the exercise of Purchaser's equitable ownership prior to it acquiring the legal registered title and interest in such buildings and improvements."

Section 21. Waiver of Certain Provisions of Article V.

(a) Purchaser hereby irrevocably waives the following conditions to its obligation to consummate the Transaction: (i) the condition contained in Section 5.2(b) of the BTA solely with respect to the receipt by Seller of consents from third parties with respect to the Contracts contained in Schedule 21 hereto, provided that Seller and Purchaser affirm that such Contracts are Acquired Contracts; (ii) the condition contained

in Section 5.2(g) of the BTA solely with respect to (y) the inclusion in the Audits of a reconciliation of net income and net assets from US GAAP to those items prepared under Korean GAAP and a condensed Korean GAAP balance sheet, income statement and cash flow statement and (z) the second sentence thereof; and (iii) the condition contained in Section 5.2(j) of the BTA solely with respect to the second sentence thereof.

Section 22. Other Amendments to the BTA. Notwithstanding anything in the BTA to the contrary, the terms "Purchaser Transaction Documents" and "Seller Transaction Documents" in the BTA shall have the respective meanings given to such terms on Schedule 22 hereto. All references to the term "Transaction" in the BTA shall be deemed to mean the Transaction as modified by Section 1.10 of the BTA. References to "Seller" and "Purchaser" in the BTA shall be deemed to include the Subsidiaries of Seller and the Subsidiaries of Warrant Issuer (in each case listed on Schedule 1.6(a) hereof) where appropriate in order to effect the intent of Section 1(f) hereof. Notwithstanding anything in the BTA to the contrary, with respect to any Transfer Taxes arising from and with respect to the sale and purchase of the Acquired Assets pursuant to Section 1.10 of the BTA, Seller shall cause the applicable Subsidiary of Seller to pay such Transfer Taxes as and when they become due, and Purchaser shall cause the applicable Subsidiary of Warrant Issuer to reimburse such Subsidiary of Seller at such time and to the extent that such Subsidiary of Warrant Issuer receives a refund of such Transfer Taxes.

Section 23. Counterparts. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but which together shall constitute one and the same instrument.

Section 24. Headings. The headings preceding the text of the sections and subsections hereof are inserted solely for convenience of reference, and shall not constitute a part of this Amendment nor shall they affect its meaning, construction or effect.

Section 25. Continued Effectiveness of BTA. Except as specifically amended and supplemented above or by the Appraised Share Agreement, dated as of the date hereof, by and between Seller and Purchaser, all terms of the BTA shall remain unchanged and in full force and effect.

Section 26. Certain Defined Terms. Capitalized terms used but not defined herein shall have the meanings set forth in the BTA.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first written above.

HYNIX SEMICONDUCTOR INC.

By: _____

Name: E.J. Woo
Title: Chairman and CEO

MAGNACHIP SEMICONDUCTOR, LTD.

By: _____

Name: Robert Krakauer
Title: Chief Financial Officer

The following schedules to the Amendment have been omitted from this Exhibit 2.2:

SCHEDULES

| Schedule | Corresponding BTA Schedule | Description |
|---|---|---|
| Schedule 1(a) | Schedule 1.1(b)(xx) | Golf Memberships |
| Schedule 6 | Schedule 1.6(a) | Subsidiary to Subsidiary Transfer; Wire Instructions |
| Schedule 10(a) | | Registration of Intellectual Property other than in Seller's Name |
| Schedule 10(c) | Schedule 2.13(c) | Co-Ownership Restrictions |
| Schedule 11 | | Seller Separation Plan Expenses |
| Schedule 12(a) | Schedule 2.16(c) | Employees |
| Schedule 14(c) | Schedule 4.19(c) | Contracts to be Extended or Sublicensed |
| Schedule 19 | Schedule 4.3 | Certain Revised Pages of Schedule 4.3 of the BTA |
| Schedule 21 | | Contracts for which Receipt of Consent is Waived |
| Schedule 22 | | Purchaser Transaction Documents and Seller Transaction Documents |

The registrant agrees to furnish supplementally a copy of any omitted schedule to the Securities and Exchange Commission upon request.

**EXHIBIT 3.1**

CERTIFICATE OF FORMATION

OF

SYSTEM SEMICONDUCTOR HOLDING LLC

The undersigned, an authorized natural person, for the purpose of forming a limited liability company under the provisions and subject to the requirements of the State of Delaware (particularly Chapter 18, Title 6 of the Delaware Code and the acts amendatory thereof and supplemental thereto, and known, identified and referred to as the "Delaware Limited Liability Company Act"), hereby certifies that:

FIRST. The name of the limited liability company (hereinafter called the "Limited Liability Company") is System Semiconductor Holding LLC.

SECOND. The address of the registered office and the name and address of the registered agent of the Limited Liability Company required to be maintained by Section 18-104 of the Delaware Limited Liability Company Act is National Corporate Research, Ltd., 615 South Dupont Highway, in the City of Dover, County of Kent, Delaware 19901. The name of the registered agent at this address is National Corporate Research, Ltd.

Executed on November 26, 2003.

/s/ Catherine Sicari

Catherine Sicari
Authorized Person

*State of Delaware*
*Secretary of State*
*Division of Corporations*
*Delivered 07:20 PM 11/26/2003*
*FILED 06:56 PM 11/26/2003*
*SRV 030764552 - 3733022 FILE*

**EXHIBIT 3.2**

**CERTIFICATE OF AMENDMENT**

**OF THE**

**CERTIFICATE OF FORMATION**

**OF**

**SYSTEM SEMICONDUCTOR HOLDING LLC**

1. The name of the limited liability company is System Semiconductor Holding LLC.

2. The Certificate of Formation of the limited liability company is hereby amended as follows:

Item FIRST of the Certificate of Formation shall be deleted in its entirety and the following shall be inserted in lieu thereof:

FIRST. The name of the limited liability company (hereinafter called the "Limited Liability Company") is MagnaChip Semiconductor LLC.

3. This Certificate of Amendment shall be effective upon its filing with the Office of the Secretary of State of the State of Delaware.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Amendment of the Certificate of Formation of System Semiconductor Holding LLC.

SYSTEM SEMICONDUCTOR HOLDING LLC

By: Paul C. Schorr IV

Name: Paul C. Schorr IV
Title: President

**EXHIBIT 3.3**

**THIRD AMENDED AND RESTATED**

**LIMITED LIABILITY COMPANY OPERATING AGREEMENT**

**OF**

**MAGNACHIP SEMICONDUCTOR LLC**

**A Delaware Limited Liability Company**

**Dated as of October 6, 2004**

THE SECURITIES REPRESENTED BY THIS LIMITED LIABILITY COMPANY OPERATING AGREEMENT HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER ANY STATE SECURITIES LAWS AND, AS SUCH, THEY MAY NOT BE OFFERED FOR SALE, SOLD, DELIVERED AFTER SALE, TRANSFERRED, PLEDGED, OR HYPOTHECATED UNLESS THE SECURITIES HAVE BEEN QUALIFIED AND REGISTERED UNDER APPLICABLE STATE AND FEDERAL SECURITIES LAWS OR UNLESS SUCH QUALIFICATION AND REGISTRATION IS NOT LEGALLY REQUIRED. TRANSFER OF THE SECURITIES REPRESENTED BY THIS LIMITED LIABILITY COMPANY OPERATING AGREEMENT MAY BE FURTHER SUBJECT TO THE RESTRICTIONS, TERMS AND CONDITIONS SET FORTH HEREIN.

**TABLE OF CONTENTS**

**TABLE OF CONTENTS**
(continued)

**TABLE OF CONTENTS**
(continued)

**DEFINED TERMS**

**THIRD AMENDED AND RESTATED**

**LIMITED LIABILITY COMPANY OPERATING AGREEMENT**

**OF**

**MAGNACHIP SEMICONDUCTOR LLC**

**A Delaware Limited Liability Company**

THIS THIRD AMENDED AND RESTATED LIMITED LIABILITY COMPANY OPERATING AGREEMENT (this "Agreement") of MAGNACHIP SEMICONDUCTOR LLC (the "Company") dated as of October 6, 2004 is entered into by and among the parties listed on Exhibit A attached hereto (the "Existing Members") and those other Persons (defined below) who become Members (defined below) of the Company from time to time, as hereinafter provided.

## ARTICLE I
## ORGANIZATION

**1.1.** ***Formation; Effective Date.*** The Company was organized as a Delaware limited liability company on November 26, 2003 by the filing of a certificate of formation (the "Certificate") with the Office of the Secretary of State of the State of Delaware under and pursuant to the Act (defined below). The Company represents that from the date of organization of the Company until the date hereof, the Company has conducted no business and incurred no liabilities other than in connection with the Transactions and the initial contributions described in Section 3.1(b). The name of the Company was changed from "System Semiconductor Holding LLC" to "MagnaChip Semiconductor LLC" on August 31, 2004 by the filing of a Certificate of Amendment to the Certificate with the Office of the Secretary of State of the State of Delaware under and pursuant to the Act. This Agreement amends and restates the First Amended and Restated Limited Liability Company Operating Agreement of the Company dated as of September 10, 2004, which had amended and restated the Operating Agreement of the Company dated as of June 8, 2004, and shall be deemed effective as of the date hereof. To the extent that the rights or obligations of any Member are different by reason of any provision of this Agreement than they would be in the absence of such provisions, this Agreement shall, to the extent permitted by the Act, control. As used herein, (a) "Act" means the Delaware Limited Liability Company Act (6 Del. C. § 18-101 *et.seq*.), and any successor statute, as amended from time to time; (b) "Business Transfer Agreement" means the Business Transfer Agreement, dated as of June 12, 2004, by and between Hynix Semiconductor Inc., a company organized under the laws of the Republic of Korea ("Hynix "), and MagnaChip Semiconductor, Ltd. ("MagnaChip Korea"), a company organized under the laws of the Republic of Korea and an indirect subsidiary of the Company; and (c) "Transactions" means the transactions contemplated by the Business Transfer Agreement.

**1.2.** ***Name***. The name of the Company is "MagnaChip Semiconductor LLC" and all Company business must be conducted in that name or in such other names that comply with applicable law as the Board of Directors of the Company (the "Board of Directors") may select from time to time.

**1.3.** ***Registered Agent; Offices.*** The registered agent and office of the Company required by the Act to be maintained in the State of Delaware shall be the Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801 or such other agent or office (which need not be a place of business of the Company) as the Board of Directors may designate from time to time in the manner provided by applicable law. The principal office of the Company shall be located at such place within or without the State of Delaware, and the Company shall maintain such records, as the Board of Directors shall determine from time to time. The Company may have such other offices as the Board of Directors may designate from time to time.

**1.4.** ***Purpose***

(a) The nature or purpose of the business to be conducted or promoted by the Company is to (i) purchase from time to time and hold equity and/or debt investment interests in MagnaChip Semiconductor S. à r.l., a company organized under the laws of Luxembourg ("MagnaChip Luxembourg"), and MagnaChip Semiconductor, Inc., a Delaware corporation ("MagnaChip US"), any successor to MagnaChip Luxembourg or MagnaChip US or any direct or indirect subsidiary of such entities; (ii) engage in the semiconductor industry or related industries or purchase from time to time and hold equity and/or debt investment interests in entities engaged in such industries; (iii) perform all duties and activities as a controlling stockholder of MagnaChip Luxembourg and MagnaChip US or their respective successors and manage the investments of the Company; (iv) hold for investment, distribute and/or otherwise dispose of cash or property distributed to the Company by MagnaChip Luxembourg or MagnaChip US or otherwise received by the Company in connection with its business; and (v) engage in any and all activities necessary, desirable or incidental to the accomplishment of the foregoing; in each case subject to Section 9.4. Notwithstanding anything herein to the contrary, nothing set forth herein shall be construed as authorizing the Company to possess any purpose or power, or to do any act or thing, forbidden by law to a limited liability company organized under the laws of the State of Delaware.

(b) Subject to the provisions of this Agreement, the Company shall have the power and authority to take any and all actions necessary, appropriate, proper, advisable, convenient or incidental to, or for the furtherance of, the purposes set forth in Section 1.4(a).

(c) Subject to the provisions of this Agreement and any securityholders agreement that may be entered into from time to time between the Company and some or all of the Members (each a "Securityholders Agreement"), (i) the Company may enter into and perform any and all documents, agreements and instruments contemplated thereby, all without any further act, vote or approval of any Member, (ii) the Board of Directors may authorize any person (including, without limitation, any Member or Officer) to enter into and perform any document on behalf of the Company and (iii) the Company may merge with, or consolidate into, another Delaware limited liability company or other business entity (as defined in the Act).

**1.5.** ***Foreign Qualification.*** The Board of Directors shall cause the Company to comply with all requirements necessary to qualify the Company as a foreign limited liability company in any jurisdiction where the nature of its business makes such qualification necessary or desirable; provided that the Board of Directors shall provide to each Member such notice of its intention to so qualify in any jurisdiction outside the United States as is reasonably practicable, which such notice shall contain the name of the jurisdiction and the reason for such qualification to the extent reasonably practicable. Subject to the preceding sentence, at the request of the Board of Directors, each Member shall execute, acknowledge, and deliver all certificates and other instruments conforming with this Agreement that are necessary or appropriate to qualify, continue, or terminate the Company as a foreign limited liability company in all such jurisdictions in which the Company may conduct business.

## ARTICLE II
## MEMBERSHIP INTERESTS

**2.1.** ***Existing Members; New Members.***

(a) The Existing Members of the Company are designated on Exhibit A. The number of Common Units and Preferred Units owned by each Member, such Member's Percentage Interest (defined below) of each class of Membership Interests (defined below) and such Member's Capital Contributions as of the date hereof are set forth on Exhibit A opposite such Member's name. Each Member's Membership Interest shall be represented by Units of Membership Interest.

(b) Subject to the applicable provisions of any Securityholders Agreement, and approval by the Board of Directors, the Company shall have the right to issue or sell to any Person (including Members and affiliates of Members) any of the following (which for purposes of this Agreement shall be referred to as "Additional Interests": (i) additional Common Units, Series A Preferred Units and Series B Preferred Units and (ii) warrants, options, or other rights to purchase or otherwise acquire Common Units, Series A Preferred Units and Series B Preferred Units. Subject to the provisions of this Agreement, the Securityholders Agreements, if any, and approval by the Board of Directors, the Company shall determine the number of each class or series of Units to be issued or sold and the contribution required in connection with the issuance of such Additional Interests. In order for a Person to be admitted as a new Member of the Company with respect to an Additional Interest, with respect to Membership Interests that have been transferred pursuant to this Agreement or otherwise: such Person shall have delivered to the Company a written undertaking in a form acceptable to the Company to be bound by the terms and conditions of this Agreement and the Securityholders Agreements, if any, and shall have delivered such documents and instruments as the Company reasonably determines to be necessary or appropriate in connection with the issuance of such Additional Interest to such Person or the transfer of Membership Interests to such Person or to effect such Person's admission as a Member. Thereafter, the Secretary of the Company shall amend Exhibit A without the further vote, act or consent of any other Person to reflect such new Person as a Member and shall make available for review a copy of such amended Exhibit A to each Member. Upon the delivery of such documents and instruments, such Person shall be admitted as a Member and deemed listed as such on the books and records of the Company and thereupon shall be issued such Person's Membership Interest, including any Units that correspond to and

are part of such Membership Interest. Notwithstanding anything herein to the contrary, no Member may transfer its Membership Interests until the closing of the Business Transfer Agreement.

(c) As used herein, the following terms shall have the following meanings:

(i) "Member" means (a) the Existing Members and (b) any Person hereafter admitted to the Company as a member as provided in this Agreement and the Securityholders Agreements, if any, but does not include any Person who has ceased to be a member in the Company.

(ii) "Membership Interest" means a Member's entire interest in the Company, including such Member's economic interest, the right to vote on or participate in the Company's management, and the right to receive information concerning the business and affairs of the Company, in each case, to the extent expressly provided in this Agreement or required by the Act.

(iii) "Percentage Interest" means, with respect to any Member, the percentage of the total number of Units of the class of Units in question owned by such Member.

(iv) "Person" shall mean an individual, a corporation, partnership, trust, limited liability company, organization, association, government or any department or agency thereof, or any other individual or entity.

**2.2.** ***Representations and Warranties.*** Each Member hereby represents and warrants to the Company and each other Member that:

(a) Such Member has full legal right, power and authority (including the due authorization by all necessary corporate, limited liability company or partnership action in the case of corporate, limited liability company or partnership Members) to enter into this Agreement and to perform such Member's obligations hereunder without the need for the consent of any other Person; and this Agreement has been duly authorized, executed and delivered and constitutes the legal, valid and binding obligation of such Member enforceable against such Member in accordance with the terms hereof.

(b) The Membership Interests are being received by such Member for investment and not with a view to any distribution thereof that would violate the United States Securities Act of 1933, as amended (the "Securities Act"), or the applicable securities laws of any state; and such Member will not distribute the Membership Interests in violation of the Securities Act or the applicable securities laws of any state.

(c) Such Member understands that the Membership Interests have not been registered under the Securities Act or the securities laws of any state and must be held indefinitely unless subsequently registered under the Securities Act and any applicable state securities laws or unless an exemption from such registration becomes or is available.

(d) Such Member is financially able to hold the Membership Interests for long-term investment, believes that the nature and amount of the Membership Interests being acquired are consistent with such Member's overall investment program and financial position, and recognizes that there are substantial risks involved in acquiring the Membership Interests.

(e) Such Member confirms that (i) such Member is familiar with the business of the Company, (ii) such Member has had the opportunity to ask questions about the Company and to obtain (and that such Member has received to its satisfaction) such information about the business and financial condition of the Company as such Member has reasonably requested, and (iii) such Member, either alone or with such Member's representative (as defined in Rule 501(h) promulgated under the Securities Act), if any, has such knowledge and experience in financial and business matters that such Member is capable of evaluating the merits and risks of the prospective investment in the Membership Interests.

(f) Such Member acknowledges and agrees that such Member's Membership Interests can not be sold, assigned, transferred, exchanged or otherwise disposed of except in compliance with the terms of the Securityholders Agreement, if any, to which such Member is bound.

**2.3.** ***Membership Interests; Certification.*** The Membership Interests shall be divided into three classes of Units consisting of units of Common Membership Interests (the "Common Units"), units of Series A Preferred Membership Interests (the "Series A Preferred Units") and units of Series B Preferred Membership Interests (the "Series B Preferred Units" and, together with the Series A Preferred Units, the "Preferred Units" and, together with Series A Preferred Units and the Common Units, the "Units"). As of the date hereof, and after giving effect to the transactions contemplated hereby, there shall be authorized (i) 65,000,000 Common Units, of which 49,713,285.6800 will be issued and outstanding, (ii) 60,000 Series A Preferred Units, of which 49,727.2033 will be issued and outstanding, and (iii) 550,000 Series B Preferred Units, of which 447,419.5533 will be issued and outstanding. The Company may, in its discretion, issue certificates to the Members representing the Units of Membership Interests held by each Member. To the extent that the holder of a Unit is required by the other provisions of this Agreement to deliver or surrender such holder's certificates representing Units, then, in the event that the Units are not certificated by the Company, the Company will provide a form to be completed and delivered by such holder in lieu thereof.

**2.4.** ***Common Units.*** Except as otherwise provided herein, all Common Units shall be identical and shall entitle the holders thereof to the same rights and privileges.

(a) Dividends. Holders of Common Units shall be entitled to receive ratably on a per unit basis such dividends as may be declared by the Board of Directors.

(b) Voting Rights of Common Units. Subject to the applicable provisions of any Securityholders Agreement, the holders of Common Units shall have the general right to vote for all purposes, including the election of directors of the Board of Directors of the Company ("Directors"), as provided by applicable law. Each holder of Common Units shall be entitled to one vote for each unit thereof held. There shall be no cumulative voting.

(c) Distribution of Assets. In the event of the voluntary or involuntary liquidation, dissolution or winding up of the Company, holders of Common Units shall be entitled to receive all of the remaining assets of the Company available for distribution to its members after all amounts to which the holders of Series A Preferred Units and Series B Preferred Units are entitled have been paid or set aside in cash for payment.

(d) Common Unit Original Issue Price. The "Common Unit Original Issue Price" is equal to $1.00 per Common Unit.

**2.5.** ***Series A Preferred Units***

(a) Accrual and Payment of Dividends.

(i) The holders of Series A Preferred Units shall be entitled to receive, subject to Section 18-607 of the Act, when, as and if declared by the Board of Directors, cumulative cash dividends at the rate of 14% per unit per annum on the Series A Original Issue Price, compounded semi-annually.

(ii) Such dividends shall be payable in semi-annual installments in arrears commencing March 15, 2005 and thereafter on the fifteenth day of March and September (unless such day is not a Business Day (defined below) in which event on the last preceding Business Day) in each such year (hereinafter referred to as a "Series A Dividend Accrual Date"). Each such dividend on Series A Preferred Units when paid shall be payable to holders of record as they appear on the books of the Company on the date established by the Board of Directors of the Company as the record date for the payment of such dividend (which record date shall not precede the date upon which the resolution fixing such record date is adopted and which record date shall be not more than sixty days prior to such action). If no record date is fixed, the record date for determining holders for such purpose shall be at the close of business on the date on which the Board of Directors adopts the resolution relating to such dividend payment. Dividends with respect to any Series A Preferred Units shall accrue (whether or not earned or declared) from the date of issuance of such units. As used herein, "Business Day" means any day other than a Saturday, a Sunday, or a holiday on which national banking associations in the State of Delaware are closed.

(iii) Such dividends on the Series A Preferred Units shall be cumulative, whether or not earned or declared, so that if at any time full cumulative dividends at the rate aforesaid on all Series A Preferred Units then outstanding to the end of the semi-annual dividend period next preceding such time shall not have been paid, the amount of the deficiency shall be paid before any sum shall be set aside for or applied by the Company to the purchase, redemption or other acquisition for value of any Series A Junior Units (defined below) (either pursuant to any applicable sinking fund requirement or otherwise) or any dividend or other distribution shall be paid or declared and set apart for payment on any Series A Junior Units (other than a dividend payable in Series A Junior Units); provided, however, that the foregoing shall not prohibit the

Company from repurchasing Series A Junior Units from a former employee of the Company (or a subsidiary of the Company) where such repurchase arises from the Company's option to repurchase such units upon termination of such employee's employment with the Company (or a subsidiary) pursuant to a written plan or written agreement between the Company and such employee or from the Company's obligation to repurchase such units pursuant to Sections 2.11, 2.12 or 2.13. As used herein, "Series A Junior Units" means any series or class of the membership interests of the Company now or hereafter authorized or issued by the Company, including any series or class of preferred units, ranking junior to the Series A Preferred Units with respect to dividends or distributions or upon the liquidation, distribution of assets, dissolution or winding-up of the Company, including without limitation the Series B Preferred Units and the Common Units. Accrued dividends on the Series A Preferred Units if not paid on the first or any subsequent Series A Dividend Accrual Date following accrual shall thereafter accrue additional dividends in respect thereof (the "Series A Additional Dividends"), compounded semi-annually, at the rate of 14% per annum on the amount of such accrued dividends.

(iv) When dividends are not paid in full upon the Series A Preferred Units and any other units ranking on a parity as to dividends with the Series A Preferred Units, all dividends paid upon Series A Preferred Units and any other units ranking on a parity as to dividends with the Series A Preferred Units shall be paid pro rata so that in all cases the amount of dividends paid per unit on the Series A Preferred Units and such other units shall bear the same ratio that accrued dividends per unit (including Series A Additional Dividends) on the Series A Preferred Units and such other units bear to each other. Except as provided in the preceding sentence, unless full cumulative dividends on the Series A Preferred Units have been paid, no dividends shall be declared or set aside for payment upon any other units of the Company ranking on a parity with the Series A Preferred Units as to dividends.

(v) A semi-annual dividend period shall commence on the day following a Series A Dividend Accrual Date and shall end on the next succeeding Series A Dividend Accrual Date.

(b) Voting Rights. Subject to the applicable provisions of any Securityholders Agreement, except as required by applicable law and except for any voting by the holders of Series A Preferred Units as part of a separate class or series pursuant to Section 2.5(e) or any other provision of this Agreement, no holder of Series A Preferred Units, as such holder, shall be entitled to vote on any matter submitted to a vote of the Members. On any matters on which the holders of the Series A Preferred Units shall be entitled to vote, they shall be entitled to one vote for each unit held. Except as otherwise required by law or as otherwise provided herein, the holders of Series A Preferred Units shall not be entitled to notice of any meeting of Members.

(c) Redemption Rights.

(i) If any outstanding Series A Preferred Units remain outstanding on the 9th anniversary after issuance of the Series A Preferred Units (the "Series A Mandatory Redemption Date"), then the holders of a majority of the then outstanding Series A Preferred Units shall have the right to elect to have the Company redeem all outstanding Series A Preferred Units from funds legally available therefor, in the manner provided in this Section 2.5(c), at a price per unit equal to $1,000 (the "Series A Original Issue Price") plus an amount per unit equal to full cumulative dividends (whether or not earned or declared) accrued and unpaid thereon (including Series A Additional Dividends) to the Series A Mandatory Redemption Closing Date (defined below) (such redemption, a "Series A Mandatory Redemption"). Notice of such an election by holders of Series A Preferred Units (the "Series A Mandatory Redemption Notice") shall be given by such holders to the Company at least 90 days prior to the date redemption is desired (the "Series A Mandatory Redemption Closing Date"). In the event that the Company makes an affirmative election to be treated as a corporation for Federal income tax purposes or the Company is converted to a corporation under Delaware (or other state) law, whether by operation of law, merger or otherwise, then the Company shall have the right to extend the Series A Mandatory Redemption Date to a date that is twenty years and one day past the date of the resulting issuance of the preferred stock of the resulting corporation or the date of the deemed or actual conversion (or exchange) of the Series A Preferred Units into (or for) preferred stock of the resulting corporation, whichever is applicable.

(ii) The Series A Preferred Units may be redeemed from funds legally available therefor, in whole or in part, at the election of the Company, expressed by resolution of the Board of Directors, at any time and from time to time at a price per unit equal to the Series A Original Issue Price plus an amount per unit equal to full cumulative dividends (whether or not earned or declared) accrued and unpaid thereon (including Series A Additional Dividends and all dividends which have accrued since the most recent Series A Dividend Accrual Date) to the date of such optional redemption (such redemption, a "Series A Optional Redemption"); provided that in the event that the Company makes an affirmative election to be treated as a corporation for Federal income tax purposes or the Company is converted to a corporation under Delaware (or other state) law, whether by operation of law, merger or otherwise, then the Company shall have no right to make a Series A Optional Redemption until the date that is twenty years and one day past the date of the resulting issuance of the preferred stock of the resulting corporation or the date of the deemed or actual conversion (or exchange) of the Series A Preferred Units into (or for) preferred stock of the resulting corporation, whichever is applicable. The date of any Series A Optional Redemption is hereinafter referred to as a "Series A Optional Redemption Date."

(iii) The aggregate amount of any redemption pursuant to paragraph (i) or (ii) above is hereinafter referred to as the "Series A Redemption Price" with respect to such redemption. Each of the Series A Mandatory Redemption Closing Date and the date of any Series A Optional Redemption is hereinafter referred to individually as a "Series A Redemption Date."

(iv) Any redemption pursuant to this Section 2.5(c) shall be accomplished in the manner and with the effect as set forth in this Section 2.5(c). In the event that a Series A Mandatory Redemption Notice is given or the Company elects to make a Series A Optional Redemption, notice of the redemption of Series A Preferred Units shall be sent to each holder of record, at the close of business on the Business Day on which the Series A Mandatory Redemption Notice is given in the case of a Series A Mandatory Redemption, or on the record date for such redemption in the case of a Series A Optional Redemption, at such holder's address as the same appears on the books of the Company not less than ten (10) days and not more than sixty (60) days prior to the Series A Redemption Date. Each such notice shall state (A) the Series A Redemption Date, (B) whether the redemption is a Series A Mandatory Redemption or Series A Optional Redemption, (C) the place or places where such units are to be surrendered, (D) that the holder is to surrender the units at the place of redemption and (E) that dividends on the Series A Preferred Units shall cease to accrue on the Series A Redemption Date. If less than all the outstanding Series A Preferred Units are to be redeemed, the selection of units for redemption shall be made pro rata and the notice of redemption to a holder shall state the number of Series A Preferred Units of such holder to be redeemed. The portion of the applicable Series A Redemption Price to which each holder of record of the Series A Preferred Units to be redeemed is entitled shall be delivered to the holder at the holder's address as the same appears on the books of the Company; provided, however, that the full amount of the applicable Series A Redemption Price may instead be deposited (such deposit, the "Series A Deposit") on or before the applicable Series A Redemption Date in trust for the account of the holders of Series A Preferred Units entitled thereto with a bank or trust company in good standing doing business in the State of New York and having capital and surplus of at least $100,000,000 (the date of such deposit being hereinafter referred to as the "Series A Date of Deposit"). Notice of the date on which, and the name and address of the bank or trust company with which, the Series A Deposit has or will be made shall be included in the notice of redemption.

(v) On and after the applicable Series A Redemption Date (unless default shall be made by the Company in providing money for the payment of the Series A Redemption Price pursuant to the notice of redemption), or if the Company shall make a Series A Deposit on or before the date specified therefor in the notice of redemption, then on and after the Series A Date of Deposit (provided notice of redemption has been duly given), all dividends on the Series A Preferred Units so called for redemption shall cease to accrue, and the notice of redemption shall so state, and, notwithstanding that any certificate for Series A Preferred Units is not surrendered for cancellation, the units represented thereby shall no longer be deemed outstanding and all rights of the holders thereof of the Company shall cease and terminate, except the right to receive the Series A Redemption Price (without interest) as hereinafter provided.

(vi) At any time on or after the applicable Series A Redemption Date, or if the Company shall make a Series A Deposit prior to the Series A Redemption Date, then at any time on or after the Series A Date of Deposit, which time shall be specified by the Company in the notice of redemption and which shall not be later than the applicable Series A Redemption Date, the holders of record of the Series A Preferred Units to be redeemed shall be entitled to receive the Series A Redemption Price upon actual delivery to the Company, or in the case of a Series A Deposit, then the bank or trust company with which such Series A Deposit shall be made, of certificates for the units to be redeemed, such certificates, if required, to be duly endorsed in blank or accompanied by proper instruments of assignment and transfer duly endorsed in blank. The making of such delivery to the Company or any such bank or trust company (as applicable) shall not relieve the Company of liability for payment of the Series A Redemption Price.

(vii) Any Series A Deposit funds which remain unclaimed by the holders of such Series A Preferred Units at the end of two (2) years after the Series A Redemption Date shall be paid by the bank or trust company to the Company, which shall thereafter, to the extent of the money so repaid, be liable for the payment of the Series A Redemption Price. Any interest accrued on any Series A Deposit shall be paid to the Company from time to time.

(viii) Notwithstanding anything to the contrary set forth herein, the amounts paid to each holder of Series A Preferred Units under this Section 2.5(c) shall not be in excess of the positive balance in the Series A Preferred Unit Capital Account of such holder (after taking into account any allocation of income, gain, loss or deductions pursuant to Article IV of this Agreement).

(d) Preference Rights on Liquidation.

(i) In the event that the Company shall be liquidated, dissolved or wound up, whether voluntarily or involuntarily, after all creditors of the Company shall have been paid in full, the holders of the Series A Preferred Units shall be entitled to receive, out of the assets of the Company legally available for distribution to its members, whether from capital, surplus or earnings, before any amount shall be paid to the holders of any Series A Junior Units, an amount equal to the Series A Original Issue Price in cash per unit plus an amount equal to full cumulative dividends (whether or not earned or declared) accrued and unpaid thereon (including Series A Additional Dividends) to the date of final distribution, and no more. If upon any voluntary or involuntary liquidation, dissolution or winding up of the Company, the net assets of the Company shall be insufficient to pay the holders of all outstanding Series A Preferred Units and of any units ranking on a parity with the Series A Preferred Units the full amounts to which they respectively shall be entitled, such assets, or the proceeds thereof, shall be distributed ratably among the holders of the Series A Preferred Units and any units ranking on a parity with the Series A Preferred Units in accordance with the amounts which would be payable on such distribution if the amount to which the

holders of the Series A Preferred Units and of any units ranking on a parity with the Series A Preferred Unit are entitled were paid in full. Holders of Series A Preferred Units shall not be entitled, upon the voluntary or involuntary liquidation, dissolution or winding up of the Company, to receive any amounts with respect to such units other than the amounts referred to in this Section 2.5(d)(i).

(ii) Neither the purchase nor redemption by the Company of any class of units in any manner permitted by the Certificate or any amendment thereof, this Agreement or the Securityholders Agreements, if any, nor the merger or consolidation of the Company with or into any other business entity (as defined in the Act), nor the conversion of the Company into a corporation under Delaware (or other state) law, nor a sale, exchange, conveyance, transfer or lease of all or substantially all of the Company's assets shall be deemed to be a liquidation, dissolution or winding up of the Company for the purposes of this Section 2.5(d); provided, however, that any consolidation or merger of the Company in which the Company is not the surviving entity shall be deemed to be a liquidation, dissolution or winding up of the affairs of the Company within the meaning of this Section 2.5(d) if, (A) in connection therewith, the holders of Series A Junior Units of the Company receive as consideration, whether in whole or in part, for such Series A Junior Units (1) cash, (2) notes, debentures or other evidences of indebtedness or obligations to pay cash or (3) preferred stock or units of the surviving entity which ranks on a parity with or senior to the preferred stock or units received by holders of the Series A Preferred Units with respect to liquidation or dividends or (B) the holders of the Series A Preferred Units do not receive preferred stock or units of the surviving entity with rights, powers and preferences equal to (or more favorable to the holders than) the rights, powers and preferences of the Series A Preferred Units.

(iii) Notwithstanding anything to the contrary set forth in this Section 2.5(d), the amounts distributed under this Section 2.5(d) shall not be in excess of that which would be distributed to the holders of the Series A Preferred Units pursuant to Section 11.2(c) (after taking into account any allocation of income, gain, loss or deductions pursuant to Article IV of this Agreement).

(e) Other Rights. Subject to the applicable provisions of any Securityholders Agreement, without the written consent of the holders of a majority of the outstanding units of Series A Preferred Units or the vote of the holders of a majority of the outstanding units of Series A Preferred Units at a meeting of the holders of Series A Preferred Units called for such purpose, the Company shall not amend, alter or repeal any provision of the Company's Certificate or this Agreement so as to adversely affect the relative rights and preferences of the Series A Preferred Units; provided however, that any such amendment that changes the dividend payable on the Series A Preferred Units shall require the affirmative vote of the holder of each unit of Series A Preferred Units at a meeting of such holders called for such purpose or the written consent of the holder of each such unit of Series A Preferred Units; provided further, that in no event will the issuance of any series of preferred Units that is senior to, on a parity with or junior to the Series A Preferred Units or has a redemption date earlier than the Series A Preferred Units be deemed to adversely affect the rights and preferences of the Series A Preferred Units.

(f) Acknowledgement. Each holder of Series A Preferred Units, by acceptance thereof, acknowledges and agrees that payments of dividends, interest, premium and principal on, and redemption and repurchase of, such securities by the Company are subject to restrictions contained in certain credit and financing agreements of the Company.

(g) Conversion.

(i) The Series A Preferred Units may be converted, at the Company's option upon or concurrently with the first underwritten public offering of the Common Units (such Common Units or securities into which the Common Units have been converted or changed, "Common Interests") of the Company, pursuant to an effective registration statement under the Securities Act other than pursuant to a registration statement on Form S-4 or Form S-8 or any similar or successor form, provided that the proceeds of such public offering amounts to at least $30,000,000 in gross proceeds to the Company, after the date hereof ("First Public Offering"), in whole or in part, into fully paid and non-assessable Common Interests. The number of Common Interests deliverable upon conversion of a Series A Preferred Unit, adjusted as hereinafter provided, is referred to herein as the "Conversion Ratio." The Series A Conversion Ratio is an amount equal to the Series A Original Issue Price per Series A Preferred Unit plus an amount per Series A Preferred Unit equal to full cumulative dividends (whether or not earned or declared) accrued and unpaid thereon (including Series A Additional Dividends and all dividends which have accrued since the most recent Series A Dividend Accrual Date) to the date of the consummation of the First Public Offering (the "Series A Conversion Date"), divided by the per Common Interest price to the public (less underwriting discounts and commissions) for Common Interests in the Company's First Public Offering. If less than all the Series A Preferred Units are to be converted, the selection of Series A Preferred Units to be converted shall be pro rata.

(ii) If the Company does not elect to convert all of the Series A Preferred Units into Common Interests pursuant to paragraph (i), each holder of Series A Preferred Units may convert such holder's Series A Preferred Units, at such holder's option upon or concurrently with the Company's First Public Offering, in whole or in part, into fully paid and non-assessable Common Interests. The number of Common Interests deliverable upon conversion of a Series A Preferred Unit, adjusted as hereinafter provided, shall equal the Series A Conversion Ratio.

(h) Conversion Procedure.

(i) Any conversion pursuant to paragraph (g) shall be accomplished in the manner and with the effect as set forth in this paragraph (h).

(ii) Notice of the conversion of Series A Preferred Units pursuant to paragraph (g)(i) shall be given by first class mail to each holder of record on the record date for such conversion at such holder's address as the same appears on the books of the Company not less than fifteen (15) days and not more than sixty (60) days prior to the Series A Conversion Date. Each such notice shall state: (A) in the case of any conversion, whether all or less than all the outstanding Series A Preferred Units are to be converted and the total number of such Series A Preferred Units being converted, (B) the number of Series A Preferred Units held by the holder that the Company will convert, (C) the Series A Conversion Date and the procedure pursuant to which the price will be determined, at which such price Series A Preferred Units will be converted, (D) that the holder is to surrender to the Company, in the manner and at the place designated, its certificates representing the Series A Preferred Units to be converted, (E) that dividends on the Series A Preferred Units to be converted will cease to accrue on such Series A Conversion Date and (F) that the conversion will not occur without further notice unless the Series A Conversion Date occurs within sixty (60) days of the date of such notice.

(iii) If the Company does not elect to convert all of the Series A Preferred Units into Common Interests pursuant to paragraph (g)(i), notice of the Company's First Public Offering shall be given by first class mail to each holder of record of Series A Preferred Units at such holder's address as the same appears on the books of the Company not less than fifteen (15) days and not more than sixty (60) days prior to the Series A Conversion Date. Each such notice shall state: (A) that each holder of Series A Preferred Units may convert all or any portion of such holder's Series A Preferred Units in connection with the Company's First Public Offering upon written notice to the Company within fifteen (15) days of the date of the Company's notice, (B) the Series A Conversion Date and the procedure pursuant to which the price will be determined, at which such price the Series A Preferred Units will be converted if such holder decides to convert any Series A Preferred Units, (C) that if such holder decides to convert any Series A Preferred Units, the holder is to surrender to the Company, in the manner and at the place designated, its certificates representing the Series A Preferred Units to be converted, (E) that if such holder decides to convert any Series A Preferred Units, dividends on the Series A Preferred Units to be converted will cease to accrue on such Series A Conversion Date and (F) that the conversion will not occur without further notice unless the Series A Conversion Date occurs within sixty (60) days of the date of such notice. If a holder of Series A Preferred Units elects to convert such holder's Series A Preferred Units, such holder shall give notice to the Company of such holder's election to convert within fifteen (15) days of the date of the Company's notice. Each notice by a converting holder shall (i) state whether all or less than all the outstanding Series A Preferred Units held by such holder are to be converted and the total number of such Series A Preferred Units being converted and (ii) be accompanied by the unit certificate or certificates, if any, representing the Series A Preferred Units to be converted.

(iv) The holder of the Series A Preferred Units to be converted shall surrender the certificate or certificates representing such Series A Preferred Units at the office of the Company. Unless the Common Interests issuable on conversion are to be issued in the same name as the name in which such Series A Preferred Units are registered, each Series A Preferred Unit surrendered for conversion shall be accompanied by instruments of transfer, in form reasonably satisfactory to the Company, duly executed by the holder or the holder's duly authorized attorney and an amount sufficient to pay any transfer or similar tax. As promptly as practicable after the surrender by the holder of the certificates for Series A Preferred Units as aforesaid, the Company shall issue and shall deliver to such holder, or on the holder's written order to the holder's transferee, a certificate or certificates for the whole number of Common Interests issuable upon the conversion of such Series A Preferred Units in accordance with the provisions of paragraph (g). If less than all the Series A Preferred Units represented by one unit certificate are to be converted, the Company shall issue a new unit certificate for the Series A Preferred Units not converted. The conversion shall be deemed to have been effected immediately prior to the close of business on the Series A Conversion Date, and the person in whose name or names any certificate or certificates for Common Interests shall be issuable upon such conversion shall be deemed to have become the holder of record of the Common Interests represented thereby at such time on such date and such conversion shall be into a number of Common Interests equal to the product of the number of Series A Preferred Units surrendered times the Series A Conversion Ratio in effect at such time on such date. All Common Interests delivered upon conversion of the Series A Preferred Units will upon delivery be duly and validly issued and fully paid and non-assessable, free of all liens and charges and not subject to any preemptive rights. Whether or not the unit certificates representing Series A Preferred Units are surrendered, such Series A Preferred Units shall no longer be deemed to be outstanding and all rights of a holder with respect to such Series A Preferred Units surrendered for conversion shall immediately terminate except the right to receive the Common Interests.

(v) Prior to the delivery of any securities which the Company shall be obligated to deliver upon conversion of the Series A Preferred Units, the Company shall comply with all applicable federal and state laws and regulations which require action to be taken by the Company.

(vi) The Company will pay any and all documentary, stamp or similar issue or transfer taxes payable in respect of the issue or delivery of Common Interests on conversion of the Series A Preferred Units pursuant hereto; provided that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of Common Interests in a name other than that of the holder of the Series A Preferred Units to be converted and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to the Company the amount of any such tax or has established, to the satisfaction of the Company, that such tax has been paid.

(vii) In connection with the conversion of any Series A Preferred Units, no fractions of Common Interests shall be issued, but in lieu thereof the Company shall pay a cash adjustment in respect of such fractional interest in an amount equal to such fractional interest multiplied by the per Common Interest price to the public (less underwriting discounts and commissions) in the Company's First Public Offering.

(viii) The Company shall not be required to honor any request to register a transfer or exchange of the Series A Preferred Units from the time notice has been given of the conversion or the right to convert to the Series A Conversion Date.

**2.6.** ***Series B Preferred Units***

(a) Accrual and Payment of Dividends.

(i) The holders of Series B Preferred Units shall be entitled to receive, subject to Section 18-607 of the Act, when, as and if declared by the Board of Directors, cumulative cash dividends at the rate of 10% per unit per annum on the Series B Original Issue Price, compounded semi-annually.

(ii) Such dividends shall be payable in semi-annual installments in arrears commencing March 15, 2005 and thereafter on the fifteenth day of March and September (unless such day is not a Business Day in which event on the last preceding Business Day) in each such year (hereinafter referred to as a "Series B Dividend Accrual Date"). Each such dividend on Series B Preferred Units when paid shall be payable to holders of record as they appear on the books of the Company on the date established by the Board of Directors of the Company as the record date for the payment of such dividend (which record date shall not precede the date upon which the resolution fixing such record date is adopted and which record date shall be not more than sixty days prior to such action). If no record date is fixed, the record date for determining holders for such purpose shall be at the close of business on the date on which the Board of Directors adopts the resolution relating to such dividend payment. Dividends with respect to any Series B Preferred Units shall accrue (whether or not earned or declared) from the date of issuance of such units.

(iii) Such dividends on the Series B Preferred Units shall be cumulative, whether or not earned or declared, so that if at any time full cumulative dividends at the rate aforesaid on all Series B Preferred Units then outstanding to the end of the semi-annual dividend period next preceding such time shall not have been paid, the amount of the deficiency shall be paid before any sum shall be set aside for or applied by the Company to the purchase, redemption or other acquisition for value of any Series B Junior Units (defined below) (either pursuant to any applicable sinking fund requirement or otherwise) or any dividend or other distribution shall be paid or declared and set apart for payment on any Series B Junior Units (other than a dividend payable in Series B

Junior Units); provided, however, that the foregoing shall not prohibit the Company from repurchasing Series B Junior Units from a former employee of the Company (or a subsidiary of the Company) where such repurchase arises from the Company's option to repurchase such units upon termination of such employee's employment with the Company (or a subsidiary) pursuant to a written plan or written agreement between the Company and such employee or from the Company's obligation to repurchase such units pursuant to Sections 2.11, 2.12 or 2.13. As used herein, "Series B Junior Units" means any series or class of the membership interests of the Company now or hereafter authorized or issued by the Company, including any series or class of preferred units, ranking junior to the Series B Preferred Units with respect to dividends or distributions or upon the liquidation, distribution of assets, dissolution or winding-up of the Company, including without limitation the Common Units. Accrued dividends on the Series B Preferred Units if not paid on the first or any subsequent Series B Dividend Accrual Date following accrual shall thereafter accrue additional dividends in respect thereof (the "Series B Additional Dividends" and, together with the Series A Additional Dividends, "Additional Dividends"), compounded semi-annually, at the rate of 10% per annum on the amount of such accrued dividends.

(iv) When dividends are not paid in full upon the Series B Preferred Units and any other units ranking on a parity as to dividends with the Series B Preferred Units, all dividends paid upon Series B Preferred Units and any other units ranking on a parity as to dividends with the Series B Preferred Units shall be paid pro rata so that in all cases the amount of dividends paid per unit on the Series B Preferred Units and such other units shall bear the same ratio that accrued dividends per unit (including Series B Additional Dividends) on the Series B Preferred Units and such other units bear to each other. Except as provided in the preceding sentence, unless full cumulative dividends on the Series B Preferred Units have been paid, no dividends shall be declared or set aside for payment upon any other units of the Company ranking on a parity with the Series B Preferred Units as to dividends.

(v) A semi-annual dividend period shall commence on the day following a Series B Dividend Accrual Date and shall end on the next succeeding Series B Dividend Accrual Date.

(b) Voting Rights. Subject to the applicable provisions of any Securityholders Agreement, except as required by applicable law and except for any voting by the holders of Series B Preferred Units as part of a separate class or series pursuant to Section 2.6(e) or any other provision of this Agreement, no holder of Series B Preferred Units, as such holder, shall be entitled to vote on any matter submitted to a vote of the Members. On any matters on which the holders of the Series B Preferred Units shall be entitled to vote, they shall be entitled to one vote for each unit held. Except as otherwise required by law or as otherwise provided herein, the holders of Series B Preferred Units shall not be entitled to notice of any meeting of Members.

(c) Redemption Rights.

(i) If any outstanding Series B Preferred Units remain outstanding on the 14th anniversary after issuance of the Series B Preferred Units (the "Series B Mandatory Redemption Date"), then the holders of a majority of the then outstanding Series B Preferred Units shall have the right to elect to have the Company redeem all outstanding Series B Preferred Units from funds legally available therefor, in the manner provided in this Section 2.6(c), at a price per unit equal to $1,000 (the "Series B Original Issue Price" and, together with the Series A Original Issue Price and the Common Unit Original Issue Price, the "Original Issue Price") plus an amount per unit equal to full cumulative dividends (whether or not earned or declared) accrued and unpaid thereon (including Series B Additional Dividends) to the Series B Mandatory Redemption Closing Date (defined below) (such redemption, a "Series B Mandatory Redemption"). Notice of such an election by holders of Series B Preferred Units (the "Series B Mandatory Redemption Notice") shall be given by such holders to the Company at least 90 days prior to the date redemption is desired (the "Series B Mandatory Redemption Closing Date"). In the event that the Company makes an affirmative election to be treated as a corporation for Federal income tax purposes or the Company is converted to a corporation under Delaware (or other state) law, whether by operation of law, merger or otherwise, then the Company shall have the right to extend the Series B Mandatory Redemption Date to a date that is twenty years and one day past the date of the resulting issuance of the preferred stock of the resulting corporation or the date of the deemed or actual conversion (or exchange) of the Series B Preferred Units into (or for) preferred stock of the resulting corporation, whichever is applicable. Notwithstanding anything to the contrary set forth herein, the holders of Series B Preferred Units shall not be entitled to exercise the redemption rights described in this Section 2.6(c)(i) during the time any Series A Preferred Units remain outstanding.

(ii) The Series B Preferred Units may be redeemed from funds legally available therefor, in whole or in part, at the election of the Company, expressed by resolution of the Board of Directors, at any time and from time to time at a price per unit equal to the Series B Original Issue Price plus an amount per unit equal to full cumulative dividends (whether or not earned or declared) accrued and unpaid thereon (including Series B Additional Dividends and all dividends which have accrued since the most recent Series B Dividend Accrual Date) to the date of such optional redemption (such redemption, a "Series B Optional Redemption"); provided that in the event that the Company makes an affirmative election to be treated as a corporation for Federal income tax purposes or the Company is converted to a corporation under Delaware (or other state) law, whether by operation of law, merger or otherwise, then the Company shall have no right to make a Series B Optional Redemption until the date that is twenty years and one day past the date of the resulting issuance of the preferred stock of the resulting corporation or the date of the deemed or actual conversion (or exchange) of the Series B Preferred Units into (or for) preferred stock of the resulting corporation, whichever is applicable. The date of any Series B Optional Redemption is hereinafter referred to as a "Series B Optional Redemption Date."

(iii) The aggregate amount of any redemption pursuant to paragraph (i) or (ii) above is hereinafter referred to as the "Series B Redemption Price" with respect to such redemption. Each of the Series B Mandatory Redemption Closing Date and the date of any Series B Optional Redemption is hereinafter referred to individually as a "Series B Redemption Date."

(iv) Any redemption pursuant to this Section 2.6(c) shall be accomplished in the manner and with the effect as set forth in this Section 2.6(c). In the event that a Series B Mandatory Redemption Notice is given or the Company elects to make a Series B Optional Redemption, notice of the redemption of Series B Preferred Units shall be sent to each holder of record, at the close of business on the Business Day on which the Series B Mandatory Redemption Notice is given in the case of a Series B Mandatory Redemption, or on the record date for such redemption in the case of a Series B Optional Redemption, at such holder's address as the same appears on the books of the Company not less than ten (10) days and not more than sixty (60) days prior to the Series B Redemption Date. Each such notice shall state (A) the Series B Redemption Date, (B) whether the redemption is a Series B Mandatory Redemption or Series B Optional Redemption, (C) the place or places where such units are to be surrendered, (D) that the holder is to surrender the units at the place of redemption and (E) that dividends on the Series B Preferred Units shall cease to accrue on the Series B Redemption Date. If less than all the outstanding Series B Preferred Units are to be redeemed, the selection of units for redemption shall be made pro rata and the notice of redemption to a holder shall state the number of Series B Preferred Units of such holder to be redeemed. The portion of the applicable Series B Redemption Price to which each holder of record of the Series B Preferred Units to be redeemed is entitled shall be delivered to the holder at the holder's address as the same appears on the books of the Company; provided, however, that the full amount of the applicable Series B Redemption Price may instead be deposited (such deposit, the "Series B Deposit") on or before the applicable Series B Redemption Date in trust for the account of the holders of Series B Preferred Units entitled thereto with a bank or trust company in good standing doing business in the State of New York and having capital and surplus of at least $100,000,000 (the date of such deposit being hereinafter referred to as the "Series B Date of Deposit"). Notice of the date on which, and the name and address of the bank or trust company with which, the Series B Deposit has or will be made shall be included in the notice of redemption.

(v) On and after the applicable Series B Redemption Date (unless default shall be made by the Company in providing money for the payment of the Series B Redemption Price pursuant to the notice of redemption), or if the Company shall make a Series B Deposit on or before the date specified therefor in the notice of redemption, then on and after the Series B Date of Deposit (provided notice of redemption has been duly given), all dividends on the Series B Preferred

Units so called for redemption shall cease to accrue, and the notice of redemption shall so state, and, notwithstanding that any certificate for Series B Preferred Units is not surrendered for cancellation, the units represented thereby shall no longer be deemed outstanding and all rights of the holders thereof of the Company shall cease and terminate, except the right to receive the Series B Redemption Price (without interest) as hereinafter provided.

(vi) At any time on or after the applicable Series B Redemption Date, or if the Company shall make a Series B Deposit prior to the Series B Redemption Date, then at any time on or after the Series B Date of Deposit, which time shall be specified by the Company in the notice of redemption and which shall not be later than the applicable Series B Redemption Date, the holders of record of the Series B Preferred Units to be redeemed shall be entitled to receive the Series B Redemption Price upon actual delivery to the Company, or in the case of a Series B Deposit, then the bank or trust company with which such Series B Deposit shall be made, of certificates for the units to be redeemed, such certificates, if required, to be duly endorsed in blank or accompanied by proper instruments of assignment and transfer duly endorsed in blank. The making of such delivery to the Company or any such bank or trust company (if applicable) shall not relieve the Company of liability for payment of the Series B Redemption Price.

(vii) Any Series B Deposit funds which remain unclaimed by the holders of such Series B Preferred Units at the end of two (2) years after the Series B Redemption Date shall be paid by the bank or trust company to the Company, which shall thereafter, to the extent of the money so repaid, be liable for the payment of the Series B Redemption Price. Any interest accrued on any Series B Deposit shall be paid to the Company from time to time.

(viii) Notwithstanding anything to the contrary set forth herein, the amounts paid to each holder of Series B Preferred Units under this Section 2.6(c) shall not be in excess of the positive balance in the Series B Preferred Unit Capital Account of such holder (after taking into account any allocation of income, gain, loss or deductions pursuant to Article IV of this Agreement).

(d) Preference Rights on Liquidation.

(i) In the event that the Company shall be liquidated, dissolved or wound up, whether voluntarily or involuntarily, after all creditors of the Company shall have been paid in full and the holders of Series A Preferred Units shall have been paid in full pursuant to Section 2.5(d), the holders of the Series B Preferred Units shall be entitled to receive, out of the assets of the Company legally available for distribution to its members, whether from capital, surplus or earnings, before any amount shall be paid to the holders of any Series B Junior Units, an amount equal to the Series B Original Issue Price in cash per unit plus an amount equal to full cumulative dividends (whether or not earned or declared) accrued and unpaid thereon (including Series B Additional Dividends) to the date of final distribution, and no more. If upon any voluntary or involuntary

liquidation, dissolution or winding up of the Company, the net assets of the Company shall be insufficient to pay the holders of all outstanding Series B Preferred Units and of any units ranking on a parity with the Series B Preferred Units the full amounts to which they respectively shall be entitled, such assets, or the proceeds thereof, shall be distributed ratably among the holders of the Series B Preferred Units and any units ranking on a parity with the Series B Preferred Units in accordance with the amounts which would be payable on such distribution if the amount to which the holders of the Series B Preferred Units and of any units ranking on a parity with the Series B Preferred Units are entitled were paid in full. Holders of Series B Preferred Units shall not be entitled, upon the voluntary or involuntary liquidation, dissolution or winding up of the Company, to receive any amounts with respect to such units other than the amounts referred to in this Section 2.6(d)(i).

(ii) Neither the purchase nor redemption by the Company of any class of units in any manner permitted by the Certificate or any amendment thereof, this Agreement or the Securityholders Agreements, if any, nor the merger or consolidation of the Company with or into any other business entity (as defined in the Act), nor the conversion of the Company into a corporation under Delaware (or other state) law, nor a sale, exchange, conveyance, transfer or lease of all or substantially all of the Company's assets shall be deemed to be a liquidation, dissolution or winding up of the Company for the purposes of this Section 2.6(d); provided, however, that any consolidation or merger of the Company in which the Company is not the surviving entity shall be deemed to be a liquidation, dissolution or winding up of the affairs of the Company within the meaning of this Section 2.6(d) if, (A) in connection therewith, the holders of Series B Junior Units receive as consideration, whether in whole or in part, for such Series B Junior Units (1) cash, (2) notes, debentures or other evidences of indebtedness or obligations to pay cash or (3) preferred stock or units of the surviving entity which ranks on a parity with or senior to the preferred stock or units received by holders of the Series B Preferred Units with respect to liquidation or dividends or (B) the holders of the Series B Preferred Units do not receive preferred stock or units of the surviving entity with rights, powers and preferences equal to (or more favorable to the holders than) the rights, powers and preferences of the Series B Preferred Units.

(iii) Notwithstanding anything to the contrary set forth in this Section 2.6(d), the amounts distributed under this Section 2.6(d) shall not be in excess of that which would be distributed to the holders of the Series B Preferred Units pursuant to Section 11.2(c) (after taking into account any allocation of income, gain, loss or deductions pursuant to Article IV of this Agreement).

(e) Other Rights. Subject to the applicable provisions of any Securityholders Agreement, without the written consent of the holders of a majority of the outstanding units of Series B Preferred Units or the vote of the holders of a majority of the outstanding units of Series B Preferred Units at a meeting of the holders of Series B Preferred Units called for such purpose, the Company shall not amend, alter or repeal any provision of the Company's Certificate or this

Agreement so as to adversely affect the relative rights and preferences of the Series B Preferred Units; provided however, that any such amendment that changes the dividend payable on the Series B Preferred Units shall require the affirmative vote of the holder of each unit of Series B Preferred Units at a meeting of such holders called for such purpose or the written consent of the holder of each such unit of Series B Preferred Units; provided further, that in no event will the issuance of any series of preferred Units that is senior to, on a parity with or junior to the Series B Preferred Units or has a redemption date earlier than the Series B Preferred Units be deemed to adversely affect the rights and preferences of the Series B Preferred Units.

(f) Acknowledgement. Each holder of Series B Preferred Units, by acceptance thereof, acknowledges and agrees that payments of dividends, interest, premium and principal on, and redemption and repurchase of, such securities by the Company are subject to restrictions contained in certain credit and financing agreements of the Company.

(g) Conversion.

(i) The Series B Preferred Units may be converted, at the Company's option upon or concurrently with the First Public Offering of the Common Interests of the Company, in whole or in part, into fully paid and non-assessable Common Interests. The number of Common Interests deliverable upon conversion of a Series B Preferred Unit, adjusted as hereinafter provided, is referred to herein as the "Conversion Ratio." The Series B Conversion Ratio is an amount equal to the Series B Original Issue Price per Series B Preferred Unit plus an amount per Series B Preferred Unit equal to full cumulative dividends (whether or not earned or declared) accrued and unpaid thereon (including Series B Additional Dividends and all dividends which have accrued since the most recent Series B Dividend Accrual Date) to the date of the consummation of the First Public Offering (the "Series B Conversion Date"), divided by the per Common Interest price to the public (less underwriting discounts and commissions) for Common Interests in the Company's First Public Offering. If less than all the Series B Preferred Units are to be converted, the selection of Series B Preferred Units to be converted shall be pro rata.

(ii) If the Company does not elect to convert all of the Series B Preferred Units into Common Interests pursuant to paragraph (i), each holder of Series B Preferred Units may convert such holder's Series B Preferred Units, at such holder's option upon or concurrently with the Company's First Public Offering, in whole or in part, into fully paid and non-assessable Common Interests. The number of Common Interests deliverable upon conversion of a Series B Preferred Unit, adjusted as hereinafter provided, shall equal the Series B Conversion Ratio.

(h) Conversion Procedure.

(i) Any conversion pursuant to paragraph (g) shall be accomplished in the manner and with the effect as set forth in this paragraph (h).

(ii) Notice of the conversion of Series B Preferred Units pursuant to paragraph (g)(i) shall be given by first class mail to each holder of record on the record date for such conversion at such holder's address as the same appears on the books of the Company not less than fifteen (15) days and not more than sixty (60) days prior to the Series B Conversion Date. Each such notice shall state: (A) in the case of any conversion, whether all or less than all the outstanding Series B Preferred Units are to be converted and the total number of such Series B Preferred Units being converted, (B) the number of Series B Preferred Units held by the holder that the Company will convert, (C) the Series B Conversion Date and the procedure pursuant to which the price will be determined, at which such price Series B Preferred Units will be converted, (D) that the holder is to surrender to the Company, in the manner and at the place designated, its certificates representing the Series B Preferred Units to be converted, (E) that dividends on the Series B Preferred Units to be converted will cease to accrue on such Series B Conversion Date and (F) that the conversion will not occur without further notice unless the Series B Conversion Date occurs within sixty (60) days of the date of such notice.

(iii) If the Company does not elect to convert all of the Series B Preferred Units into Common Interests pursuant to paragraph (g)(i), notice of the Company's First Public Offering shall be given by first class mail to each holder of record of Series B Preferred Units at such holder's address as the same appears on the books of the Company not less than fifteen (15) days and not more than sixty (60) days prior to the Series B Conversion Date. Each such notice shall state: (A) that each holder of Series B Preferred Units may convert all or any portion of such holder's Series B Preferred Units in connection with the Company's First Public Offering upon written notice to the Company within fifteen (15) days of the date of the Company's notice, (B) the Series B Conversion Date and the procedure pursuant to which the price will be determined, at which such price the Series B Preferred Units will be converted if such holder decides to convert any Series B Preferred Units, (C) that if such holder decides to convert any Series B Preferred Units, the holder is to surrender to the Company, in the manner and at the place designated, its certificates representing the Series B Preferred Units to be converted, (E) that if such holder decides to convert any Series B Preferred Units, dividends on the Series B Preferred Units to be converted will cease to accrue on such Series B Conversion Date and (F) that the conversion will not occur without further notice unless the Series B Conversion Date occurs within sixty (60) days of the date of such notice. If a holder of Series B Preferred Units elects to convert such holder's Series B Preferred Units, such holder shall give notice to the Company of such holder's election to convert within fifteen (15) days of the date of the Company's notice. Each notice by a converting holder shall (i) state whether all or less than all the outstanding Series B Preferred Units held by such holder are to be converted and the total number of such Series B Preferred Units being converted and (ii) be accompanied by the unit certificate or certificates, if any, representing the Series B Preferred Units to be converted.

(iv) The holder of the Series B Preferred Units to be converted shall surrender the certificate or certificates representing such Series B Preferred Units at the office of the Company. Unless the Common Interests issuable on conversion are to be issued in the same name as the name in which such Series B Preferred Units are registered, each Series B Preferred Unit surrendered for conversion shall be accompanied by instruments of transfer, in form reasonably satisfactory to the Company, duly executed by the holder or the holder's duly authorized attorney and an amount sufficient to pay any transfer or similar tax. As promptly as practicable after the surrender by the holder of the certificates for Series B Preferred Units as aforesaid, the Company shall issue and shall deliver to such holder, or on the holder's written order to the holder's transferee, a certificate or certificates for the whole number of Common Interests issuable upon the conversion of such Series B Preferred Units in accordance with the provisions of paragraph (g). If less than all the Series B Preferred Units represented by one unit certificate are to be converted, the Company shall issue a new unit certificate for the Series B Preferred Units not converted. The conversion shall be deemed to have been effected immediately prior to the close of business on the Series B Conversion Date, and the person in whose name or names any certificate or certificates for Common Interests shall be issuable upon such conversion shall be deemed to have become the holder of record of the Common Interests represented thereby at such time on such date and such conversion shall be into a number of Common Interests equal to the product of the number of Series B Preferred Units surrendered times the Series B Conversion Ratio in effect at such time on such date. All Common Interests delivered upon conversion of the Series B Preferred Units will upon delivery be duly and validly issued and fully paid and non-assessable, free of all liens and charges and not subject to any preemptive rights. Whether or not the unit certificates representing Series B Preferred Units are surrendered, such Series B Preferred Units shall no longer be deemed to be outstanding and all rights of a holder with respect to such Series B Preferred Units surrendered for conversion shall immediately terminate except the right to receive the Common Interests.

(v) Prior to the delivery of any securities which the Company shall be obligated to deliver upon conversion of the Series B Preferred Units, the Company shall comply with all applicable federal and state laws and regulations which require action to be taken by the Company.

(vi) The Company will pay any and all documentary, stamp or similar issue or transfer taxes payable in respect of the issue or delivery of Common Interests on conversion of the Series B Preferred Units pursuant hereto; provided that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of Common Interests in a name other than that of the holder of the Series B Preferred Units to be converted and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to the Company the amount of any such tax or has established, to the satisfaction of the Company, that such tax has been paid.

(vii) In connection with the conversion of any Series B Preferred Units, no fractions of Common Interests shall be issued, but in lieu thereof the Company shall pay a cash adjustment in respect of such fractional interest in an amount equal to such fractional interest multiplied by the per Common Interest price to the public (less underwriting discounts and commissions) in the Company's First Public Offering.

(viii) The Company shall not be required to honor any request to register a transfer or exchange of the Series B Preferred Units from the time notice has been given of the conversion or the right to convert to the Series B Conversion Date.

**2.7.** ***Information***. Each Member shall have the right to access all information to which that Member is entitled to have access pursuant to Section 18-305 of the Act, provided that, such Member provides five days prior written notice to the Company of the materials such Member requests be made available and the purpose for inspecting such materials. Such materials shall be provided at the executive headquarters of the Company during its regular business hours. All expenses of providing the materials requested pursuant to this Section 2.7, including, without limitation, duplicating fees, shall be paid by the Member requesting the information. Anything in this Section to the contrary notwithstanding, the Board of Directors shall have the right to keep confidential from the Members, for such period of time as the Board of Directors deems reasonable, any information which the Board of Directors reasonably believes to be in the nature of trade secrets or other information the disclosure of which the Board of Directors in good faith believes is not in the best interest of the Company or could damage the Company or its business or the Company is required by applicable law or by agreement with a third party to keep confidential. Nothing contained in this Section 2.7 shall be deemed to limit the rights of any Member under any Securityholders Agreements to which such Member is a party.

**2.8.** ***Liability to Third Parties***. Except as to any obligation it may have under the Act to repay funds that may have been wrongfully distributed to it, no Member or Director shall be liable for the debts, obligations or liabilities of the Company, including under a judgment, decree or order of a court.

**2.9.** ***Lack of Authority***. No Member has the authority or power to act for or on behalf of the Company, to do any act that would be binding on the Company, or to incur any expenditures on behalf of the Company; provided that, this Section 2.9 shall not limit the rights of any Director who is also a Member to act in such Member's capacity as a Director.

**2.10.** ***Withdrawal***. A Member does not have the right to withdraw from the Company as a Member (except in connection with a transfer of its Membership Units in accordance with this Agreement and the Securityholders Agreements, if any, to which such Member is bound) and any attempt to violate the provisions hereof shall be legally ineffective.

**2.11.** ***Excess Appraisal Funds Redemptions.***

(a) On the Excess Appraisal Funds Redemption Date (defined below), the Company shall redeem Units of the Schedule I Members (defined below) in an aggregate amount equal to the amount of Excess Appraisal Funds, from funds legally available therefor and in the manner provided in this Section 2.11.

(b) The Units redeemed hereunder shall be redeemed at a price per Unit equal to the Original Issue Price of such Unit plus an amount per Preferred Unit equal to full cumulative dividends (whether or not earned or declared) accrued and unpaid thereon (including any Additional Dividends), if any, to the Excess Appraisal Funds Redemption Date. The selection of Units for redemption shall include such number of each class or series of Units as shall be determined by the affirmative vote of the holders of a majority of the Units held by the Schedule I Members; provided that a pro rata amount of each class or series of Units so selected shall be redeemed from each Schedule I Member based on such Schedule I Member's ownership percentage of such Units. The portion of the Excess Appraisal Funds to which each Schedule I Member is entitled shall be delivered to the Schedule I Member at the Schedule I Member's address as the same appears on the books of the Company. On and after the Excess Appraisal Funds Redemption Date, all dividends, if any, on the Preferred Units so called for redemption shall cease to accrue, and, notwithstanding that any certificate for Units is not surrendered for cancellation, the Units represented thereby shall no longer be deemed outstanding and all rights of the holders thereof of the Company shall cease and terminate.

(c) Notwithstanding anything to the contrary set forth herein, the amounts paid to each Schedule I Member under this Section 2.11 shall not be in excess of the positive balance in the capital account of such Member (after taking into account any allocation of income, gain, loss or deductions pursuant to Article IV of this Agreement).

(d) As used herein, the following terms shall have the following meanings:

(i) "Appraised Shares Agreement" means that certain Appraised Shares Agreement and Amendment to Business Transfer Agreement to be entered into between Hynix and MagnaChip Korea in connection with the closing of the Business Transfer Agreement.

(ii) "Excess Appraisal Funds" means 40 billion Korean Won minus the amount MagnaChip Korea has paid Hynix in the aggregate pursuant to Section 1 of the Appraised Shares Agreement (after subtracting from the aggregate amount MagnaChip has paid to Hynix the aggregate amount of any payments made by Hynix to MagnaChip Korea pursuant to Section 1 of the Appraised Shares Agreement).

(iii) "Excess Appraisal Funds Redemption" means a redemption in accordance with this Section 2.11.

(iv) "Excess Appraisal Funds Redemption Date" means the date the Company makes an Excess Appraisal Funds Redemption, which such date shall be within 10 Business Days of the date that the total amount of any Excess Appraisal Funds is finally determined.

(v) "Schedule I Members" means each of the Members listed on Schedule I hereto and any permitted transferees of such Member under any Securityholders Agreement to which such Member is bound.

**2.12.** ***Overfund Redemptions.***

(a) At any time and from time to time, the Company may redeem Units of the Schedule I Members up to an aggregate amount equal to the Overfund (defined below), from funds legally available therefor and in the manner provided in this Section 2.12.

(b) The Units redeemed hereunder shall be redeemed at a price per Unit equal to the Original Issue Price of such Unit plus an amount per Preferred Unit equal to full cumulative dividends (whether or not earned or declared) accrued and unpaid thereon (including any Additional Dividends), if any, to the Overfund Redemption Date. The selection of Units for redemption shall include such number of each class or series of Units as shall be determined by the affirmative vote of the holders of a majority of Units held by the Schedule I Members; provided that a pro rata amount of each class or series of Units so selected shall be redeemed from each Schedule I Member based on such Schedule I Member's ownership percentage of such Units; provided further that in the event that the Company makes an affirmative election to be treated as a corporation for Federal income tax purposes or the Company is converted to a corporation under Delaware (or other state) law, whether by operation of law, merger or otherwise, then no Preferred Units (or preferred stock into which such Preferred Units are converted or for which such Preferred Units are exchanged) may be selected for redemption until the date that is twenty years and one day past the date of the resulting issuance of the preferred stock of the resulting corporation or the date of the deemed or actual conversion (or exchange) of the Preferred Units into (or for) preferred stock of the resulting corporation, whichever is applicable. The portion of the Overfund to which each Schedule I Member is entitled shall be delivered to the Schedule I Member at the Schedule I Member's address as the same appears on the books of the Company. On and after the Overfund Redemption Date, all dividends, if any, on the Preferred Units so called for redemption shall cease to accrue, and, notwithstanding that any certificate for Units is not surrendered for cancellation, the Units represented thereby shall no longer be deemed outstanding and all rights of the holders thereof of the Company shall cease and terminate.

(c) Notwithstanding anything to the contrary set forth herein, the amounts paid to each Schedule I Member under this Section 2.12 shall not be in excess of the positive balance in the capital account of such Member (after taking into account any allocation of income, gain, loss or deductions pursuant to Article IV of this Agreement).

(d) As used herein, the following terms shall have the following meanings:

(i) "Overfund" means $100,000,000.

(ii) "Overfund Redemption" means a redemption in accordance with this Section 2.12.

(iii) "Overfund Redemption Date" means the date of any Overfund Redemption hereunder.

**2.13.** ***Non-Consummation Redemptions.***

(a) If the closing of the Business Transfer Agreement shall not have occurred on or before October 31, 2004, the Company shall redeem all of the Units held by each Schedule I Member, from funds legally available therefor and in the manner provided in this Section 2.13, for an amount equal to the amount such Member would receive upon a liquidation of the Company pursuant to Section 11.2 (the "Non-Consummation Redemption Price") as of the Non-Consummation Redemption Date (defined below). The Non-Consummation Redemption Price shall be applied as follows: (i) first, to the Series A Preferred Units at a purchase price per Unit equal to the Series A Original Issue Price of such Unit or the total Non-Consummation Redemption Price divided by the number of Series A Preferred Units held by the Member, whichever is less; (ii) second, to the Series B Preferred Units at a purchase price per Unit equal to the Series B Original Issue Price or the portion of the Non-Consummation Redemption Price remaining after applying clause (i) divided by the number of Series B Preferred Units held by the Member, whichever is less; (iii) third, to the Common Units at a price per Unit equal to the portion of the Non-Consummation Redemption Price remaining after applying clauses (i) and (ii) divided by the number of Common Units held by the Member. If the closing of the Business Transfer Agreement shall not have occurred on or before October 31, 2004, the Repurchase shall take place as soon as reasonably practicable thereafter (the "Non-Consummation Redemption Date") and, not withstanding anything herein to the contrary, any accrued dividends, whether or not earned or declared, (including any Additional Dividends) on the Series A Preferred Units and Series B Preferred Units shall be cancelled and shall not be payable.

(b) The Non-Consummation Redemption Price to which each Schedule I Member is entitled shall be delivered to the Schedule I Member at the Schedule I Member's address as the same appears on the books of the Company. On and after the Non-Consummation Redemption Date, all dividends, if any, on the Preferred Units so called for redemption shall cease to accrue, and, notwithstanding that any certificate for Units is not surrendered for cancellation, the Units represented thereby shall no longer be deemed outstanding and all rights of the holders thereof of the Company shall cease and terminate.

(c) Notwithstanding anything to the contrary set forth herein, the amounts paid to each Schedule I Member under this Section 2.13 shall not be in excess of the positive balance in the capital account of such Member (after taking into account any allocation of income, gain, loss or deductions pursuant to Article IV of this Agreement).

## ARTICLE III
## CAPITAL CONTRIBUTIONS

**3.1.** ***Contributions.***

(a) General. Each Member shall make or shall have made a Capital Contribution as provided for in this Article III. As used herein, "Capital Contribution" means any contribution by a Member to the capital of the Company; provided that upon the admission of a new Member after the date hereof, the Capital Contribution of each Member shall be deemed equal to the capital account of such Member as revalued pursuant to this Agreement. The Company may, in its discretion, issue certificates to the Members representing the Membership Interests held by each Member.

(b) Initial Contributions.

(i) Formation. The Company was formed on November 26, 2003 as a limited liability company having only one member, Citigroup Venture Capital Equity Partners, L.P., a Delaware limited partnership ("CVC Equity Fund").

(ii) Contributions on September 10, 2004. On September 10, 2004, CVC Equity Fund and Francisco Partners, L.P., a Delaware limited partnership ("FP LP"), each contributed $1.00 to the Company in exchange for 1 Common Unit and CVC Capital Partners Asia Pacific L.P., a Cayman Islands limited partnership, contributed all of the capital stock of MagnaChip Semiconductor S. à r.l. to the Company in exchange for 60,820 Common Units.

(iii) Contributions as of September 14, 2004. On September 14, 2004, FP contributed $260,000 to the Company in exchange for 260,000 Common Units.

(iv) Contributions as of the date hereof. On the date hereof, the Persons listed on Exhibit A hereto have made the contributions to the Company in exchange for the Units, in each case as set forth, together with the contributions made and Units issued on September 10, 2004 and September 14, 2004 as described in the preceding clauses (ii) and (iii), on Exhibit A hereto opposite their respective names.

**3.2.** ***Additional Capital Contributions and Return of Contributions***. No Member shall be required to make any additional Capital Contributions to the Company or to restore any deficit in such Member's capital account. A Member is not entitled to the return of any part of its Capital Contributions or to be paid interest in respect of either its capital account or its Capital Contributions. An unrepaid Capital Contribution is not a liability of the Company or of any Member.

**3.3.** ***Advances by Members***. With the consent of the Board of Directors and to the extent permitted by the Securityholders Agreements, if any, any Member may advance funds to or on behalf of the Company on terms approved by the Board of Directors. An advance described in this Section 3.3 constitutes a loan from the Member to the Company, and is not a Capital Contribution.

**3.4.** ***Capital Account.***

(a) A capital account shall be established and maintained for each Member. Such capital accounts shall be subject to revaluation in accordance with Reg. §1.704-1(b)(2)(iv)(f) at such time as the Board of Directors shall determine.

(b) Each Member's capital account:

(i) shall be increased by: (A) the amount of money contributed by that Member to the Company, (B) the fair market value of property contributed by that

Member to the Company (net of liabilities secured by the contributed property that the Company is considered to assume or take subject to under Section 752 of the Code), and (C) allocations to that Member of Company income and gain (or items thereof), including income and gain exempt from tax and income and gain described in Reg. § 1.704-1(b)(2)(iv)(g), but excluding income and gain described in Reg. § 1.704-1(b)(4)(i), and

(ii) shall be decreased by (A) the amount of money distributed to that Member by the Company, (B) the fair market value of property distributed to that Member by the Company (net of liabilities secured by the distributed property that the Member is considered to assume or take subject to under Section 752 of the Code), (C) allocations to that Member of expenditures of the Company described in Section 705(a)(2)(B) of the Code, and (D) allocations of Company loss and deduction (or items thereof), including loss and deduction described in Reg. § 1.704-1(b)(2)(iv)(g), but excluding items described in clause (b)(ii)(C) above and loss or deduction described in Reg. § 1.704-1(b)(4)(i) or § 1.704-1(b)(4)(iii). As used herein, "Code" means the Internal Revenue Code of 1986 and any successor statute, as amended from time to time, and "Reg." means the Income Tax Regulations, including Temporary Regulations, promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations). U.S. taxes withheld on behalf of a Member shall be considered a distribution to such Member.

(c) The Members' capital accounts also shall be maintained and adjusted as permitted by the provisions of Reg. § 1.704-1(b)(2)(iv)(f) and as required by the other provisions of Reg. §§ 1.704-1(b)(2)(iv) and 1.704-1(b)(4), including adjustments to reflect the allocations to the Members of depreciation, depletion, amortization, and gain or loss as computed for book purposes rather than the allocation of the corresponding items as computed for tax purposes, as required by Reg. § 1.704-l(b)(2)(iv)(g).

(d) A Member that has more than one Membership Interest shall have a single capital account that reflects all its Membership Interests, regardless of the class of Membership Interests owned by that Member and regardless of the time or manner in which those Membership Interests were acquired; provided that, to the extent that separate capital accounts need to be maintained pursuant to this Agreement for purposes of either allocating income, gain, loss or deduction pursuant to Article IV of this Agreement between holders of Common Units, Series A Preferred Units and Series B Preferred Units or making distributions to the holders of Common Units, the holders of Series A Preferred Units and the holders of Series B Preferred Units pursuant to the terms of this Agreement, then separate accounts shall be maintained with the capital account associated with the Series B Preferred Units being called the "Series B Preferred Unit Capital Account," with the capital account associated with the Series A Preferred Units being called the "Series A Preferred Unit Capital Account" and the capital account associated with the Common Units being called the "Common Unit Capital Account."

(e) On the transfer of all or part of a Membership Interest, the capital account of the transferor that is attributable to the transferred Membership Interest or part thereof shall carry over to the transferee Member in accordance with the provisions of Reg. § 1.704-1(b)(2)(iv)(1).

## ARTICLE IV
## ALLOCATIONS AND DISTRIBUTIONS

**4.1.** ***Allocations***

(a) ***Profits.*** After giving effect to any special allocations set forth in this Section 4.1, all items of income and gain of the Company for any fiscal year (or portion thereof) shall be allocated:

(i) first, to each Member, if any, with a negative capital account balance, in proportion to such negative balances, until any such negative balances have been eliminated;

(ii) second, if there shall have occurred in such fiscal year (or portion thereof) a redemption of all or a portion of the then outstanding Series A Preferred Units, Series B Preferred Units and Common Units pursuant to Section 2.13 of this Agreement then one hundred percent (100%) to the holders of such Series A Preferred Units, Series B Preferred Units and Common Units so redeemed until the capital account balances of such holders, as determined prior to such redemption (but after taking into account any allocations to be made under this Section 4.1 including, but not limited to, this subsection (ii)), shall be equal to the sum of (A) the amount paid to such holders in redemption of such Units and (B) the amount that would be paid to such holders at that time if the balance of the Units held by such holders would have been redeemed in full at that time;

(iii) third, if there shall have occurred in such fiscal year (or portion thereof) a redemption of a portion of the then outstanding Series A Preferred Units, Series B Preferred Units and Common Units pursuant to Section 2.12 of this Agreement then one hundred percent (100%) to the holders of such Series A Preferred Units, Series B Preferred Units and Common Units so redeemed until the capital account balances of such holders, as determined prior to such redemption (but after taking into account any allocations to be made under this Section 4.1 including, but not limited to, this subsection (iii)), shall be equal to the sum of (A) the amount paid to such holders in redemption of such Units and (B) the amount that would be paid to such holders at that time if the balance of the Units held by such holders would have been redeemed in full at that time;

(iv) fourth, if there shall have occurred in such fiscal year (or portion thereof) a redemption of a portion of the then outstanding Series A Preferred Units, Series B Preferred Units and Common Units pursuant to Section 2.11 of this Agreement then one hundred percent (100%) to the holders of such Series A Preferred Units, Series B Preferred Units and Common Units so redeemed until the capital account balances of such holders, as determined prior to such redemption (but after taking into account any allocations to be made under this

Section 4.1 including, but not limited to, this subsection (iv)), shall be equal to the sum of (A) the amount paid to such holders in redemption of such Units and (B) the amount that would be paid to such holders at that time if the balance of the Units held by such holders would have been redeemed in full at that time;

(v) fifth, if there shall have occurred in such fiscal year (or portion thereof) a redemption of all of the then outstanding Series A Preferred Units pursuant to Section 2.5(c) of this Agreement then one hundred percent (100%) to the holders of Series A Preferred Units until the Series A Preferred Unit Capital Account balances of such holders, as determined prior to such redemption (but after taking into account any allocations to be made under this Section 4.1 including, but not limited to, this subsection (v)), shall be equal to the amount paid in redemption of such Units;

(vi) sixth, if there shall have occurred in such fiscal year (or portion thereof) a redemption of a portion of the then outstanding Series A Preferred Units pursuant to Section 2.5(c) of this Agreement then one hundred percent (100%) to the holders of Series A Preferred Units until the Series A Preferred Unit Capital Account balances of such holders, as determined prior to such redemption (but after taking into account any allocations to be made under this Section 4.1 including, but not limited to, this subsection (vi)), shall be equal to the sum of (A) the amount paid to such holders in redemption of such Series A Preferred Units and (B) the amount that would be paid to such holders at that time if the balance of the Series A Preferred Units held by such holders would have been redeemed in full at that time;

(vii) seventh, if there shall have occurred in such fiscal year (or portion thereof) a distribution to holders of Series A Preferred Units pursuant to Section 4.2 of this Agreement, then one hundred percent (100%) to the holders of Series A Preferred Units until the Capital Account balances of such holders shall be equal to the amount distributed;

(viii) eighth, one hundred percent (100%) to the holders of Series A Preferred Units until the Series A Preferred Unit Capital Account balances of such holders (after taking into account any distributions to be made under this Agreement during such fiscal year (or portion thereof)) shall be equal to the amount, if any, that would be paid to such holders if the Series A Preferred Units held by such holders were to be redeemed by the Company on the last day of such fiscal year;

(ix) ninth, if there shall have occurred in such fiscal year (or portion thereof) a redemption of all of the then outstanding Series B Preferred Units pursuant to Section 2.6(c) of this Agreement then one hundred percent (100%) to the holders of Series B Preferred Units until the Series B Preferred Unit Capital Account balances of such holders, as determined prior to such redemption (but after taking into account any allocations to be made under this Section 4.1 including, but not limited to, this subsection (ix)), shall be equal to the amount paid in redemption of such Units;

(x) tenth, if there shall have occurred in such fiscal year (or portion thereof) a redemption of a portion of the then outstanding Series B Preferred Units pursuant to Section 2.6(c) of this Agreement then one hundred percent (100%) to the holders of Series B Preferred Units until the Series B Preferred Unit Capital Account balances of such holders, as determined prior to such redemption (but after taking into account any allocations to be made under this Section 4.1 including, but not limited to, this subsection (x)), shall be equal to the sum of (A) the amount paid to such holders in redemption of such Series B Preferred Units and (B) the amount that would be paid to such holders at that time if the balance of the Series B Preferred Units held by such holders would have been redeemed in full at that time;

(xi) eleventh, if there shall have occurred in such fiscal year (or portion thereof) a distribution to holders of Series B Preferred Units pursuant to Section 4.2 of this Agreement, then one hundred percent (100%) to the holders of Series B Preferred Units until the Capital Account balances of such holders shall be equal to the amount distributed;

(xii) twelfth, one hundred percent (100%) to the holders of Series B Preferred Units until the Series B Preferred Unit Capital Account balances of such holders (after taking into account any distributions to be made under this Agreement during such fiscal year (or portion thereof)) shall be equal to the amount, if any, that would be paid to such holders if the Series B Preferred Units held by such holders were to be redeemed by the Company on the last day of such fiscal year;

(xiii) thirteenth, with respect to the holders of Common Units, if the positive balances in the Common Unit Capital Accounts of such Members is not in proportion to their relative Membership Interests, then to the holders of the Common Units in such manner so as to cause such positive balances (after taking into account all allocations to be made under this subsection) to be in proportion to such Membership Interests; and

(xiv) the balance, if any, to all holders of Common Units in proportion to their Membership Interests.

(b) ***Losses.*** After giving effect to any special allocations set forth in this Section 4.1, all items of loss and deduction of the Company shall be allocated:

(i) first, with respect to holders of Common Units, if the positive balances in the Common Unit Capital Accounts of such Members is not in proportion to their relative Membership Interests, then to the holders of the Common Units in such manner so as to cause such positive balances (after taking into account all allocations to be made under this subsection) to be in proportion to such Membership Interests;

(ii) second, with respect to holders of Common Units in proportion to the positive balances in their Common Unit Capital Accounts until such balances have been reduced to zero;

(iii) third, to holders of Series B Preferred Units in proportion to the positive balances in their Series B Preferred Unit Capital Accounts until such balances have been reduced to zero;

(iv) fourth, to holders of Series A Preferred Units in proportion to the positive balances in their Series A Preferred Unit Capital Accounts until such balances have been reduced to zero; and

(v) the balance, if any, to holders of Common Units in proportion to their Membership Interests.

(c) ***Special Allocations.*** The following special allocations shall be made in the following order:

(i) ***Limitation on Losses.*** The Losses allocated to any Member pursuant to Section 4.1(b) of this Agreement shall not exceed the maximum amount of Losses that can be so allocated without causing such person to have an Adjusted Capital Account Deficit at the end of any Fiscal Year. In the event some, but not all, of the Members would have Adjusted Capital Account Deficits as a consequence of an allocation of Losses pursuant to Section 4.1(b), the limitation set forth in this Section 4.1(c)(i) shall be applied on a Member-by-Member basis so as to allocate the maximum permissible Losses to each Member under Reg. § 1.704-1(b)(2)(ii)(d).

(ii) ***Qualified Income Allocation.*** In the event any Member unexpectedly receives any adjustments, allocations, or distributions described in Reg. §§ 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), or l.704-1(b)(2)(ii)(d)(6), items of Company income and gain shall be specially allocated to each such Member in an amount and manner sufficient to eliminate, to the extent required by the Regulations, the deficit capital account balance of such Member as promptly as possible, provided that, an allocation pursuant to this Section 4.1(c)(ii) shall be made if and only to the extent that such Member would have a deficit capital account balance after all other allocations provided for in this Section 4.1 have been tentatively made as if this Section 4.1(c)(ii) were not in this Agreement.

(iii) ***Gross Income Allocation.*** In the event any Member has a deficit Capital Account at the end of any fiscal year which is in excess of the sum of (i) the amount such Member is obligated to restore pursuant to this Agreement, if any, and (ii) the amount such Member is deemed to be obligated to restore pursuant to the penultimate sentences of Reg. §§ 1.704-2(g)(1) and 1.704-2(i)(5),

each such Member shall be specially allocated items of Company income and gain in the amount of such excess as quickly as possible, provided that, an allocation pursuant to this Section 4.1(c)(iii) shall be made if and only to the extent that such Member would have a deficit Capital Account in excess of such sum after all other allocations provided for in this Section 4.1 have been tentatively made as if this Section 4.1(c)(iii) was not in the Agreement.

(iv) ***Impact of Company Indebtedness.*** In the event that the Company incurs indebtedness in any material amount, then the allocation provisions set forth herein shall be deemed to be further modified so as to reflect inclusion of a Company and, if applicable, Member minimum gain chargeback consistent with that set forth in Reg. §§ 1.704-2(f) and (i)(4), which allocations shall be applied before application of the other special allocation provisions set forth in this Section 4.1(c).

(v) ***Curative Allocations.*** The allocations set forth in this Section 4.1(c) (the "Regulatory Allocations") are intended to comply with certain requirements of the Treasury Regulations promulgated under Code Section 704(b). It is the intent of the Members that, to the extent possible, all Regulatory Allocations shall be offset either with other Regulatory Allocations or with special allocations of other items of Company income, gain, loss, or deduction pursuant to this Section 4.1(c)(v). Therefore, notwithstanding any other provision of this Section 4.1 (other than the Regulatory Allocations), the Company shall make such offsetting special allocations of Company income, gain, loss, or deduction in whatever manner it determines appropriate so that, after such offsetting allocations are made, each Member's capital account balance is, to the extent possible, equal to the capital account balance such Member would have had if the Regulatory Allocations were not part of the Agreement and all Company items were allocated pursuant to Sections 4.1(a) (other than Section 4.1(c)).

(d) ***Transfers of Units.*** All items of income, gain, loss, deduction and credit allocable to any Membership Interest that may have been transferred or otherwise disposed of shall be allocated between the transferor and the transferee based on the percentage of the calendar year during which each was recognized as owning that Membership Interest, without regard to the results of Company operations during any particular portion of that calendar year and without regard to whether cash distributions were made to the transferor or the transferee during that calendar year; provided, however, that this allocation must be made in accordance with a method permissible under Section 706 of the Code and the regulations thereunder.

(e) ***Section 704(c) Allocations.*** Solely for tax purposes, income, gain, loss and deduction with respect to any property contributed to the capital of the Company or for which the adjusted tax basis and book value differ shall be allocated among the Members so as to take account of any variation between adjusted tax basis and book value. The allocations provided in this Section 4.1 are intended to comply with the requirements of Section 704 of the Code and Treasury Regulations thereunder and shall be interpreted (or modified, to the extent necessary) in such manner as is consistent with such requirements, as determined by the

Company's Tax Matters Partner (defined below). For purposes of allocations under Section 704(c) of the Code, the Company shall use the remedial allocation method, as described in Reg. § 1.704-3(d).

(f) ***Definitions.*** The following capitalized terms and phrases used in this Article IV (or otherwise in this Agreement) have the following meanings:

(i) "Adjusted Capital Account Deficit" means, with respect to any Member, the deficit balance, if any, in such Member's capital account as of the end of the relevant fiscal year, after giving effect to the following adjustments:

(1) Credit to such capital account any amounts which such Member is obligated to restore or is deemed to be obligated to restore pursuant to the penultimate sentences of Reg. §§ 1.704-2(g)(1) and 1.704-2(i)(5); and

(2) Debit to such Capital Account the items described in Reg. §§ 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) and 1.704-1(b)(2)(ii)(d)(6).

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Reg. § 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

**4.2.** ***Distributions.***

(a) ***Regular Distributions***: The Board of Directors shall have the authority to reinvest the Company's cash generated from operations and dispositions of assets, including the sale or other disposition of equity interests in a related company in which the Company invests directly or indirectly. Consequently, distributions to Members of the Company's cash or other assets shall be made only at such times and in such amounts as authorized by the Board of Directors and the Board of Directors shall have no obligation or duty to distribute cash or other assets to the Members prior to the dissolution and liquidation of the Company. Distributions, if any, shall be made as follows:

(i) first, to the holders of the Series A Preferred Units, in accordance with the provisions of Section 2.5, in proportion to their Units;

(ii) second, to the holders of the Series B Preferred Units, in accordance with the provisions of Section 2.6, in proportion to their Units;

(iii) third, with respect to holders of Common Units, to all such Members with respect to their Common Units, in proportion to their respective Capital Contributions made with respect to such Common Units up to the amount of such Capital Contributions less distributions previously made to such holders pursuant to this Section 4.2(a)(iii) and

(iv) then, with respect to holders of Common Units, to all such Members in proportion to their Membership Interests.

Notwithstanding any other provision of this Agreement to the contrary, no amount shall be distributed to a Member under Section 2.5, 2.6 or 4.2 in excess of the positive balance of that Member's Capital Account.

(b) ***Tax Distributions.***

(i) For purposes of this Agreement, "Tax Distributions" shall mean both Regular Tax Distributions and Additional Tax Distributions, as defined in this Section 4.2(b).

(ii) Regular Tax Distributions.

(a) Notwithstanding Section 4.2(a), with respect to each taxable period of the Company, the Company shall, to the extent of available funds, make a Regular Tax Distribution to the Members; provided, that such distribution shall be made if and to the extent that the Board of Directors determines that the distribution does not violate or breach, or constitute a termination, cancellation or acceleration of, any obligation, contract, agreement or other instrument of the Company.

(b) "Regular Tax Distribution" means, for the applicable taxable period, an aggregate cash distribution to the Members equal to (1) the taxable income of the Company for the taxable period (exclusive of income attributable to gain allocated pursuant to Section 704(c) of the Code) multiplied by (2) an assumed tax rate equal to (A) the maximum federal income tax rate for corporations in effect for the taxable period plus (B) six percent (6%). The amount of the Regular Tax Distribution shall be determined by the Company's independent accounting firm.

(c) The Regular Tax Distribution shall be distributed among the Members in accordance with their ownership of the Units in the same manner as provided for in Section 4.2(a), and shall be treated as advance distributions of amounts pursuant to Section 4.2(a).

(d) Subject to Section 4.2(b)(ii)(a), the Company shall make the Regular Tax Distribution, if any, for an applicable taxable period in four installments based on a reasonable estimate of the year's anticipated taxable income exclusive of income attributable to gain allocated pursuant to Section 704(c) of the Code. Such installments shall be distributed no later than the tenth day of each of April, June, September and December of the year.

(iii) Additional Tax Distributions.

(a) Notwithstanding Section 4.2(a), with respect to each taxable period of the Company, the Company shall, to the extent of available funds, make an Additional Tax Distribution to the Members; provided, that such distribution shall be made if and to the extent that the Board of Directors determines that the distribution does not violate or breach, or constitute a termination, cancellation or acceleration of, any obligation, contract, agreement or other instrument of the Company.

(b) "Additional Tax Distribution" means, for the applicable taxable period, the sum of the amounts determined by multiplying (x), (y) and (z) with respect to each class of Units where: (x) equals the taxable income of the Company for the taxable period attributable to gain allocated pursuant to Section 704(c) of the Code ("Section 704(c) Gain") allocable to that class of Units; (y) equals an assumed tax rate equal to (A) the maximum federal income tax rate for corporations in effect for the taxable period plus (B) six percent (6%); and (z) equals 100% divided by the aggregate Percentage Interest of that class of Units to which the Section 704(c) Gain has been allocated. The amount of the Additional Tax Distribution shall be determined by the Company's independent accounting firm.

(c) The Additional Tax Distribution shall be distributed among the Members in accordance with their ownership of the Units in the same manner as set forth in Section 4.2(a), and shall be treated as advance distributions of amounts distributed pursuant to Section 4.2(a).

(d) Subject to Section 4.2(b)(iii)(a), the Company shall make the Additional Tax Distribution, if any, for an applicable taxable period in four installments based on a reasonable estimate of the year's anticipated taxable income attributable to Section 704(c) Gain. Such installments shall be distributed no later than the tenth day of each of April, June, September and December of such year.

## ARTICLE V
## DIRECTORS

**5.1.** ***The Board of Directors; Delegation of Authority and Duties***

(a) The Members, acting through the Board of Directors, shall manage and control the business and affairs of the Company, and shall possess all rights and powers as provided in the Act and otherwise by applicable law. Except as otherwise expressly provided for herein or the Securityholders Agreements, if any, the Members hereby consent to the exercise by the Board of Directors of all such powers and rights conferred on them by the Act or otherwise by applicable law with respect to the management and control of the Company. No Member and no Director, in its capacity as such, shall have any power to act for, sign for, or do any act that would bind the Company. The Members, acting through the Board of Directors, shall devote such time and effort to the affairs of the Company as they may deem appropriate for the oversight of the management and affairs of the Company. Each Member acknowledges and agrees that no Member shall, in its capacity as a Member, be bound to devote all of such Member's business time to the affairs of the Company, and that each Member and such Member's affiliates do and will continue to engage for such Member's own account and for the account of others in other business ventures. To the fullest extent permitted by applicable law, each Director shall have such rights and duties as are applicable to directors of a corporation.

(b) The Board of Directors shall have the power and authority to delegate to one or more other persons the Board of Directors' rights and powers to manage and control the business and affairs of the Company, including delegating such rights and powers of the Board

of Directors to Directors, agents and employees of the Company (including Officers). The Board of Directors may authorize any person (including, without limitation, any Member, Officer or Director) to enter into any document on behalf of the Company and perform the obligations of the Company thereunder. Notwithstanding the foregoing, the Board of Directors shall not have the power and authority to delegate any rights or powers customarily requiring the approval of the directors of a corporation and no Officer or other person shall be authorized or empowered to act on behalf of the Company in any way beyond the customary rights and powers of an officer of a corporation.

(c) It shall be the responsibility of the Board of Directors to provide advice to Officers regarding the overall operation and direction of the Company. The function of the Board of Directors shall be similar to the oversight typically provided to a corporation by its board of directors. The Officers shall, at all times, retain final responsibility for the day-to-day management, operation, and control of the Company, subject to the supervision and direction of the Board of Directors.

(d) The Board of Directors may, from time to time, designate one or more committees, each committee to consist of one or more Directors. Any such committee shall have such powers and authority as provided in the enabling resolution of the Company with respect thereto. At every meeting of any such committee, the presence of all members thereof shall constitute a quorum and the affirmative vote of a majority of all members shall be necessary for the adoption of any resolution; provided, that the Board of Directors shall have the authority to lower the number of committee members so required to constitute a quorum so long as such number is at least a majority of the total number of members, and to lower the number of committee members whose affirmative vote is so required to adopt a resolution so long as such number is at least a majority of the committee members present at any meeting at which a quorum is present. The Board of Directors may dissolve any committee at any time, unless otherwise provided in this Agreement.

(e) The Directors shall not be obligated and shall not be expected to devote all of their time or business efforts to the affairs of the Company.

(f) A Director shall, in the performance of such Director's duties, be fully protected in relying in good faith upon the records of the Company and upon such information, opinions, reports or statements presented to the Company by any of the Company's Officers or employees or committees of the Board of Directors, or by any other person as to matters the Director reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company.

**5.2.** ***Establishment of Board of Directors; Term of Office***. Subject to the applicable provisions of any Securityholders Agreement, the Board of Directors shall have the authority to fix the authorized number of Directors on the Board of Directors from time to time. The authorized number of Directors on the Board of Directors shall initially be three, one of whom shall be designated by CVC Equity Fund, one of whom shall be designated by FP LP and one of whom shall be designated by CVC Capital Partners Asia II Limited, a Jersey company. Once elected by the Members pursuant to this Section 5.2 and the Securityholders Agreements, if any, a Director shall continue in office until the removal of such Director in accordance with the

provisions of this Agreement and the Securityholders Agreements, if any, or until the earlier death or resignation of such Director. Any Director may resign at any time by giving written notice of such Director's resignation to the Board of Directors. Any such resignation shall take effect at the time the Board of Directors receives such notice or at any later effective time specified in such notice. Unless otherwise specified in such notice, the acceptance by the Board of Directors of such Director's resignation shall not be necessary to make such resignation effective. Notwithstanding anything herein or at law to the contrary but subject to the applicable provisions of any Securityholders Agreement, any Director may be removed at any time with or without cause by the vote of a majority of the Units then entitled to vote at an election of Directors.

**5.3.** ***Meetings of the Board of Directors***

(a) The Board of Directors shall meet on a regular basis, not less than annually, at such time and at such place as the Board of Directors may designate. Special meetings of the Board of Directors shall be held at the request of a majority of the Directors upon at least five (5) days (if the meeting is to be held in person) or two (2) days (if the meeting is to be held telephonically) oral or written notice to the Directors. Each such special meeting shall be held at such time and at such place as is designated in the notice of the meeting. Any Director may waive the requirement of such notice as to such Director by participation in such meeting other than for purposes of objecting to such meeting. Any meeting of the Board of Directors may be held in person or by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and any Director may participate in any such meeting by means of any of the foregoing notwithstanding the means of participation by any other Director. The Directors shall use their commercially reasonable efforts to hold meetings at such times and places as permit all Directors to participate.

(b) To the extent not inconsistent with this Agreement or the Act, the procedures and rights governing the Board of Directors shall be as provided to the board of a corporation under the Delaware General Corporation Law.

**5.4.** ***Quorum; Voting***

(a) Unless otherwise required by applicable law or provided in the Certificate, this Agreement, a quorum of the Board of Directors shall consist of a majority of the total number of directors, which such majority shall include a majority of the designees of the CVC US Designator (as defined in the Second Amended and Restated Securityholders' Agreement dated as of October 6, 2004, the "Amended and Restated Securityholders' Agreement") and a majority of the designees of the FP Designator (as defined in the Amended and Restated Securityholders' Agreement), *provided* that the CVC US Designator and the FP Designator together shall have the right at any time to increase the number of directors necessary to constitute such quorum; and *provided further*, that in the event that either of the CVC US Designator or the FP Designator, has the right to designate fewer than three directors pursuant to Section 2.01 of the Amended and Restated Securityholders' Agreement, a quorum shall exist if at least one director designated by such Person is present.

(b) Except as otherwise provided in the Certificate, this Agreement or pursuant to applicable law, all actions of the Board of Directors shall require (i) the affirmative vote of at least a majority of the directors present at a duly convened meeting of the Board of Directors at which a quorum is present or (ii) the unanimous written consent of the Board of Directors, *provided* that, in the event that there is a vacancy on the Board of Directors and an individual has been nominated to fill such vacancy, the first order of business shall be to fill such vacancy.

(c) The Board of Directors may create executive, compensation, audit and such other committees as it may determine. The Institutional Securityholders (as defined in the Amended and Restated Securityholders' Agreement) together shall be entitled to majority representation on any committee created by the Board, half of which such majority representation shall consist of a director or directors designated by the CVC US Designator and half of which such majority representation shall consist of a director or directors designated by the FP Designator. The CVC Asia Pacific Investors (as defined in the Amended and Restated Securityholders' Agreement) or their permitted transferees shall be entitled to minority representation on each committee created by the Board of Directors. Each Securityholder (as defined in the Amended and Restated Securityholders' Agreement) entitled to vote for the election of the chairman of any committee (in its capacity as a Securityholder, director of the Board, member of a committee, or otherwise) created by the Board of Directors agrees that it will take all necessary action to ensure that the chairman of such committee is a director designated by the CVC US Designator or the FP Designator in accordance with Section 2.01 of the Amended and Restated Securityholders' Agreement.

**5.5.** ***Action by Written Consent.*** Any action which could be taken by the Board of Directors at a meeting may be taken by the Board of Directors, without a meeting, without prior notice and without a vote, if all of the Directors execute a consent or consents in writing setting forth the action so taken. Any written consent may be executed and ascribed to by facsimile or similar electronic means.

**5.6.** ***Payments to Directors; Reimbursements.*** Except as otherwise determined by the Board of Directors (by the vote or written consent of a majority of the votes of the disinterested Directors then in office), no Director shall be entitled to remuneration by the Company for services rendered in his or her capacity as a Director (other than for reimbursement of reasonable out-of-pocket expenses of such Director). All Directors will be entitled to reimbursement of their reasonable out-of-pocket expenses incurred in connection with their attendance at Board of Directors meetings.

**5.7.** ***Interested Party Transactions.***

(a) Subject to the applicable provisions of any Securityholders Agreement, no contract or transaction between the Company and one or more of its Directors or Officers, or between the Company and any other corporation, partnership, association or other organization in which one or more of its Directors or Officers, are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the Director or Officer is present at or participates in the meeting of the Board of Directors or committee which authorizes the contract or transaction, or solely because any such Director's or Officer's votes are counted for such purpose, if

(i) the material facts as to the Director's or Officer's relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative vote of a majority of the disinterested Directors, even though the disinterested Directors be less than a quorum; or

(ii) the contract or transaction is fair from a financial point of view as to the Company as of the time it is authorized, approved or ratified, by the disinterested Directors or Members.

(b) Interested Directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

## ARTICLE VI
## OFFICERS

**6.1.** ***Designation and Appointment.*** The Board of Directors may, from time to time, employ and retain persons as may be necessary or appropriate for the conduct of the Company's business (subject to the supervision and control of the Board of Directors), including employees, agents and other persons (any of whom may be a Member or Director) who may be designated as Officers of the Company ("Officers"), with titles including but not limited to "chief executive officer," "president," vice president," "treasurer," "secretary," "general counsel," "director" and "chief financial officer," as and to the extent authorized by the Board of Directors. Any number of offices may be held by the same person. In the Board of Directors' discretion, the Board of Directors may choose not to fill any office for any period as it may deem advisable. Officers need not be residents of the State of Delaware or Members. Any Officer so designated shall have such authority and perform such duties as is customary for an officer of such type for a corporation or as the Board of Directors may, from time to time, delegate to such Officer. The Board of Directors may assign titles to particular Officers. Each Officer shall hold office until his or her successor shall be duly designated and shall have qualified as an Officer or until his or her death or until he or she shall resign or shall have been removed in the manner hereinafter provided. The salaries or other compensation, if any, of the Officers of the Company shall be fixed from time to time by the Board of Directors.

**6.2.** ***Resignation and Removal.*** Any Officer may resign as such at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or if no time be specified, at the time of its receipt by the Board of Directors. The acceptance by the Board of Directors of a resignation of any Officer shall not be necessary to make such resignation effective, unless otherwise specified in such resignation. Any Officer may be removed as such, either with or without cause, at any time by the Board of Directors. Designation of any person as an Officer by the Board of Directors pursuant to the provisions of Section 6.1 shall not in and of itself vest in such person any contractual or employment rights with respect to the Company.

**6.3.** ***Duties of Officers Generally***. The Officers, in the performance of their duties as such, shall (i) owe to the Company duties of loyalty and due care of the type owed by the officers of a corporation to such corporation and its stockholders under the laws of the State of Delaware, and (ii) keep the Board of Directors reasonably apprised of material developments in the business of the Company.

**6.4.** ***President***. The president of the Company shall, subject to the powers of the Board of Directors, have general and active management of the business of the Company, and shall see that all orders and resolutions of the Board of Directors are effectuated. The president of the Company shall have such other powers and perform such other duties as may be prescribed by the Board of Directors.

**6.5.** ***Vice President(s).*** The vice president(s) of the Company shall perform such duties and have such other powers as the president of the Company or the Board of Directors may from time to time prescribe. A vice president may be designated as an executive vice president, a senior vice president, an assistant vice president, or a vice president with a functional title.

**6.6.** ***Secretary***. The secretary of the Company shall attend all meetings of the Board of Directors, record all the proceedings of the meetings and perform similar duties for the committees of the Board of Directors when required by the Board of Directors. The secretary of the Company shall keep all documents as may be required under the Act. The secretary shall perform such other duties and have such other authority as may be prescribed elsewhere in this Agreement or from time to time by the President of the Company or the Board of Directors. The secretary of the Company shall have the general duties, powers and responsibilities of a secretary of a corporation. If the Board of Directors chooses to appoint an assistant secretary or assistant secretaries, the assistant secretaries, in the order of seniority, shall in the Company secretary's absence, disability or inability to act, perform the duties and exercise the powers of the secretary of the Company, and shall perform such other duties as the President of the Company or the Board of Directors may from time to time prescribe.

## ARTICLE VII
## MEETINGS OF MEMBERS

**7.1.** ***Meetings of Members***

(a) All meetings of the Members shall be held at the principal place of business of the Company or at such other place within or without the State of Delaware as shall be specified or fixed in the notices (or waivers of notice thereof). Except as otherwise required by law or as otherwise provided herein or in the Securityholders Agreements, if any, only holders of Common Units shall be entitled to notice of, to attend and to vote at meetings of the Members.

(b) An annual meeting of the Members shall be held for the purpose of election of the Directors and for the transaction of such other business as may properly come before the meeting. Any meeting of Members shall be held on such date and at such time as the Board of Directors shall fix and set forth in the notice of the meeting.

(c) Special meetings of the Members for any proper purpose or purposes may be called at any time by the Board of Directors or upon the request of a Required Interest (defined below). Only business within the purpose or purposes described in the notice (or waiver thereof) required by this Agreement may be conducted at a special meeting of the Members. As used herein, "Required Interest" means one or more Members owning among them more than 50% of the then outstanding Common Units.

(d) All meetings of the Members shall be presided over by the chairman of the meeting, who shall be a Director designated by a majority of the Board of Directors. The chairman of any meeting of Members shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to him or her in order.

**7.2.** ***Notice.*** Written notice stating the place, day and hour of any meeting of the Members and, with respect to a special meeting of the Members, the purpose or purposes for which the meeting is called, shall be delivered not less than 10 nor more than 60 days before the date of such meeting by or at the direction of the Directors or person calling the meeting, to each Member entitled to vote at such meeting.

**7.3.** ***Quorum; Voting***

(a) Except as otherwise provided in the Certificate or this Agreement or required by applicable law, a quorum shall be present at a meeting of Members if the holders of a Required Interest are represented at the meeting in person or by proxy.

(b) A Member may vote either in person or by proxy executed in writing by the Member. A proxy shall be revocable unless the proxy form conspicuously states that the proxy is irrevocable. Except as otherwise provided in the Certificate or this Agreement or required by applicable law, with respect to any matter, the affirmative vote of a Required Interest at a meeting of Members at which a quorum is present shall be the act of the Members.

**7.4.** ***Action by Written Consent***. Any action which could be taken by the Members at an annual or special meeting of Members may be taken by the Members, without a meeting, without prior notice and without a vote, if a consent or consents in writing setting forth the action so taken is signed by the holders of a Required Interest (or holders of such higher aggregate percentage of Membership Interest as is required to authorize or take such action under the terms of the Certificate, this Agreement, the Securityholders Agreements, if any, or applicable law). Any such written consent may be executed and ascribed to by facsimile or similar electronic means.

**7.5.** ***Record Date.*** The Board of Directors may fix a record date for purposes of determining Members entitled to notice of or vote at a meeting of Members (including any adjournment thereof), Members entitled to consent to action by written consent, and Members entitled to receive payment of any dividend or other distribution or allotment of any rights, which such record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and which such record date shall not be more than sixty nor less than ten days before the date of such meeting, consent or payment.

**7.6.** ***Adjournment.*** The chairman of the meeting or the holders of a Required Interest shall have the power to adjourn such meeting from time to time, without any notice other than announcement at the meeting of the time and place of the holding of the adjourned meeting. If such meeting is adjourned by the Members, such time and place shall be determined by a vote of the holders of a Required Interest and no notice of the adjourned meeting need be given if such time and place are announced at the meeting at which the adjournment is taken. Upon the resumption of such adjourned meeting, any business may be transacted that might have been transacted at the meeting as originally called.

**7.7.** ***Conversion***. Subject to the applicable provisions of any Securityholders Agreement, the Company may convert to a corporation, business trust or association, a general partnership or a limited partnership, provided that such conversion is approved by the Board of Directors and authorized by the affirmative vote of the Required Interest taken at a special meeting of Members duly called for purposes of considering such conversion. Notwithstanding any other provision of this Agreement or any Securityholders Agreement, upon the conversion of the Company into a corporation, whether by operation of law, merger, or otherwise, or upon an exchange of the Common Units, Series A Preferred Units or Series B Preferred Units for shares of a corporation, any equity securities received by the holders of such Units in consideration for such Units shall be limited to stock which is not treated as preferred stock for U.S. Federal income tax purposes (and, if the conversion is by reason of the Company's affirmative election to be treated as a corporation for U.S. Federal income tax purposes, the Series A Preferred Units and Series B Preferred Units will be converted into Common Interests prior to the effective date of such election or otherwise amended in such a manner that none of the equity securities of the converted entity received by the holders of such Units for such Units would be treated as preferred stock for U.S. Federal income tax purposes).

**7.8.** ***Merger and Consolidation***. Subject to the applicable provisions of any Securityholders Agreement, pursuant to an agreement of merger or consolidation, the Company may merge or consolidate with or into one or more limited liability companies or one or more other business entities (as defined in the Act) provided that such merger or consolidation is approved the Board of Directors and authorized by the affirmative vote of the Required Interest taken at a special meeting of Members duly called for purposes of considering such merger or consolidation.

**7.9.** ***Sale of Assets***. Subject to the applicable provisions of any Securityholders Agreement, the Company may sell, lease or exchange all or substantially all of its property and assets upon such terms and conditions and for such consideration as the Board of Directors deems expedient and for the best interests of the Company, provided that such sale, lease or exchanges is approved by the Board of Directors and authorized by a resolution adopted by the Required Interest at a special meeting duly called for purposes of considering such sale, lease or exchange.

**ARTICLE VIII**
**INDEMNIFICATION**

**8.1.** ***Right to Indemnification***. The Company shall indemnify any person who was or is party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that such person is or was a Director or Officer of the Company or a director or officer of a constituent Person in a consolidation or merger, or is or was serving at the request of the Company or a constituent Person absorbed in a consolidation or merger, as a director or officer of another Person, or is or was a Director or Officer of the Company serving at its request as an administrator, trustee or other fiduciary of one or more of the employee benefit plans of the Company or other enterprise, against expenses (including attorneys' fees), liability and loss actually and reasonably incurred or suffered by such person in connection with such Proceeding, whether or not the indemnified liability arises or arose from any threatened, pending or completed Proceeding by or in the right of the Company, except to the extent that such indemnification is prohibited by applicable law.

**8.2.** ***Advance of Expenses***. Expenses incurred by a Director or Officer of the Company in defending a Proceeding shall be paid by the Company in advance of the final disposition of such Proceeding subject to the provisions of any applicable law.

**8.3.** ***Procedure for Determining Permissibility***. To determine whether any indemnification or advance of expenses under this Article VIII is permissible, the Board of Directors by a majority vote of a quorum consisting of Directors not parties to such Proceeding may, and on request of any person seeking indemnification or advance of expenses shall be required to, determine in each case whether the applicable standards in any applicable statute have been met, or such determination shall be made by independent legal counsel if such quorum is not obtainable, or, even if obtainable, a majority vote of a quorum of disinterested Directors so directs, provided that, if there has been a change in control of the Company between the time of the action or failure to act giving rise to the claim for indemnification or advance of expenses and the time such claim is made, at the option of the person seeking indemnification or advance of expenses, the permissibility of indemnification or advance of expenses shall be determined by independent legal counsel. The reasonable expenses of any Director or Officer in prosecuting a successful claim for indemnification, and the fees and expenses of any special legal counsel engaged to determine permissibility of indemnification or advance of expenses, shall be borne by the Company. No Member shall be obligated to make a Capital Contribution to satisfy any indemnification claim.

**8.4.** ***Contractual Obligation***. The obligations of the Company to indemnify a Member, Director or Officer under this Article VIII, including the duty to advance expenses, shall be considered a contract between the Company and such Director or Officer, and no modification or repeal of any provision of this Article VIII shall affect, to the detriment of the Director or Officer, such obligations of the Company in connection with a claim based on any act or failure to act occurring before such modification or repeal.

**8.5.** ***Indemnification Not Exclusive; Inuring of Benefit***. The indemnification and advance of expenses provided by this Article VIII shall not be deemed exclusive of any other

right to which one indemnified may be entitled under any statute, provision of the Certificate, agreement, vote of Members or disinterested Directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, and shall inure to the benefit of the heirs, executors and administrators of any such person.

**8.6.** ***Insurance and Other Indemnification***. The Board of Directors shall have the power to (i) authorize the Company to purchase and maintain, at the Company's expense, insurance on behalf of the Company and on behalf of others to the extent that power to do so has not been prohibited by statute, (ii) create any fund of any nature, whether or not under the control of a trustee, or otherwise secure any of its indemnification obligations, and (iii) give other indemnification to the extent permitted by statute.

## ARTICLE IX
## TAXES

**9.1.** ***Tax Returns***. The Board of Directors shall cause the Company to prepare and file all necessary U.S. Federal, state, local and foreign tax returns for the Company including making the elections described in Section 9.2. Each Member shall furnish to the Company all pertinent information (including without limitation form W-8BEN, W-8ECI or W-8EXP, as applicable) in its possession relating to Company operations that is necessary to enable the Company's tax returns to be prepared and filed. Such tax returns will duly reflect the allocation of income, gain, loss and deduction set forth in Article IV of this Agreement.

**9.2.** ***Tax Elections***. To the extent permitted by applicable tax law, the Company shall make the following elections on the appropriate tax returns:

(a) to adopt the fiscal year ending December 31 as the Company's taxable year pursuant to Section 444 of the Code (and the Company shall make the "required payments" pursuant to Section 7519 of the Code in connection with such election); and

(b) to adopt the accrual method of accounting and to keep the Company's books and records on the accrual basis method.

Neither the Company nor any Director or Member may make an election for the Company to be excluded from the application of the provisions of subchapter K of chapter 1 of subtitle A of the Code or any similar provisions of applicable state law, and no provision of this Agreement shall be construed to sanction or approve such an election. The Company will cause its subsidiaries to timely make all appropriate "disregarded entity" elections on IRS Form 8832.

**9.3.** ***Tax Allocations and Reports.*** The Company shall take reasonable efforts so that within three calendar months after the end of each fiscal year, the Board of Directors shall cause the Company to furnish each Member an Internal Revenue Service Form K-1, Form 5471 and any similar form required for the filing of state or local income tax returns for such Member for such fiscal year, which forms will duly reflect the allocation of income, gain, loss and deduction set forth in Article IV of this Agreement. Upon the written request of any such Member and at the expense of such Member, the Company will use reasonable efforts to deliver or cause to be delivered any additional information necessary for the preparation of any federal, state, local and foreign income tax return which must be filed by such Member.

(a) The Tax Matters Partner will determine whether to make or revoke any available election pursuant to the Code. Each Member will, upon request, supply the information necessary to give proper effect to any such election.

(b) The Board of Directors shall designate a Member to act as the "Tax Matters Partner" (as defined in Section 6231(a)(7) of the Code) in accordance with Sections 6221 through 6233 of the Code. Upon such designation, the Tax Matters Partner shall be authorized and required to represent the Company (at the Company's expense) in connection with all examinations of the Company's affairs by tax authorities, including resulting administrative and judicial proceedings, and to expend Company funds for professional services and costs associated therewith; provided that, the Tax Matters Partner may be removed and replaced by, and shall act in such capacity at the direction of, the Board of Directors. Each Member agrees to cooperate with the Tax Matters Partner and to do or refrain from doing any or all things reasonably requested by the Tax Matters Partner with respect to the conduct of such proceedings. Subject to the foregoing proviso, the Tax Matters Partner will have reasonable discretion to determine whether the Company (either on its own behalf or on behalf of the Members) will contest or continue to contest any tax deficiencies assessed or proposed to be assessed by any taxing authority. Any deficiency for taxes imposed on any Member (including penalties, additions to tax or interest imposed with respect to such taxes) will be paid by such Member, and if paid by the Company, will be recoverable from such Member (including by offset against distributions otherwise payable to such Member). Each Director will be provided with a copy of all tax returns filed by the Company and the Tax Matters Partner will consult with and keep the Board of Directors fully informed about the status of all material tax examinations, controversies and proceedings.

**9.4.** ***Partnership for U.S. Federal Tax Purposes.*** Prior to the effective time of an affirmative election for the Company to be treated as a corporation for U.S. Federal income tax purposes or prior to the time the Company is converted to a corporation under Delaware (or other state) law, whether by operation of law, merger, or otherwise (a) for U.S. Federal tax purposes the parties agree to treat the Company as a partnership and to treat all Units as interests in such partnership and no party shall take any position inconsistent with this characterization in any tax return or otherwise, (b) the Company shall not engage in, and shall not invest in any partnership or entity treated as a disregarded entity for U.S. Federal income tax purposes which engages in any activities which constitute the conduct of a trade or business within the meaning of Section 864(b) of the Code or would otherwise require organizations exempt from U.S. Federal income tax under Sections 401(a) or 501(c) of the Code to recognize unrelated business taxable income as defined under Section 512 of the Code, and (c) the Company shall not take any action that would cause an organization exempt from U.S. Federal income tax under Section 401(a) or 501(c) of the Code to incur unrelated debt financed income as defined in Section 514 of the Code.

## ARTICLE X
## BOOKS, RECORDS, REPORTS, AND BANK ACCOUNTS

**10.1.** ***Books***. The Company shall maintain complete and accurate books of account of the Company's affairs at the Company's principal office, which books shall be open to inspection by any Member (or its authorized representative) to the extent required by the Act.

**10.2.** ***Company Funds***. Except as specifically provided in this Agreement or with the approval of the Board of Directors, the Company shall not pay to or use for, the benefit of any Member (except in any Member's capacity as a Director, employee or independent contractor of the Company), funds, assets, credit, or other resources of any kind or description of the Company. Funds of the Company shall (i) be deposited only in the accounts of the Company in the Company's name, (ii) not be commingled with funds of any Member, and (iii) be withdrawn only upon such signature or signatures as may be designated in writing from time to time by the Board of Directors.

## ARTICLE XI
## DISSOLUTION, LIQUIDATION, AND TERMINATION

**11.1.** ***Dissolution.*** The Company shall dissolve and its affairs shall be wound up on the first to occur of the following:

(a) the decision of the Board of Directors to dissolve and liquidate the Company;

(b) the written consent of Members owning a majority of the Common Units; and

(c) entry of a decree of judicial dissolution of the Company under Section 18-802 of the Act.

The Company shall not be dissolved by the admission of Members in accordance with the terms of this Agreement. The death, insanity, retirement, resignation, expulsion, bankruptcy or dissolution of a Member or the occurrence of an event that terminates the continued membership of a Member in the Company, shall not cause the Company to be dissolved and its affairs wound up so long as the Company at all times has at least one Member. Upon the occurrence of any such event, the business of the Company shall be continued without dissolution.

**11.2.** ***Liquidation and Termination***

(a) On dissolution of the Company, the Directors who have not wrongfully dissolved the Company shall act as liquidator or may appoint one or more Members as liquidator. The liquidator shall wind up the affairs of the Company as provided in the Act and shall have all the powers set forth in the Act. The costs of liquidation shall be a Company expense.

(b) Upon the winding up of the Company, the assets of the Company shall first be distributed to creditors, including Members and Directors who are creditors, to the extent otherwise permitted by applicable law, in satisfaction of liabilities of the Company (whether by payment or the making of reasonable provision for payment thereof) other than liabilities for which reasonable provision for payment has been made.

(c) Any assets remaining after the Company's liabilities and obligations have been paid (or reasonable provision for the payment thereof has been made) shall be distributed to

the Members in accordance with the positive capital account balances of the Members, as determined after taking into account all capital account adjustments for the Company's taxable year during which such liquidation occurs (other than those made as a result of this Section), by the end of such taxable year or, if later, within 90 days after the date of such liquidation, except as permitted by Reg. § 1.704-1(b)(2)(ii)(b).

(d) If, at the discretion of the Board of Directors, any assets of the Company are distributed in-kind to the Members, such assets shall be valued on the basis of the fair market value thereof as determined by the Board of Directors in their reasonable discretion on the date of distribution. Without limiting the Board of Directors' discretion to make such a valuation or requiring that any such appraisal be made, the valuation of any asset by the Board of Directors on the basis of the determination of its fair market value by an independent appraiser shall be deemed to be a reasonable value for such asset and a reasonable exercise of such discretion. Upon any such in-kind distribution to a Member, the capital accounts of the Members shall be adjusted to reflect the manner in which the unrealized income, gain, loss or deduction inherent in such property (that has not previously been reflected in the Members' capital accounts) would be allocated among the Members if there had been a taxable disposition of such property at its fair market value on the date of distribution. The capital accounts of the Members receiving a distribution in-kind shall then be reduced by the fair market value of the property distribution.

(e) Nothing in this Article XI shall be construed to extend the time period prescribed under Section 11.2(c) above and Reg. § 1.704-1(b)(2)(ii)(b) for making liquidating distributions of the Company's assets. If the liquidator deems it impracticable to cause the Company to make distributions of the liquidating proceeds to the Members within the time period described under Reg. § 1.704-l(b)(2)(ii)(b), the liquidator may make any arrangement that is considered for federal income tax purposes to effectuate liquidating distributions of all of the Company's assets to the Members within the time period prescribed in such regulation and that will permit the sale of the non-cash assets considered so distributed in a manner that gives effect, to the extent possible, to the intent of the preceding provisions of this Article XI.

**11.3.** ***Deficit Capital Accounts***. Notwithstanding anything to the contrary contained in this Agreement, and notwithstanding any custom or rule of law to the contrary, upon dissolution of the Company, the deficit, if any, in the capital account of any Member, including any deficit that results from or is attributable to deductions and losses of the Company (including non-cash items such as depreciation) or distributions of assets pursuant to this Agreement to all Members, shall not be an asset of the Company and such Members shall not be obligated to contribute such amount to the Company to bring the balance of such Member's capital account to zero.

**11.4.** ***Certificate of Cancellation***. On the completion of the winding up of the Company following its dissolution, the Company is terminated, and the Board of Directors (or such other person or persons as the Act may require or permit) shall file a Certificate of Cancellation with the Office of the Secretary of State of the State of Delaware, and cancel any other filings made pursuant to Section 1.5.

## ARTICLE XII
## GENERAL PROVISIONS

**12.1.** ***Offset***. Whenever the Company is to pay any sum to any Member, any amounts then due and payable from such Member to the Company may be deducted from that sum before payment.

**12.2.** ***Notices***. Except as expressly set forth to the contrary in this Agreement, all notices, requests, or consents provided for or permitted to be sent under this Agreement must be in writing and must be sent by registered mail, addressed to the recipient, postage paid, or by delivering that writing to the recipient in person, by internationally recognized express courier, or by facsimile transmission; and a notice, request, or consent sent under this Agreement is effective on receipt by the person to receive it. A notice, request or consent shall be deemed received when delivered if personally delivered, after a "good transmission" receipt is received, if sent via facsimile, or otherwise on the date of receipt by the recipient thereof. All notices, requests, and consents to be sent to a Member must be sent to or made at the address or facsimile number ascribed to that Member on the books of the Company or such other address or facsimile number as that Member may specify by notice to the Company and the other Members. Any notice, request, or consent to the Company must be sent to the Company at its principal office. Whenever any notice is required to be sent by law, the Certificate or this Agreement, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

**12.3.** ***Entire Agreement.*** This Agreement constitutes the entire agreement among the parties on the date hereof with respect to the subject matter hereof and supersedes all prior understandings, contracts or agreements among the parties with respect to the subject matter hereof, whether oral or written.

**12.4.** ***Effect of Waiver or Consent***. The failure of a Member to insist on the strict performance of any covenant or duty required by the Agreement, or to pursue any remedy under the Agreement, shall not constitute a waiver of the breach or the remedy.

**12.5.** ***Amendment.*** This Agreement may be amended or modified, or any provision hereof may be waived, provided that such amendment, modification or waiver is set forth in a writing executed by (i) the Company and (ii) the Members holding a majority of the outstanding Common Units on a fully diluted basis, except (a) as provided in Sections 2.5(e) and 2.6(e) and (b) an amendment that materially and adversely affects any Member differently from any other Member shall be effective only if such Member executes such amendment. No course of dealing between or among any Persons having any interest in this Agreement will be deemed effective to modify, amend or discharge any part of this Agreement or any rights or obligations of any Person under or by reason of this Agreement.

**12.6.** ***Binding Act***. Subject to the restrictions on transfer set forth in this Agreement, this Agreement is binding on and inures to the benefit of the Members and their respective heirs, legal representatives, successors, and assigns.

**12.7.** ***Governing Law*****.** All issues and questions concerning the application, construction, validity, interpretation and enforcement of this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware and the Act, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

**12.8.** ***Consent to Exclusive Jurisdiction***. Each of the parties hereto agrees that any legal action or proceeding with respect to this Agreement or any agreement, certificate or other instrument entered into in contemplation of the transactions contemplated by this Agreement, or any matters arising out of or in connection with this Agreement or such other agreement, certificate or instrument, and any action for the enforcement of any judgment in respect thereof, shall be brought exclusively in the Chancery Court of New Castle County, Delaware or the courts of the United States of America for the District of Delaware, unless the parties to any such action or dispute mutually agree to waive this provision. By execution and delivery of this Agreement, each of the parties hereto irrevocably consents to service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, or by recognized express carrier or delivery service, to the applicable party at his, her or its address referred to herein. Each of the parties hereto irrevocably waives any objection which he, she or it may now or hereafter have to the laying of venue of any of the aforementioned actions or proceedings arising out of or in connection with this Agreement, or any related agreement, certificate or instrument referred to above, brought in the courts referred to above and hereby further irrevocably waives and agrees, to the fullest extent permitted by applicable law, not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in any inconvenient forum. Nothing herein shall affect the right of any party to serve process in any other manner permitted by law.

**12.9.** ***Severability***. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein. The Members shall negotiate in good faith to replace any provision so held to be invalid or unenforceable so as to implement most effectively the transactions contemplated by such provision in accordance with the original intent of the Members signatory hereto.

**12.10.** ***Further Assurances***. In connection with this Agreement and the transactions contemplated hereby, each Member shall execute and deliver any additional documents and instruments and perform any additional acts that may be necessary or appropriate to effectuate and perform the provisions of this Agreement and those transactions.

**12.11.** ***No Third Party Benefit***. The provisions hereof are solely for the benefit of the Company and its Members, Directors and Officers and are not intended to, and shall not be construed to, confer a right or benefit on any creditor of the Company or any other Person.

**12.12.** ***Counterparts.*** This Agreement may be executed in any number of counterparts with the same effect as if all signing parties had signed the same document. All counterparts shall be construed together and constitute the same instrument.

**12.13.** ***Construction***. Whenever the context requires, the gender of all words used in this Agreement includes the masculine, feminine and neuter. All references to Articles and Sections refer to Articles and Sections of this Agreement, and all references to Exhibits are to Exhibits attached hereto, each of which is made a part hereof for all purposes.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first set forth above.

CITIGROUP VENTURE CAPITAL EQUITY PARTNERS, L.P.

By: _____

Name:
Title:

CVC/SSB EMPLOYEE FUND, L.P.

By: _____

Name:
Title:

CVC EXECUTIVE FUND LLC

By: _____

Name:
Title:



[signature page to
Third Amended and Restated Limited Liability Company Operating Agreement of
MagnaChip Semiconductor LLC]

FRANCISCO PARTNERS, L.P.

By: _____

Name:
Title:

FRANCISCO PARTNERS FUND A, L.P.

By: _____

Name:
Title:



[signature page to
Third Amended and Restated Limited Liability Company Operating Agreement of
MagnaChip Semiconductor LLC]

CVC CAPITAL PARTNERS ASIA PACIFIC LP

By: _____

Name:
Title:

ASIA INVESTORS LLC

By: _____

Name:
Title:

CVC CAPITAL PARTNERS ASIA II LIMITED

By: _____

Name:
Title:



[signature page to
Third Amended and Restated Limited Liability Company Operating Agreement of
MagnaChip Semiconductor LLC]

PENINSULA INVESTMENT PTE. LTD.

By: _____

Name:
Title:



[signature page to
Second Amended and Restated Limited Liability Company Operating Agreement of
MagnaChip Semiconductor LLC]

CO-INVESTORS:

Clayton M. Albertson

Christopher Bloise

John Civantos

FLATBUSH AVENUE INVESTMENT PARTNERS, LLC

By:

Name: Charles Corpening
Title:

Michael A. Delaney

Markus Ehrler

Scott Elkins

Michael S. Gollner

Ian D. Highet

Richard E. Mayberry, Jr.



[signature page to
Second Amended and Restated Limited Liability Company Operating Agreement of
MagnaChip Semiconductor LLC]

ALCHEMY, L.P.

By: _____

Name:
Title:

_____

Harris Newman

BG PARTNERS LP

By: _____

Name: Paul C. Schorr IV
Title: Authorized Signatory and General Partner

BG/CVC-1

By: _____

Name:
Title:

_____

Joseph M. Silvestri

SILVESTRI 2002 TRUST

By: _____

Name:
Title:

_____

David Thomas

THE NATASHA FOUNDATION

By: _____

Name:
Title:



[signature page to
Second Amended and Restated Limited Liability Company Operating Agreement of
MagnaChip Semiconductor LLC]

Jeffrey F. Vogel

ABG INVESTMENT MANAGEMENT, LLC

By: _____

Name:
Title:

Maxim Kushner

Andrew S. Gesell



[signature page to
Second Amended and Restated Limited Liability Company Operating Agreement of
MagnaChip Semiconductor LLC]

COURT SQUARE CAPITAL LIMITED

By: _____

Name:
Title:



[signature page to
Second Amended and Restated Limited Liability Company Operating Agreement of
MagnaChip Semiconductor LLC]

MANAGEMENT INVESTORS:

Jerry Baker

Dr. Youm Huh

Robert Krakauer

Victoria Nam



[signature page to
Second Amended and Restated Limited Liability Company Operating Agreement of
MagnaChip Semiconductor LLC]

**EXHIBIT A**
**as of December 3, 2004**

## MEMBERS

| Member | Number of Common Units | Percentage Interest of Common Units | Number of Series A Preferred Units | Percentage Interest of Series A Preferred Units | Number of Series B Preferred Units | Percentage Interest of Series B Preferred Units | Aggregate Capital Contribution |
|---|---|---|---|---|---|---|---|
| Citigroup Venture Capital Equity Partners, L.P. | 17,630,628.4200 | 33.91% | 17,635.5640 | 35.21% | 158,675.64680 | 35.21% | 193,941,839.18 |
| CVC Executive Fund LLC | 156,381.7100 | 0.30% | 156.4255 | 0.31% | 1,407.43540 | 0.31% | 1,720,242.57 |
| CVC/SSB Employee Fund, L.P. | 175,511.8000 | 0.34% | 175.5609 | 0.35% | 1,579.60610 | 0.35% | 1,930,678.85 |
| Francisco Partners, L.P. | 16,969,892.2400 | 32.64% | 16,974.6428 | 33.89% | 152,729.02110 | 33.89% | 196,624,556.08 |
| Francisco Partners Fund A, L.P. | 83,561.9200 | 0.16% | 83.5853 | 0.17% | 752.05730 | 0.17% | 968,204.52 |
| FP-MagnaChip Co-Invest, LLC | 909,067.7600 | 1.75% | 909.3223 | 1.82% | 8,181.60990 | 1.82% | — |
| CVC Capital Partners Asia Pacific LP | 3,219,903.5200 | 6.19% | 3,220.8051 | 6.43% | 28,979.13170 | 6.43% | 35,419,840.33 |
| Asia Investors LLC | 1,609,951.7600 | 3.10% | 1,610.4026 | 3.21% | 14,489.56590 | 3.21% | 17,709,920.17 |
| CVC Capital Partners Asia II Limited | 4,829,855.2800 | 9.29% | 4,831.2076 | 9.64% | 43,468.69760 | 9.64% | 53,129,760.50 |
| Peninsula Investment Pte. Ltd. | 3,636,271.0700 | 6.99% | 3,637.2892 | 7.26% | 32,726.43970 | 7.26% | 40,000,000.00 |
| Clayton M. Albertson | 2,272.6700 | 0.00% | 2.2733 | 0.00% | 20.45400 | 0.00% | 25,000.00 |
| Christopher Bloise | 4,545.3400 | 0.01% | 4.5466 | 0.01% | 40.90810 | 0.01% | 50,000.00 |
| John Civantos | 4,545.3400 | 0.01% | 4.5466 | 0.01% | 40.90810 | 0.01% | 50,000.00 |
| Flatbush Avenue Investment Partners, LLC | 13,636.0200 | 0.03% | 13.6398 | 0.03% | 122.72420 | 0.03% | 150,000.00 |
| Michael A. Delaney | 22,726.6900 | 0.04% | 22.7331 | 0.05% | 204.54030 | 0.05% | 250,000.00 |
| Markus Ehrler | 4,545.3400 | 0.01% | 4.5466 | 0.01% | 40.90810 | 0.01% | 50,000.00 |
| Scott Elkins | 2,272.6700 | 0.00% | 2.2733 | 0.00% | 20.45400 | 0.00% | 25,000.00 |
| Michael S. Gollner | 9,090.6800 | 0.02% | 9.0932 | 0.02% | 81.81610 | 0.02% | 100,000.00 |

| Member | Number of Common Units | Percentage Interest of Common Units | Number of Series A Preferred Units | Percentage Interest of Series A Preferred Units | Number of Series B Preferred Units | Percentage Interest of Series B Preferred Units | Aggregate Capital Contribution |
|---|---|---|---|---|---|---|---|
| Ian D. Highet | 6,818.0100 | 0.01% | 6.8199 | 0.01% | 61.36210 | 0.01% | 75,000.00 |
| Richard E. Mayberry, Jr. | 9,090.6800 | 0.02% | 9.0932 | 0.02% | 81.81610 | 0.02% | 100,000.00 |
| Alchemy, L.P. | 22,726.6900 | 0.04% | 22.7331 | 0.05% | 204.54030 | 0.05% | 250,000.00 |
| Harris Newman | 2,272.6700 | 0.00% | 2.2733 | 0.00% | 20.45400 | 0.00% | 25,000.00 |
| BG Partners LP | 29,544.7100 | 0.06% | 29.5530 | 0.06% | 265.90230 | 0.06% | 325,000.00 |
| BG/CVC-1 | 6,818.0100 | 0.01% | 6.8199 | 0.01% | 61.36210 | 0.01% | 75,000.00 |
| Joseph M. Silvestri | — | — | 22.7331 | 0.05% | 204.54030 | 0.05% | 227,273.00 |
| Silvestri 2002 Trust | 22,726.6900 | 0.04% | — | — | — | — | 22,727.00 |
| David F. Thomas | 72,725.4100 | 0.14% | 72.7457 | 0.15% | 654.52840 | 0.15% | 800,000.00 |
| The Natasha Foundation | 227,266.9400 | 0.44% | 227.3306 | 0.45% | 2,045.40250 | 0.45% | 2,500,000.00 |
| Jeffrey F. Vogel | 454.5400 | 0.00% | 0.4547 | 0.00% | 4.09080 | 0.00% | 5,000.00 |
| ABG Investment Management, LLC | 18,181.3500 | 0.03% | 18.1865 | 0.04% | 163.63220 | 0.04% | 200,000.00 |
| Maxim Kushner | 909.0700 | 0.00% | 0.9093 | 0.00% | 8.18160 | 0.00% | 10,000.00 |
| Andrew S. Gesell | 4,545.3400 | 0.01% | 4.5466 | 0.01% | 40.90810 | 0.01% | 50,000.00 |
| Court Square Capital Limited | 4,545.3400 | 0.01% | 4.5466 | 0.01% | 40.90810 | 0.01% | 50,000.00 |
| Co-Investor Subtotal | 492,260.2000 | 0.95% | 492.39800 | 0.98% | 4,430.34180 | 0.98% | 5,415,000.00 |
| Baker Family Trust [c/o Jerry M. Baker] | 136,360.1600 | 0.26% | 136.39840 | 0.27% | 1,227.24150 | 0.27% | 1,500,000.00 |
| Youm Huh | 90,906.7800 | 0.17% | 90.93220 | 0.18% | 818.16100 | 0.18% | 1,000,000.00 |
| Robert & Theresa Krakauer JTWROS | 54,544.0600 | 0.10% | 54.55930 | 0.11% | 490.89660 | 0.11% | 600,000.00 |
| Krakauer Family Partnership | 36,362.7100 | 0.07% | 36.37290 | 0.07% | 327.26440 | 0.07% | 400,000.00 |
| Victoria Miller Nam | 45,453.3800 | 0.09% | 45.46610 | 0.09% | 409.08050 | 0.09% | 500,000.00 |
| Management Purchase Subtotal | 363,627.0900 | 0.70% | 363.7289 | 0.0073 | 3,272.6440 | 0.0073 | 4,000,000.00 |

| Member | Number of Common Units | Percentage Interest of Common Units | Number of Series A Preferred Units | Percentage Interest of Series A Preferred Units | Number of Series B Preferred Units | Percentage Interest of Series B Preferred Units | Aggregate Capital Contribution |
|---|---|---|---|---|---|---|---|
| Youm Huh (restricted) | 1,091,595.0000 | 2.10% | — | — | — | — | 1,091,595.00 |
| Robert J. Krakauer (restricted) | 682,247.0000 | 1.31% | — | — | — | — | 682,247.00 |
| Victoria Miller Nam (restricted) | 136,450.0000 | 0.26% | — | — | — | — | 136,450.00 |
| Management Exercised Options Subtotal | 1,910,292.0000 | 3.67% | — | — | — | — | 1,910,292.00 |
| Management Subtotal | 2,273,919.0900 | 4.37% | 363.7289 | 0.73% | 3,272.6440 | 0.73% | 5,910,292.00 |
| **Total** | **51,987,204.7700** | **100.00%** | **50,090.9322** | **100.00%** | **450,692.1973** | **100.00%** | **552,770,610.20** |

**SCHEDULE I**
**as of December 3, 2004**

## SCHEDULE I MEMBERS

| Member | Number of Common Units | Number of Series A Preferred Units | Number of Series B Preferred Units |
|---|---|---|---|
| Citigroup Venture Capital Equity Partners, L.P. | 17,630,628.4200 | 17,635.56400 | 158,675.64680 |
| CVC Executive Fund LLC | 156,381.7100 | 156.42550 | 1,407.43540 |
| CVC/SSB Employee Fund, L.P. | 175,511.8000 | 175.56090 | 1,579.60610 |
| Francisco Partners, L.P. | 16,969,892.2400 | 16,974.6428 | 152,729.02110 |
| Francisco Partners Fund A, L.P. | 83,561.9200 | 83.5853 | 752.05730 |
| FP-MagnaChip Co-Invest, LLC | 909,067.7600 | 909.3223 | 8,181.60990 |
| CVC Capital Partners Asia Pacific LP | 3,219,903.5200 | 3,220.80510 | 28,979.13170 |
| Asia Investors LLC | 1,609,951.7600 | 1,610.40260 | 14,489.56590 |
| CVC Capital Partners Asia II Limited | 4,829,855.2800 | 4,831.20760 | 43,468.69760 |
| Peninsula Investment Pte. Ltd. | 3,636,271.0700 | 3,637.28920 | 32,726.43970 |
| Clayton M. Albertson | 2,272.6700 | 2.27330 | 20.45400 |
| Christopher Bloise | 4,545.3400 | 4.54660 | 40.90810 |
| John Civantos | 4,545.3400 | 4.54660 | 40.90810 |
| Flatbush Avenue Investment Partners, LLC | 13,636.0200 | 13.63980 | 122.72420 |
| Michael A. Delaney | 22,726.6900 | 22.73310 | 204.54030 |
| Markus Ehrler | 4,545.3400 | 4.54660 | 40.90810 |
| Scott Elkins | 2,272.6700 | 2.27330 | 20.45400 |
| Michael S. Gollner | 9,090.6800 | 9.09320 | 81.81610 |
| Ian D. Highet | 6,818.0100 | 6.81990 | 61.36210 |

| Member | Number of Common Units | Number of Series A Preferred Units | Number of Series B Preferred Units |
|---|---|---|---|
| Richard E. Mayberry, Jr. | 9,090.6800 | 9.09320 | 81.81610 |
| Alchemy, L.P. | 22,726.6900 | 22.73310 | 204.54030 |
| Harris Newman | 2,272.6700 | 2.27330 | 20.45400 |
| BG Partners LP | 29,544.7100 | 29.55300 | 265.90230 |
| BG/CVC-1 | 6,818.0100 | 6.81990 | 61.36210 |
| Joseph M. Silvestri | — | 22.73310 | 204.54030 |
| Silvestri 2002 Trust | 22,726.6900 | — | — |
| David F. Thomas | 72,725.4100 | 72.74570 | 654.52840 |
| The Natasha Foundation | 227,266.9400 | 227.33060 | 2,045.40250 |
| Jeffrey F. Vogel | 454.5400 | 0.45470 | 4.09080 |
| ABG Investment Management, LLC | 18,181.3500 | 18.18650 | 163.63220 |
| Maxim Kushner | 909.0700 | 0.90930 | 8.18160 |
| Andrew S. Gesell | 4,545.3400 | 4.54660 | 40.90810 |
| Court Square Capital Limited | 4,545.3400 | 4.54660 | 40.90810 |
| Co-Investor Subtotal | 492,260.2000 | 492.39800 | 4,430.34180 |
| Baker Family Trust [c/o Jerry M. Baker] | 136,360.1600 | 136.39840 | 1,227.24150 |
| Youm Huh | 90,906.7800 | 90.93220 | 818.16100 |
| Robert & Theresa Krakauer JTWROS | 54,544.0600 | 54.55930 | 490.89660 |
| Krakauer Family Partnership | 36,362.7100 | 36.37290 | 327.26440 |
| Victoria Miller Nam | 45,453.3800 | 45.46610 | 409.08050 |
| Management Purchase Subtotal | 363,627.0900 | 363.7289 | 3,272.6440 |
| Management Subtotal | 2,273,919.0900 | 363.7289 | 3,272.6440 |
| **Total** | **50,076,912.7700** | **49,727.20330** | **450,692.1973** |

**Exhibit 3.4**

**MagnaChip Semiconductor S.A.**

**Société anonyme**

**Siège social: L-2680 Luxembourg**

**10, rue de Vianden**

**R.C.S. B N° 97483**

**STATUTS COORDONNES**
**SUIVANT L'ACTE N°1849 DU 28 DECEMBRE 2004**

**TITLE I. FORM - NAME - REGISTERED OFFICE - DURATION - OBJECT**

**Article 1:** There exists a public company limited by shares ("*société anonyme*") under the name of **"MagnaChip Semiconductor S.A."** (the "Company").

The registered office is established in the City of Luxembourg, in the Grand-Duchy of Luxembourg. It may be transferred to any other place within the City of Luxembourg by a resolution of the board of directors (the "Board of Directors").

If extraordinary events of a political, economic, or social nature, likely to impair normal activity at the registered office or easy communication between that office and foreign countries shall occur, or shall be imminent, the registered office may be provisionally transferred abroad. Such temporary measure shall, however, have no effect on the nationality of the Company which, notwithstanding such provisional transfer of the registered office, shall remain a Luxembourg company.

The Company is established for an unlimited period. The Company may be dissolved at any time by a resolution of the shareholders adopted in the manner required for the amendment of these articles of incorporation.

**Article 2:** The object of the Company is to carry out all transactions pertaining directly or indirectly to the acquisition of participations in any company or enterprise in any form whatsoever, and the administration, management, control and development of those participations.

The Company may in addition establish, manage, develop and dispose of a portfolio of securities and patents of whatever origin, to acquire, by way of investment, subscription, underwriting or option, securities and patents, to realize them by way of sale, transfer, exchange or otherwise, and to grant to - or for the benefit of - companies in which the Company has a direct and/or indirect participation and/or affiliates, any assistance, loan, advance or guarantee.

The Company may issue preferred equity certificates in any form whatsoever, including convertible preferred equity certificates.

The Company may borrow in any form and may proceed to the private and/or public issue of bonds and debentures.

In general, the Company may take any measure and carry out any operation, including without limitation, commercial, financial, personal and real estate transactions which it may deem necessary or useful for the accomplishment and development of its objects.

**TITLE II. CAPITAL - SHARES**

**Article 3:** The corporate capital is set at seven hundred eighty seven thousand nine hundred and twenty five (787,925.-), divided into thirty one thousand five hundred and seventeen (31,517.-) shares with a par value of twenty five (25.-) euro each.

**Article 4:** The shares shall be registered or bearer shares, at the option of the shareholders.

The Company's shares may be issued, at the owner's option, in certificates relating to single shares or two or more shares.

The Company may repurchase its own shares by means of its free reserves under the provisions set forth in article 49-2 of the amended law of 10 August 1915 on commercial companies.

The capital of the Company may be increased or reduced in one or several steps by resolution of the general meeting of shareholders (the "General Meeting of Shareholders"), adopted in accordance with the provisions applicable to changes in the articles of incorporation.

**TITLE III. MANAGEMENT**

**Article 5:** The Company shall be managed by a board of directors the "Board of Directors") composed of at least three members (the "Directors"), who need not be shareholders.

The Directors shall be appointed for a maximum period of six years and they shall be re-eligible. They may be removed at any time.

In the event of a vacancy on the Board of Directors, the remaining Directors have the right to provisionally fill the vacancy; in this case, such a decision must be ratified by the next General Meeting of Shareholders.

**Article 6:** The Board of Directors has full power to perform all such acts as shall be necessary or useful to the object of the Company.

All matters not expressly reserved to the General Meeting of Shareholders by law or by the present articles of incorporation are within the competence of the Board of Directors.

The Board of Directors may elect a chairman. In the absence of the chairman, another Director may preside over the meeting.

The Board of Directors can validly deliberate and act only if the majority of its members are present or represented by virtue of a proxy between Directors, which may be given by letter, telegram, telex, electronic mail or telefax.

Directors may participate in a meeting of the Board of Directors by means of a conference call, a video conference or by any other means of communication enabling thus several persons participating therein to simultaneously communicate with each other. Such participation shall be deemed equal to a physical presence at the meeting of the Board of Directors.

Resolutions shall require a majority vote.

Directors may approve by unanimous vote a circular resolution by expressing their consent to one or several separate instruments in writing or by telegram, telex, electronic mail or telefax confirmed in writing which shall all together constitute appropriate minutes evidencing such decision.

The Board of Directors may delegate all or part of its powers concerning the day-to-day management and the representation of the Company in connection therewith to one or more Directors, managers or other officers; they need not be shareholders of the Company.

Delegation to a member of the Board of Directors is subject to the previous authorization of the General Meeting of Shareholders.

The Company is either bound by the individual signature of any one Director or by the individual signature of the managing director within the limits of his powers or by the individual signature of any person to whom such signatory authority has been delegated by the Board of Directors.

**TITLE IV. AUDITOR - FINANCIAL YEAR**

**Article 7:** The Company shall be supervised by one or more auditor(s) (the "Auditor(s)"), who need not be shareholders. They shall be appointed for a maximum period of six years and they shall be re-eligible. They may be removed at any time.

**Article 8:** The Company's financial year shall begin on the first of January and end on the thirty-first of December of each year.

**TITLE V. GENERAL MEETING OF SHAREHOLDERS**

**Article 9:** The annual General Meeting of Shareholders (the "Annual General Meeting of Shareholders") shall be held, at the registered office or such other place in the municipality of the registered office as indicated in the convening notices, on the last Thursday in the month of April at 04.00 p.m.

If the said day is a public holiday, the meeting shall be held on the next following working day.

**Article 10:** Convening notices of all General Meetings of Shareholders shall be made in compliance with the legal provisions.

If all the shareholders are present or represented and if they declare that they have knowledge of the agenda submitted to their consideration, the General Meeting of Shareholders may take place without convening notices. The Board of Directors may decide that the shareholders wishing to attend the General Meeting of Shareholders must deposit their shares five clear days before the date fixed therefore.

Every shareholder has the right to vote in person or by proxy, who need not be a shareholder.

Each share gives the right to one vote.

**Article 11:** The General Meeting of Shareholders has the most extensive powers to carry out or ratify such acts as may concern the Company. It shall determine the appropriation and distribution of the net profits.

**Article 12:** Under the provisions set forth in Article 72-2 of the amended law of 10 August 1915 on commercial companies, the Board of Directors is authorized to distribute interim dividends.

**TITLE VI. GENERAL PROVISIONS**

**Article 13:** The law of 10 August 1915 on commercial companies, as amended, shall apply providing these articles of incorporation do not state otherwise.

**EXHIBIT 3.5**

**CERTIFICATE OF INCORPORATION**

**OF**

**MagnaChip Semiconductor Finance Company**

1. Name. The name of the Corporation is MagnaChip Semiconductor Finance Company.

2. Registered Office and Agent. The address of the Corporation's registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of the Corporation's registered agent at such address is The Corporation Trust Company.

3. Purpose. The purposes for which the Corporation is formed are to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware and to possess and exercise all of the powers and privileges granted by such law and any other law of Delaware.

4. Authorized Capital. The aggregate number of shares of stock which the Corporation shall have authority to issue is One Thousand (1,000) shares, all of which are of one class and are designated as Common Stock and each of which has a par value of One Cent ($0.01).

5. Incorporator. The name and mailing address of the incorporator are Marian T. Ryan, Dechert LLP, 4000 Bell Atlantic Tower, 1717 Arch Street, Philadelphia, Pennsylvania 19103-2793.

6. Bylaws. The board of directors of the Corporation is authorized to adopt, amend or repeal the bylaws of the Corporation, except as otherwise specifically provided therein.

7. Elections of Directors. Elections of directors need not be by written ballot unless the bylaws of the Corporation shall so provide.

8. Right to Amend. The Corporation reserves the right to amend any provision contained in this Certificate as the same may from time to time be in effect in the manner now or hereafter prescribed by law, and all rights conferred on stockholders or others hereunder are subject to such reservation.

9. Limitation on Liability. The directors of the Corporation shall be entitled to the benefits of all limitations on the liability of directors generally that are now or hereafter become available under the General Corporation Law of Delaware. Without limiting the generality of the foregoing, no director of the Corporation shall be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability

(i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. Any repeal or modification of this Section 9 shall be prospective only, and shall not affect, to the detriment of any director, any limitation on the personal liability of a director of the Corporation existing at the time of such repeal or modification.

10. Miscellaneous. The Corporation elects not to be governed by Section 203 of the Delaware General Corporation Law.

Dated: November 30, 2004

Marian T. Ryan, Incorporator

**Exhibit 3.6**

# BYLAWS

# OF

# MagnaChip Semiconductor Finance Company

## ARTICLE I

## STOCKHOLDERS

**1.1 Meetings.**

**1.1.1 Place**. Meetings of the stockholders shall be held at such place as may be designated by the board of directors.

**1.1.2 Annual Meeting**. An annual meeting of the stockholders for the election of directors and for other business shall be held on such date and at such time as may be fixed by the board of directors.

**1.1.3 Special Meetings**. Special meetings of the stockholders may be called at any time by the president, or the board of directors, or the holders of a majority of the outstanding shares of stock of the Company entitled to vote at the meeting.

**1.1.4 Quorum**. The presence, in person or by proxy, of the holders of a majority of the outstanding shares of stock of the Company entitled to vote on a particular matter shall constitute a quorum for the purpose of considering such matter.

**1.1.5 Voting Rights**. Except as otherwise provided herein, in the certificate of incorporation or by law, every stockholder shall have the right at every meeting of stockholders to one vote for every share standing in the name of such stockholder on the books of the Company which is entitled to vote at such meeting. Every stockholder may vote either in person or by proxy.

## ARTICLE II

## DIRECTORS

**2.1 Number and Term.** The board of directors shall have authority to (i) determine the number of directors to constitute the board and (ii) fix the terms of office of the directors.

**2.2 Meetings.**

**2.2.1 Place**. Meetings of the board of directors shall be held at such place as may be designated by the board or in the notice of the meeting.

**2.2.2 Regular Meetings**. Regular meetings of the board of directors shall be held at such times as the board may designate. Notice of regular meetings need not be given.

**2.2.3 Special Meetings**. Special meetings of the board may be called by direction of the president or any two members of the board on three days' notice to each director, either personally or by mail, telegram or facsimile transmission.

**2.2.4 Quorum**. A majority of all the directors in office shall constitute a quorum for the transaction of business at any meeting.

**2.2.5 Voting**. Except as otherwise provided herein, in the certificate of incorporation or by law, the vote of a majority of the directors present at any meeting at which a quorum is present shall constitute the act of the board of directors.

**2.2.6 Committees**. The board of directors may, by resolution adopted by a majority of the whole board, designate one or more committees, each committee to consist of one or more directors and such alternate members (also directors) as may be designated by the board. Unless otherwise provided herein, in the absence or disqualification of any member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another director to act at the meeting in the place of any such absent or disqualified member. Except as otherwise provided herein, in the certificate of incorporation or by law, any such committee shall have and may exercise the powers of the full board of directors to the extent provided in the resolution of the board directing the committee.

## ARTICLE III

## OFFICERS

**3.1 Election.** At its first meeting after each annual meeting of the stockholders, the board of directors shall elect a president, vice president, secretary and such other officers as it deems advisable.

**3.2 Authority, Duties and Compensation.** The officers shall have such authority, perform such duties and serve for such compensation as may be determined by resolution of the board of directors. Except as otherwise provided by board resolution, (i) the president shall be the chief executive officer of the Company, shall have general supervision over the business and operations of the Company, may perform any act and execute any instrument for the conduct of such business and operations and shall preside at all meetings of the board and stockholders, (ii) the other officers shall have the duties customarily related to their respective offices, and (iii) any vice president, or vice presidents in the order determined by the board, shall in the absence of the president have the authority and perform the duties of the president.

## ARTICLE IV

## INDEMNIFICATION

**4.1 Right to Indemnification.** The Company shall indemnify any person who was or is party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding"), by reason of the fact that such person is or was a director or officer of the Company or a constituent corporation absorbed in a consolidation or merger, or is or was serving at the request of the Company or a constituent corporation absorbed in a consolidation or merger, as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, or is or was a director or officer of the Company serving at its request as an administrator, trustee or other fiduciary of one or more of the employee benefit plans of the Company or other enterprise, against expenses (including attorneys' fees), liability and loss actually and reasonably incurred or suffered by such person in connection with such proceeding, whether or not the indemnified liability arises or arose from any threatened, pending or completed proceeding by or in the right of the Company, except to the extent that such indemnification is prohibited by applicable law.

**4.2 Advance of Expenses.** Expenses incurred by a director or officer of the Company in defending a proceeding shall be paid by the Company in advance of the final disposition of such proceeding subject to the provisions of any applicable statute.

**4.3 Procedure for Determining Permissibility.** To determine whether any indemnification or advance of expenses under this Article IV is permissible, the board of directors by a majority

vote of a quorum consisting of directors not parties to such proceeding may, and on request of any person seeking indemnification or advance of expenses shall be required to, determine in each case whether the applicable standards in any applicable statute have been met, or such determination shall be made by independent legal counsel if such quorum is not obtainable, or, even if obtainable, a majority vote of a quorum of disinterested directors so directs, provided that, if there has been a change in control of the Company between the time of the action or failure to act giving rise to the claim for indemnification or advance of expenses and the time such claim is made, at the option of the person seeking indemnification or advance of expenses, the permissibility of indemnification or advance of expenses shall be determined by independent legal counsel. The reasonable expenses of any director or officer in prosecuting a successful claim for indemnification, and the fees and expenses of any special legal counsel engaged to determine permissibility of indemnification or advance of expenses, shall be borne by the Company.

**4.4 Contractual Obligation.** The obligations of the Company to indemnify a director or officer under this Article IV, including the duty to advance expenses, shall be considered a contract between the Company and such director or officer, and no modification or repeal of any provision of this Article IV shall affect, to the detriment of the director or officer, such obligations of the Company in connection with a claim based on any act or failure to act occurring before such modification or repeal.

**4.5 Indemnification Not Exclusive; Inuring of Benefit.** The indemnification and advance of expenses provided by this Article IV shall not be deemed exclusive of any other right to which one indemnified may be entitled under any statute, provision of the Certificate of Incorporation, these bylaws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, and shall inure to the benefit of the heirs, executors and administrators of any such person.

**4.6 Insurance and Other Indemnification.** The board of directors shall have the power to (i) authorize the Company to purchase and maintain, at the Company's expense, insurance on behalf of the Company and on behalf of others to the extent that power to do so has not been prohibited by statute, (ii) create any fund of any nature, whether or not under the control of a trustee, or otherwise secure any of its indemnification obligations, and (iii) give other indemnification to the extent permitted by statute.

**ARTICLE V**

**TRANSFER OF SHARE CERTIFICATES**

Transfers of share certificates and the shares represented thereby shall be made on the books of the Company only by the registered holder or by duly authorized attorney. Transfers shall be made only on surrender of the share certificate or certificates.

**ARTICLE VI**

**PURPOSE**

The sole purpose for which the Company is formed is to act as co-issuer, along with MagnaChip Semiconductor S.A., of notes of MagnaChip Semiconductor S.A. to facilitate the offering of such notes. The Company is not authorized to carry on any trade or business and will serve only as an agent to facilitate the offering. Consistent with this purpose, the Company is permitted to enter into agreements to specify the responsibilities between itself and MagnaChip Semiconductor S.A. The Company is not authorized to hold any assets other than the minimum capital amount of $1.00. The Company is not authorized to receive proceeds from such offering.

**ARTICLE VII**

**AMENDMENTS**

These bylaws may be amended or repealed at any regular or special meeting of the board of directors by vote of a majority of all directors in office or at any annual or special meeting of stockholders by vote of holders of a majority of the outstanding stock entitled to vote. Notice of any such annual or special meeting of stockholders shall set forth the proposed change or a summary thereof.

**EXHIBIT 3.7**

**CERTIFICATE OF FORMATION**

**OF**

**MAGNACHIP SEMICONDUCTOR SA HOLDINGS LLC**

1. The name of the limited liability company is MAGNACHIP SEMICONDUCTOR SA HOLDINGS LLC.

2. The address of its registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

3. This Certificate of Formation shall be effective upon qualification.

IN WITNESS WHEREOF, the undersigned have executed this Certificate of Formation of MAGNACHIP SEMICONDUCTOR SA HOLDINGS LLC this 30th day of November, 2004.

Marian T. Ryan
Authorized Person

**EXHIBIT 3.8**

**LIMITED LIABILITY COMPANY AGREEMENT**

**OF**

**MAGNACHIP SEMICONDUCTOR SA HOLDINGS LLC**

**THIS LIMITED LIABILITY COMPANY AGREEMENT** (this "Agreement") of **MAGNACHIP SEMICONDUCTOR SA HOLDINGS LLC**, a Delaware limited liability company (the "Company"), is adopted as of November 30, 2004 (the "Effective Date"), by **MAGNACHIP SEMICONDUCTOR LLC**, a Delaware limited liability company ("Sole Member"), as the Sole Member of the Company.

The Company was formed as a limited liability company under the Delaware Limited Liability Company Act (the "Act"), pursuant to a Certificate of Formation that was filed on the Effective Date with the Secretary of State of Delaware. This Agreement is the limited liability company agreement of the Company. The Company shall be governed by the Act and this Agreement.

Sole Member is the sole member of the Company. As provided in the Act, the entire management of the Company is vested in the Sole Member as the sole member. Sole Member may from time to time in its discretion appoint one or more Officers to conduct the Company's business and affairs on Sole Member's behalf, each of whom shall serve in such capacity until he or she is unable to fulfill the obligations of such office. The Company shall initially have a President, Vice President, Secretary, and Treasurer having the following powers and duties and responsibilities to the Company:

(a) President. Subject to any limitations imposed by this Agreement, the Act, any employment agreement with the Company or Sole Member, any employee plan or any determination by Sole Member, the President, subject to the general control of Sole Member, shall be the chief operating officer of the Company and, as such, shall be responsible for the management and direction of the day-to-day business and affairs of the Company, its Officers, employees and agents, shall supervise generally the affairs of the Company, and shall have full authority to execute all documents and take all actions that the Company may legally take. Any person or entity dealing with the Company may rely on the authority of the President as to all such Company actions without further inquiry. The President shall exercise such other powers and perform such other duties as may be assigned to him by this Agreement or Sole Member, including the duties and any powers stated in any employment agreement with the Company or Sole Member.

(b) Vice President. In the absence of the President or in the event of the President's inability to act, the Vice President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice President shall exercise such other powers and perform such other duties as may be assigned to him by this Agreement or Sole Member, including the duties and any powers stated in any employment agreement with the Company or Sole Member.

(c) Secretary. The Secretary shall be custodian of all records (other than financial), shall see that the books, reports, statements, certificates and all other documents and records required by law are properly kept and filed, and, in general, shall perform all duties commonly incident to his office and shall perform such other duties and have such other powers as may, from time to time, be assigned to him by this Agreement, Sole Member or the President.

(d) Treasurer. The Treasurer shall keep or cause to be kept the books of account of the Company and shall render statements of the financial affairs of the Company in such form and as often as required by this Agreement, Sole Member or the President. The Treasurer, subject to the order of Sole Member, shall have the custody of all funds and securities of the Company. The Treasurer shall perform all other duties commonly incident to his office and shall perform such other duties and have such other powers as this Agreement, Sole Member or the President may designate from time to time.

As of the Effective Date, Sole Member hereby appoints the following individuals as Officers of the Company as indicated:

| | |
|---|---|
| Dipanjan Deb | President |
| Paul C. Schorr, IV | Vice President & Treasurer |
| Roy Kuan | Vice President & Secretary |

Sole Member intends that the Company be disregarded as a separate entity for Federal income tax purposes pursuant to Treasury Regulations § 301.7701-3. Accordingly, no election to the contrary shall be filed by or on behalf of the Company and all income, gain, loss, deduction and credit of the Company shall be reported by Sole Member on its returns.

**IN WITNESS WHEREOF**, Sole Member has duly executed this Limited Liability Company Agreement as of the Effective Date.

SOLE MEMBER

**MAGNACHIP SEMICONDUCTOR LLC**

By: _____

Name: _____

Title: _____

**Exhibit 3.9**

(Translation)

DEED OF AMENDMENT TO THE ARTICLES OF ASSOCIATION
MAGNACHIP SEMICONDUCTOR B.V.

On this the twenty-third day of December two thousand four, appeared before me, Wijnand Hendrik Bossenbroek, civil law notary in Amsterdam:

Martijn Jan Olivier Moerdijk, employed at my office at 1077 XV Amsterdam, Strawinskylaan 1999, born in Helmond on the third day of June nineteen hundred and seventy. The person appearing declared that general meeting of shareholders of MagnaChip Semiconductor B.V., a private company with limited liability ("*besloten vennootschap met beperkte aansprakelijkheid*"), having its corporate seat in Amsterdam (address: 1043 BW Amsterdam, Naritaweg 165, trade register number: 18026999), hereinafter referred to as the "company", pursuant to article 13 paragraph 5 of the articles of association of the company, by written resolution dated the tenth day of December two thousand and four has resolved to amend the articles of association of the company in their entirety, a copy of which resolution shall be attached to this deed. The articles of association of the company were last amended on the twentieth day of August two thousand and four before the undersigned civil law notary.

Further to the abovementioned written resolution the person appearing stated that the articles of association of the company are amended in their entirety as follows:

ARTICLES OF ASSOCIATION ("*STATUTEN*")
NAME AND SEAT
Article 1.

1. The name of the company is MagnaChip Semiconductor B.V.
2. It has its corporate seat in Amsterdam.

OBJECTS
Article 2.

The objects of the company are:

a. to participate in, to manage, to administrate and to finance or to have any other interest in, or to conduct the management of, other companies or enterprises;
b. investing and administrating funds, goods and claims;
c. acquiring, selling, administrating and exploiting real estate;
d. exploiting and trading patents, trademark rights, licenses, know-how and other rights to intellectual property;
e. to furnish guarantees, provide security, warrant performance or in any other way assume liability, whether jointly and severally or otherwise, for or in respect of obligations of group companies;
f. to do anything which is, in the widest sense of the word, connected with or may be conducive to the attainment of these objects.

CAPITAL AND SHARES
Article 3.

1. The authorised share capital of the company is ninety-one thousand euros (EUR 91,000), divided into ninety-one thousand (91,000) ordinary shares, each having a nominal value of one euro (EUR 1).
2. The company shall not co-operate in the issuance of depositary receipts for its shares.
3. The shareholder shall have the voting rights attached to shares on which a right of usufruct or a right of pledge has been vested.
4. In deviation from the previous paragraph, the usufructuary and the pledgee shall hold the voting rights if this was provided for when the limited right was vested and such provision has been approved by the general meeting of shareholders, hereinafter referred to as: the "general meeting".
5. Shareholders not entitled to vote and usufructuraries and pledgees entitled to vote shall have the rights which have been granted by law to the holders of depositary receipts for shares which have been issued with the cooperation of a company.

REGISTER OF SHAREHOLDERS
Article 4.

1. The shares shall be registered shares and they shall be numbered consecutively, starting from 1.

   No share certificates shall be issued.
2. The management board shall keep a register at the company's offices setting out the names and addresses of all shareholders, usufructaries and pledgees, the dates on which the shares were acquired, the number of shares, the dates of acknowledgement or service, the amount paid up in respect of each share and, to the extent applicable, the other particulars referred to in paragraphs 2 and 4 of articles 2:197 and 2:198 of the Civil Code.

   Every shareholder, usufructuary and pledgee must inform the management board in writing of his address.
3. Every registration and entry in the register shall be signed by or on behalf the management board; the register shall be regularly updated.

ISSUE
Article 5.

1. The issue of new shares shall take place pursuant to a resolution of, and subject to the conditions determined by, the meeting of shareholders.
2. The issue of a share shall require a deed to that effect executed before a civil law notary practising in the Netherlands and to which the persons involved shall be parties.
3. Neither the company nor any of its subsidiaries may provide security, guarantee the price, provide any other guarantee, or assume liability, jointly and severally or otherwise, with or for others, with a view to the subscription or acquisition by others of shares in the company or depositary receipts therefor.

The company may provide loans with a view to the subscription for or acquisition of shares in its capital, or of depositary receipts therefor, only to the extent of such part of the company's shareholders' equity as exceeds the sum of the paid and called-up part of the share capital and the reserves which must be maintained by law.

The company shall maintain a non-distributable reserve for the outstanding amount of the loans referred to in the preceding sentence.

ACQUISITION AND DISPOSAL OF OWN SHARES
Article 6.

1. The company may not subscribe for its own shares.
2. The company shall have the right to acquire fully paid-up shares in its own share capital for consideration, with due observance of the statutory provisions. The rights attached to shares held by the company itself may not be exercised by the company.
3. Acquisition and disposal by the company of its own shares shall take place pursuant to a resolution of, and subject to the conditions to be set by, the general meeting.
4. The share transfer restrictions contained in these articles of association shall apply to the disposal by the company of its own shares.

TRANSFER OF SHARES AND LIMITED RIGHTS ("*BEPERKTE RECHTEN*") IN RESPECT OF SHARES
Article 7.

The transfer of a share or of a limited right in respect of a share shall require a deed to that effect executed before a civil law notary in the Netherlands and to which the persons involved shall be parties.

RESTRICTIONS ON TRANSFER OF SHARES
Article 8.

1. The transfer of shares is only possible, without exception, after the approval of the general meeting has been obtained.
2. The transfer must be effected within three months after the approval has been granted or is deemed to have been granted.
3. The approval shall be deemed to have been granted:
   a. if a decision is not taken within one month of a request to that effect; or
   b. if the resolution in which the approval is refused does not contain the name(s) of one or more prospective purchasers who is/are prepared to purchase, for cash, all the shares to which the request for approval related.
4. If the shareholder requesting approval (the "offeror") accepts the prospective purchaser(s) referred to in paragraph 3(b) above and the parties are unable to agree on the price to be paid for the share(s), the price shall be determined by

one or more independent experts to be appointed by the offeror and the prospective purchasers by mutual agreement. If they fail to reach agreement on the appointment within two months of the point in time referred to in the preceding sentence, either party may petition the president of the district court under whose jurisdiction the company falls to appoint three independent experts.

5. The prospective purchasers shall be entitled to withdraw at any time provided they do so within fourteen days after they have been notified of the price as determined in accordance with the preceding paragraph. If, as a result hereof, not all the shares are purchased:

   a. because all the prospective purchasers have withdrawn; or

   b. because the other prospective purchasers have not, within six weeks after the notification referred to above, declared their willingness to acquire the shares which have become available, with due observance of the criteria for allocating such shares laid down by the general meeting,

   the offeror may freely transfer all the shares to which the request for approval related, provided that the transfer is effected within three months after this has been established.

6. The offeror shall be entitled to withdraw at any time, provided he does so within one month of being definitively informed of the identity of the prospective purchasers to whom he can sell all the shares to which the request related and the selling price.

7. The company may only be a prospective purchaser under the provisions of this article with the consent of the offeror.

MANAGEMENT
Article 9.

1. The company shall have a management board consisting of one or more persons. Both natural persons and legal entities may be managing directors.

2. The general meeting shall determine the number of managing directors.

3. The general meeting shall appoint the managing directors and may at any time suspend or remove any managing director.

4. The general meeting shall determine the remuneration and other terms of employment of each managing director.

DUTIES AND POWERS
Article 10.

1. The management board is charged with the management of the company, subject to the restrictions contained in these articles of association.

2. Where there are two or more managing directors in office, they shall decide upon their respective duties by mutual agreement, unless the general meeting has drawn up rules for this purpose. Where there are two or more managing directors in office, they shall pass resolutions by an absolute majority of the votes. In the event of a tie, the general meeting shall decide.

3. The contemporaneous linking together by telephone conference or audio-visual communication facilities of all the managing directors, wherever in the world they are, shall be deemed to constitute a meeting of the management board for the duration of the connection, unless a managing director objects thereto. Minutes of the matters dealt with at a meeting of the management board shall be sufficient evidence thereof and of the observance of all necessary formalities, provided such minutes are certified by the chairman of the management board or, where the management board has not appointed such chairman, by a managing director.
4. Resolutions of the management board may, instead of a meeting, be passed in writing - including by telegram, facsimile or telex transmission, or in the form of a message transmitted by any accepted means of communication and received or capable of being produced in writing - provided that all members of the management board are familiar with the resolution to be passed and none of them objects to this decision-making process.
5. The management board shall require the approval of the general meeting for such resolutions of the management board as the general meeting shall have specified in a resolution to that effect and notified to the management board.
6. Where one or more managing directors are absent or prevented from acting, the remaining managing director(s) shall be charged with the entire management of the company. Where all managing directors or the only managing director are/is absent or prevented from acting, the management shall be conducted temporarily by one or more persons who must have been appointed for that purpose by the general meeting.

REPRESENTATION
Article 11.

1. The management board, as well as each managing director individually, is entitled to represent the company.
2. Where a managing director has an interest which conflicts directly or indirectly with the company's interests, the management board as well as each managing director may nevertheless represent the company, provided that due regard is had to the provisions of these articles of association.

GENERAL MEETINGS
Article 12.

1. Not less than one general meeting shall be held each year, within six months of the close of the financial year; the purpose of the meeting shall, among other things, be to discuss the annual report, to adopt the annual accounts and to release the management board.
2. General meetings shall be held in the place at which the company has its corporate seat. In the event that the meeting is held elsewhere, legally valid resolutions may nevertheless be passed if the entire issued share capital is represented. Shareholders, as well as usufructuaries and pledgees with voting

rights, shall be given notice of a meeting by or on behalf of the management board by registered letters to be sent not less than fourteen days in advance, not including the day of the notice and the day of the meeting.

3. The notice convening a meeting shall contain the agenda of the meeting.

4. Where the rules laid down by law or by these articles of association in relation to the convening of meetings, drawing up of agendas and availability for inspection of the list of matters to be discussed have not been complied with, legally valid resolutions may nevertheless be passed by a unanimous vote at a meeting at which the entire issued share capital is represented.

Article 13.

1. The general meeting shall be chaired by the chairman of the management board or, where the management board has not appointed such chairman, by the managing director present at the meeting who has held that office longest. Where none of the managing directors is present at the meeting, the meeting shall appoint its own chairman.

2. Each share shall give the right to cast one vote at general meetings.

3. All resolutions shall be passed by an absolute majority of the valid votes cast.

4. No votes may be cast at the general meeting in respect of shares belonging to the company or a subsidiary. They shall not be taken into account in the calculation of a majority or quorum.

5. The management board shall keep a record of the resolutions passed. The record shall be available at the offices of the company for inspection by the shareholders, as well as usufructuaries and pledgees with voting rights. A copy of or extract from this record shall be furnished to every shareholder and every usufructuary or pledge with voting rights on request at no more than the cost price.

RESOLUTIONS OUTSIDE MEETING
Article 14

Unless the company has usufructuaries or pledgees with voting rights, shareholders' resolutions may, instead of at a general meeting, be passed in writing - including by telegram, facsimile or telex transmission, or in the form of a message transmitted by any accepted means of communication and received or capable of being produced in writing - provided that all shareholders with the right to vote have voted in favour.

FINANCIAL YEAR, ANNUAL ACCOUNTS AND APPROPRIATION OF PROFITS
Article 15.

1. The financial year of the company shall coincide with the calendar year.

2. The management board shall close the company's books as at the last day of each financial year and shall within five months - unless this period is extended by the general meeting due to special circumstances for a further period of no more than six months - draw up annual accounts, and it shall deposit the accounts at the company's offices for inspection by the

shareholders, as well as by the usufructuaries and pledgees with voting rights. Within the same period, the management board shall also submit its annual report. The annual accounts shall be signed by all managing directors; where one or more of their signatures is missing, the annual accounts shall refer to this and to the reasons for it.

3. The company shall ensure that the annual accounts, the annual report and the information to be added pursuant to Article 2:392(1) Civil Code shall be available at its offices from the day on which the general meeting at which they are to be discussed is convened.

   Shareholders, as well as usufructuaries and pledgees, are entitled to inspect such documents at the aforementioned location and obtain a copy at no cost.

4. The provisions of Articles 2:391 up to and including 2:394 Civil Code shall not apply if Article 2:403 Civil Code applies to the company.

5. The general meeting shall adopt the annual accounts.

6. The company shall publish the documents and information referred to in this article if and to the extent and in the manner required by Articles 2:394 et seq. Civil Code.

Article 16.

1. The distributable profits shall be at the disposal of the general meeting for distribution of dividend or in order to be added to the reserves or for such other purposes within the company's objects as the meeting shall decide.

2. The company may make distributions to shareholders and other persons entitled to distributable profits only to the extent that the shareholders' equity exceeds the sum of the paid and called-up part of the share capital and the reserves which must be maintained by law. In calculating the appropriation of profits, the shares held by the company in its own share capital shall not be taken into account.

3. Distribution of profits shall take place after the adoption of the annual accounts which show that the distribution is permitted.

4. Subject to the provisions of the second paragraph, the general meeting may resolve to distribute one or more interim dividends and/or other interim distributions.

5. Dividends shall be payable immediately after they have been declared, unless the general meeting provides otherwise.

6. The claim for payment of dividends shall lapse on the expiry of a period of five years.

DISSOLUTION AND LIQUIDATION
Article 17.

1. In the event of the company being dissolved, the liquidation shall be effected by the management board, unless the general meeting decides otherwise.

2. The general meeting shall determine the remuneration of the liquidators and of those in charge of supervising the liquidation.

3. To the extent possible, these articles of association shall remain in effect during the liquidation.

4. Any assets remaining after payment of all of the company's debts shall first be applied to pay back the amounts paid up on the shares. Any remaining assets shall then be distributed among the shareholders in proportion to the aggregate nominal amount of their shares. No distribution upon liquidation may be made to the company in respect of shares held by it.

FINAL PROVISION

Finally, the person appearing declared:

- that he has been appointed by the abovementioned written resolution to apply for the declaration of no objection as mentioned in article 2:235 of the Dutch Civil Code and after obtaining that declaration to lay down and confirm the amendment of the articles of association by notarial deed;
- that the abovementioned declaration was issued as appears from a Ministerial Declaration, attached to this deed, under number B.V. 270.983, dated the twenty-first day of December two thousand and four.

The person appearing is known to me, civil law notary.

This deed was executed in Amsterdam on the date mentioned in its heading.

After I, civil law notary, had conveyed and explained the contents of the deed in substance to the person appearing, he declared that he had taken note of the contents of the deed, was in agreement with the contents and did not wish them to be read out in full. Following a partial reading, the deed was signed by the person appearing and by me, civil law notary.

(Signed:) M.J.O. Moerdijk, W.H. Bossenbroek

ISSUED FOR TRUE COPY

**EXHIBIT 3.10**

**CERTIFICATE OF INCORPORATION**

**OF**

**MagnaChip Semiconductor Inc.**

1. Name. The name of the Corporation is MagnaChip Semiconductor, Inc.

2. Registered Office and Agent. The address of the Corporation's registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of the Corporation's registered agent at such address is The Corporation Trust Company.

3. Purpose. The purposes for which the Corporation is formed are to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware and to possess and exercise all of the powers and privileges granted by such law and any other law of Delaware.

4. Authorized Capital. The aggregate number of shares of stock which the Corporation shall have authority to issue is One Thousand (1,000) shares, all of which are of one class and are designated as Common Stock and each of which has a par value of One Cent ($0.01).

5. Incorporator. The name and mailing address of the incorporator are Marian T. Ryan, Dechert LLP, 4000 Bell Atlantic Tower, 1717 Arch Street, Philadelphia, Pennsylvania 19103-2793.

6. Bylaws. The board of directors of the Corporation is authorized to adopt, amend or repeal the bylaws of the Corporation, except as otherwise specifically provided therein.

7. Elections of Directors. Elections of directors need not be by written ballot unless the bylaws of the Corporation shall so provide.

8. Right to Amend. The Corporation reserves the right to amend any provision contained in this Certificate as the same may from time to time be in effect in the manner now or hereafter prescribed by law, and all rights conferred on stockholders or others hereunder are subject to such reservation.

9. Limitation on Liability. The directors of the Corporation shall be entitled to the benefits of all limitations on the liability of directors generally that are now or hereafter become available under the General Corporation Law of Delaware. Without limiting the generality of the foregoing, no director of the Corporation shall be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for

acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. Any repeal or modification of this Section 9 shall be prospective only, and shall not affect, to the detriment of any director, any limitation on the personal liability of a director of the Corporation existing at the time of such repeal or modification.

10. Miscellaneous. The Corporation elects not to be governed by Section 203 of the Delaware General Corporation Law.

Dated: August 31, 2004

Marian T. Ryan, Incorporator

**EXHIBIT 3.11**

# BYLAWS

# OF

# MagnaChip Semiconductor, Inc.

## ARTICLE I

## STOCKHOLDERS

**1.1 Meetings.**

**1.1.1 Place**. Meetings of the stockholders shall be held at such place as may be designated by the board of directors.

**1.1.2 Annual Meeting**. An annual meeting of the stockholders for the election of directors and for other business shall be held on such date and at such time as may be fixed by the board of directors.

**1.1.3 Special Meetings**. Special meetings of the stockholders may be called at any time by the president, or the board of directors, or the holders of a majority of the outstanding shares of stock of the Company entitled to vote at the meeting.

**1.1.4 Quorum**. The presence, in person or by proxy, of the holders of a majority of the outstanding shares of stock of the Company entitled to vote on a particular matter shall constitute a quorum for the purpose of considering such matter.

**1.1.5 Voting Rights**. Except as otherwise provided herein, in the certificate of incorporation or by law, every stockholder shall have the right at every meeting of stockholders to one vote for every share standing in the name of such stockholder on the books of the Company which is entitled to vote at such meeting. Every stockholder may vote either in person or by proxy.

## ARTICLE II

## DIRECTORS

**2.1 Number and Term**. The board of directors shall have authority to (i) determine the number of directors to constitute the board and (ii) fix the terms of office of the directors.

**2.2 Meetings.**

**2.2.1 Place**. Meetings of the board of directors shall be held at such place as may be designated by the board or in the notice of the meeting.

**2.2.2 Regular Meetings**. Regular meetings of the board of directors shall be held at such times as the board may designate. Notice of regular meetings need not be given.

**2.2.3 Special Meetings**. Special meetings of the board may be called by direction of the president or any two members of the board on three days' notice to each director, either personally or by mail, telegram or facsimile transmission.

**2.2.4 Quorum**. A majority of all the directors in office shall constitute a quorum for the transaction of business at any meeting.

**2.2.5 Voting**. Except as otherwise provided herein, in the certificate of incorporation or by law, the vote of a majority of the directors present at any meeting at which a quorum is present shall constitute the act of the board of directors.

**2.2.6 Committees**. The board of directors may, by resolution adopted by a majority of the whole board, designate one or more committees, each committee to consist of one or more directors and such alternate members (also directors) as may be designated by the board. Unless otherwise provided herein, in the absence or disqualification of any member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another director to act at the meeting in the place of any such absent or disqualified member. Except as otherwise provided herein, in the certificate of incorporation or by law, any such committee shall have and may exercise the powers of the full board of directors to the extent provided in the resolution of the board directing the committee.

## ARTICLE III

## OFFICERS

**3.1 Election.** At its first meeting after each annual meeting of the stockholders, the board of directors shall elect a president, vice president, secretary and such other officers as it deems advisable.

**3.2 Authority, Duties and Compensation.** The officers shall have such authority, perform such duties and serve for such compensation as may be determined by resolution of the board of directors. Except as otherwise provided by board resolution, (i) the president shall be the chief executive officer of the Company, shall have general supervision over the business and operations of the Company, may perform any act and execute any instrument for the conduct of such business and operations and shall preside at all meetings of the board and stockholders, (ii) the other officers shall have the duties customarily related to their respective offices, and (iii) any vice president, or vice presidents in the order determined by the board, shall in the absence of the president have the authority and perform the duties of the president.

## ARTICLE IV

## INDEMNIFICATION

**4.1 Right to Indemnification.** The Company shall indemnify any person who was or is party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding"), by reason of the fact that such person is or was a director or officer of the Company or a constituent corporation absorbed in a consolidation or merger, or is or was serving at the request of the Company or a constituent corporation absorbed in a consolidation or merger, as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, or is or was a director or officer of the Company serving at its request as an administrator, trustee or other fiduciary of one or more of the employee benefit plans of the Company or other enterprise, against expenses (including attorneys' fees), liability and loss actually and reasonably incurred or suffered by such person in connection with such proceeding, whether or not the indemnified liability arises or arose from any threatened, pending or completed proceeding by or in the right of the Company, except to the extent that such indemnification is prohibited by applicable law.

**4.2 Advance of Expenses.** Expenses incurred by a director or officer of the Company in defending a proceeding shall be paid by the Company in advance of the final disposition of such proceeding subject to the provisions of any applicable statute.

**4.3 Procedure for Determining Permissibility.** To determine whether any indemnification or advance of expenses under this Article IV is permissible, the board of directors by a majority

vote of a quorum consisting of directors not parties to such proceeding may, and on request of any person seeking indemnification or advance of expenses shall be required to, determine in each case whether the applicable standards in any applicable statute have been met, or such determination shall be made by independent legal counsel if such quorum is not obtainable, or, even if obtainable, a majority vote of a quorum of disinterested directors so directs, provided that, if there has been a change in control of the Company between the time of the action or failure to act giving rise to the claim for indemnification or advance of expenses and the time such claim is made, at the option of the person seeking indemnification or advance of expenses, the permissibility of indemnification or advance of expenses shall be determined by independent legal counsel. The reasonable expenses of any director or officer in prosecuting a successful claim for indemnification, and the fees and expenses of any special legal counsel engaged to determine permissibility of indemnification or advance of expenses, shall be borne by the Company.

**4.4 Contractual Obligation.** The obligations of the Company to indemnify a director or officer under this Article IV, including the duty to advance expenses, shall be considered a contract between the Company and such director or officer, and no modification or repeal of any provision of this Article IV shall affect, to the detriment of the director or officer, such obligations of the Company in connection with a claim based on any act or failure to act occurring before such modification or repeal.

**4.5 Indemnification Not Exclusive; Inuring of Benefit.** The indemnification and advance of expenses provided by this Article IV shall not be deemed exclusive of any other right to which one indemnified may be entitled under any statute, provision of the Certificate of Incorporation, these bylaws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, and shall inure to the benefit of the heirs, executors and administrators of any such person.

**4.6 Insurance and Other Indemnification.** The board of directors shall have the power to (i) authorize the Company to purchase and maintain, at the Company's expense, insurance on behalf of the Company and on behalf of others to the extent that power to do so has not been prohibited by statute, (ii) create any fund of any nature, whether or not under the control of a trustee, or otherwise secure any of its indemnification obligations, and (iii) give other indemnification to the extent permitted by statute.

## ARTICLE V

## TRANSFER OF SHARE CERTIFICATES

Transfers of share certificates and the shares represented thereby shall be made on the books of the Company only by the registered holder or by duly authorized attorney. Transfers shall be made only on surrender of the share certificate or certificates.

## ARTICLE VI

## AMENDMENTS

These bylaws may be amended or repealed at any regular or special meeting of the board of directors by vote of a majority of all directors in office or at any annual or special meeting of stockholders by vote of holders of a majority of the outstanding stock entitled to vote. Notice of any such annual or special meeting of stockholders shall set forth the proposed change or a summary thereof.

**Exhibit 3.12**

# ARTICLES OF INCORPORATION

# OF

# MAGNACHIP SEMICONDUCTOR, LTD.

| | |
|---|---|
| **Enacted on December 8, 2003** | |
| **1st Amended on July 21, 2004:** | **Article 1 Company Name** |
| | **Article 3 Objectives** |
| **2nd Amended on September 15, 2004:** | **Article 6 Units of Contribution** |
| **3rd Amended on October 5, 2004:** | **Article 6 Units of Contribution** |

**ARTICLES OF INCORPORATION**

**OF**

**MAGNACHIP SEMICONDUCTOR, LTD.**

**CHAPTER I. GENERAL PROVISIONS**

Article 1. Company Name

The name of the Company is MagnaChip Semiconductor Yuhan Hoesa, which shall be expressed in English as MagnaChip Semiconductor, Ltd. (hereinafter referred to as the "Company").

Article 2. Objectives

The objectives of the Company shall be as follows:

(1) Operating, designing, manufacturing, selling and marketing semiconductor products;

(2) providing foundry and semiconductor manufacturing services;

(3) Lease of real property; and

(4) any activities directly or indirectly related to the attainment of the foregoing business objectives.

Article 3. Location of Principal Office and Branches

The principal office of the Company shall be located in Cheongju, Choongcheongbuk-do, Republic of Korea. Branches may be established, relocated or closed by a resolution of the Board of Directors of the Company.

Article 4. Method of Giving Notice

Public notice shall be given by publishing the notice in *Maeil Economic Daily*, a daily newspaper.

Article 5. Notices and Reports to Foreigners

All notices and reports, required by law or these Articles of Incorporation to be given or sent directly, other than by public notice in the newspaper, to foreign nationals or juridical persons established outside Korea, shall be given in English.

## CHAPTER II. UNITS OF CONTRIBUTION

Article 6. Units of Contribution

(1) The total number of units of contribution of the Company is 4,161,350 units, each with a par value of 10,000 Won.

(2) The names and addresses of the members and the number of units of contribution to be subscribed for by them shall be as follows:

| Name and Address | Number of Units |
|---|---|
| Name: MagnaChip Semiconductor B.V.<br>Address: 1043 BW Amsterdam, Naritaweg 165<br>The Netherlands | 4,161,350 units |

Article 7. Issuance of Additional Units of Contribution

(1) Additional units of contribution may be issued pursuant to a resolution of the General Meeting of Members.

(2) Members of the Company shall have preemptive rights in proportion to the number of units of contribution held by each of them, unless the general meeting of members resolves otherwise.

(3) Anything provided to the contrary notwithstanding, in the event that a foreign member has preemptive rights to subscribe for any such additional units of contribution, the time within which it may exercise such right shall be determined in such manner as to give such member sufficient time to obtain any necessary approval from the Korean Government.

Article 8. Register of Members

The Company shall maintain the Register of Members, which shall list the holders of units of contribution in the Company.

Article 9. Alteration of Entry and Registration of Pledge

(1) A member desiring an alteration of entry due to transfer of units of contribution by assignment, sale or other similar cause shall submit an application therefor to the Company in the form prescribed by the Company.

(2) A member desiring a registration or cancellation of pledge with respect to its units of contribution shall submit an application therefor to the Company, in the form prescribed by the Company.

(3) Upon receiving an application, the Company shall examine the documents and enter a transfer or pledge in the Register of Members.

(4) The transfer of units of contribution shall not be binding upon the Company or third parties unless the full name and address of the transferee have been entered in the Register of Members.

Article 10. Report of Addresses and Seals

(1) Members and their attorneys shall report to the Company their names, addresses, and seals or signatures; any change thereof shall also be reported to the Company immediately.

(2) Members who reside in foreign countries may, in addition, inform the Company of their provisional addresses to where, or agents to whom, notices may be given in Korea.

(3) An attorney for a member shall submit to the Company a certificate establishing his/her power of representation. Any change therein must be reported to the Company by submission of any appropriate certificate or evidence.

Article 11. Transfer of Units of Contribution

Any member may transfer the whole or any part of its units of contribution to any third party only if at least fifty percent (50%) of the members and three-fourths (3/4) or more of all issued and outstanding units of contribution entitled to vote consent to such a transfer.

## CHAPTER III. GENERAL MEETING OF MEMBERS

Article 12. Types and Holding of General Meeting

(1) General Meetings of the Members of the Company shall be of two kinds: ordinary and extraordinary.

(2) The Ordinary General Meeting of Members shall be held within three (3) months after the end of each fiscal year.

(3) Extraordinary General Meetings of Members may be convened at any time upon the request of any member of the Board of Directors.

Article 13. Convening of General Meeting

(1) The convening of all General Meetings of Members shall be determined by the Board of Directors and the place for convening a General Meeting of Members shall be the principal office of the Company unless otherwise decided by the Board of Directors.

(2) In convening a General Meeting of Members, individual written notice thereof shall be given by the Representative Director at least one (1) week prior to the date set for such meeting to the members and other persons entitled to receive notice; provided, however, that the above period may be shortened with the written consent of all of the members of the Company received before the meeting. The notice shall state the agenda of the meeting, the time when and place where the meeting will be held. The General Meeting of Members may not resolve matters other than those stated in the notice of the meeting, unless all the members whether present or not, unanimously agree otherwise.

(3) If all members so agree, a resolution of the members may be adopted in writing without convening a General Meeting of Members. In addition, if all members have consented in writing to a certain proposed resolution, such resolution shall be deemed to have been adopted by the General Meeting of Members.

Article 14. Chairman of Meeting

The Representative Director shall serve as the Chairman of General Meetings of Members. In the event that the Representative Director is absent or fails to serve as the Chairman of any General Meeting of Members, one of the other directors shall act as Chairman in accordance with the order of directors fixed by the Board of Directors.

Article 15. Adoption of Resolutions

(1) A quorum for the holding of General Meetings of Members shall be more than fifty percent (50%) of the issued and outstanding units of contribution, and the resolution shall be adopted by an affirmative vote of a majority of the units of contribution represented at the meeting.

(2) The following corporate actions shall not be taken by the Company unless authorized by a resolution at a General Meeting of Members by the affirmative vote of at least fifty percent (50%) of the members and three-fourths (3/4) or more of all issued and outstanding units of contribution entitled to vote.

a. Any change of the Article of Incorporation of the Company;

b. Dissolution of the Company or its merger into, or consolidation or amalgamation with any other company;

c. Dismissal of a director; and

d. Transfer or pledge of the whole or a substantial part of the assets or undertakings of the Company, or the acquisition by the Company of the whole or part of the undertakings of any other person or entity, or entry by the Company into any joint venture partnership

Article 16. Voting

(1) Each member shall have one (1) vote for each unit of contribution it owns.

(2) A member may exercise its vote by proxy. In that case, the proxy holder must file with the Company a document evidencing his/her authority at each General Meeting of Members at which he/she acts as proxy.

Article 17. Minutes of General Meeting

(1) The substance of the course of the proceedings of the General Meetings of Members and the results thereof shall be recorded in the minutes in the English and Korean languages, which shall bear the names and seals or signatures of the chairman of the meeting and directors present at the meeting. The English version of all minutes shall govern in the event of any inconsistencies between the English and Korean versions.

(2) Copies of minutes shall be sent to members who so request.

## CHAPTER IV. DIRECTORS, AUDITOR

Article 18. Number of Directors and Auditor

The Company shall have one (1) or more directors.

Article 19. Election

The directors shall be elected at a General Meeting of Members, and vacancies may be filled by any General Meeting of Members.

Article 20. Removal

A director may be removed at any time by a resolution of the General Meeting of Members.

Article 21. Representative Director and Other Officers

(1) The General Meeting of Members shall elect from the directors of the Company, one (1) Representative Director to represent the Company; provided, however, if there is only one (1) director, such director will be the Representative Director of the Company.

(2) The Representative Director shall have the authority to represent the Company and to bind the Company in all other matters as authorized by the Board of Directors and within limitations established by these Articles of Incorporation and by the General Meeting of Members.

(3) The General Meeting of Members shall appoint such other officers as it considers necessary and appropriate to operate the Company. Such officers shall have such authority as may be assigned to them by the Board of Directors of the Company and shall report on a regular basis to the Representative Director.

Article 22. Nature of the Board of Directors

(1) The directors of the Company shall constitute the Board of Directors of the Company.

(2) The Board of Directors shall have the power and authority to make decisions with respect to all important matters of the Company which are not reserved for the action of the General Meeting of Members by law or these Articles of Incorporation.

Article 23. Calling of Meetings

(1) Meetings of the Board of Directors may be called by the Representative Director, when he/she deems the same to be necessary or advisable, or when any director so requests. The time and place for convening a meeting of the Board of Directors shall

be determined by the Representative Director and the place may be within or outside of Korea.

(2) Notice of the meetings of the Board of Directors shall be given by the Representative Director by individual written notice to each director, at least one (1) week prior to the date set for any such meeting to the directors, which notice shall specify the agenda to be discussed thereat; provided, however, that the above period may be shortened or omitted with the written consent of all directors before any such meeting. At such meetings the directors may not resolve matters other than those set forth in said agenda, unless all the directors, whether present or not, unanimously agree otherwise.

Article 24. Chairman of Meeting

The Representative Director shall serve as Chairman of the Board of Directors. In the event that the Representative Director is absent or fails to serve as Chairman of any meeting of the Board of Directors, one of the other directors shall act as Chairman in accordance with the order of directors fixed by the Board of Directors.

Article 25. Quorum and Adoption of Resolutions

A quorum for the holding of a meeting of the Board of Directors shall be at least a majority of all the directors. Unless otherwise required by law or these Articles of Incorporation, all actions and resolutions of the Board of Directors shall be adopted by the affirmative votes of a majority of all the directors.

Article 26. Minutes of Meeting of the Board of Directors

The substance of the course of the proceedings of a meeting of the Board of Directors and the results thereof shall be recorded in the minutes in the English and Korean languages, which shall bear the names and seals or signatures of the directors in attendance at the meeting. The English version of the minutes shall govern in the event of any inconsistencies between the English and Korean versions.

Article 27. Compensation

The remuneration and bonuses of the directors shall be determined by the resolution at the General Meeting of Members. Severance pay for the directors and other officers of the Company shall be paid in accordance with the Company's regulation on severance payment for officers, as adopted by the resolution of the General Meeting of Members.

## CHAPTER VI. ACCOUNTING

Article 28. Fiscal Year

The fiscal year of the Company shall commence on January 1 and end on December 31 of each year.

Article 29. Books of Account and Records

A single set of complete books of account shall be kept by the Company, which shall accurately reflect its financial affairs. Such books shall be kept in accordance with such accounting principles and practices as to form and method, as are generally accepted in the Republic of Korea.

Article 30. Financial Statements

(1) The Representative Director shall prepare the following documents no later than two (2) weeks before the date set for the Ordinary General Meeting of Members.

  (a) A balance sheet;

  (b) A profit and loss statement;

  (c) Statement of appropriation of retained earnings or statement of disposition of deficit;

  (d) Supplementary schedules for (a), (b) and (c) above; and

  (e) A business report.

(2) The Representative Director shall retain copies of the documents set forth in Paragraph (1) above, together with the auditor's report (if any), at the head office of the Company for a period of five (5) years, starting from one (1) week before the date set for the Ordinary General Meeting of Members.

(3) The Representative Director shall submit the documents described in (a) through (c) of Paragraph (1) above to the Ordinary General Meeting of Members for their approval and shall submit the document described in (e) of Paragraph (1) above to the Ordinary General Meeting of Members and shall make a report with respect to the contents thereof.

Article 31. Disposition of Profit

Profits for any fiscal year shall be disposed of by resolution at the General Meeting of Members.

Article 32. Payment of Dividends

(1) Dividends shall be paid to the members of the Company who have been duly entered in the Register of Members as of the end of each fiscal year.

(2) Dividends shall be paid within one (1) month after the declaration of dividends at an Ordinary General Meeting of Members, unless otherwise decided at the General Meeting of Members declaring such dividends.

(3) Any claim to dividends expires unless it is exercised within five (5) years from the resolution of the General Meeting of Members declaring such dividends.

**CHAPTER VII. SUPPLEMENTARY PROVISIONS**

Article 33. By-laws

The Board of Directors may adopt by-laws, which may be useful for the administrative affairs of the Company.

Article 34. Application of the Commercial Code

Matters not specifically provided for herein shall be determined in conformity with resolutions of the Board of Directors or the General Meeting of Members of the Company, or with the relevant provisions of the Korean Commercial Code, as the case may be.

Article 35. Language

The English and Korean versions of these Articles of Incorporation shall be equally authentic, but in the event of a conflict or uncertainty of meaning, the English version shall prevail.

**Exhibit 3.13**

(Translation)

ARTICLES OF INCORPORATION

OF

MAGNACHIP SEMICONDUCTOR INC.

CHAPTER I. GENERAL PROVISIONS

Article 1. Corporate Name

The name of the Company shall be MagnaChip Semiconductor Kabushiki Kaisha. The Company shall be called MagnaChip Semiconductor Inc. in English.

Article 2. Objective and Purposes

The objectives and purposes of the Company shall be as follows:

1. Import and export semiconductors, integrated circuits and related products;
2. Sales, marketing and distribution of semiconductors, integrated circuits and related products; and
3. Any and all business related or incidental to the above.

Article 3. Location of Head Office

The Company shall have its head office in Chiyoda Ward, Tokyo, Japan.

Articles 4. Method of Public Notice

All public notices by the Company shall be published in the Japanese Official Gazette (*Kanpo*).

CHAPTER II. SHARES

Article 5. Number of Shares Authorized to be Issued

The total number of shares authorized to be issued by the Company shall be forty million (40,000,000) shares.

Article 6. Type of Shares

All shares issued by the Company shall be common shares with voting rights.

Article 7. Share Certificate

The share certificates issued by the Company shall be in the following eight denominations: one (1) share, ten (10) shares, one hundred (100) shares, one thousand (1,000) shares, ten thousand (10,000) shares, one hundred thousand (100,000) shares, one million (1,000,000) shares and ten million (10,000,000) shares. However, if necessary, certificates may be issued in other denominations by a resolution of the Board of Directors.

Article 8. Registration of Shareholders

1. Shareholders (including trustees) and registered pledgrees or their legal representatives shall register their names, addresses and seal impressions on form provided by the Company.
2. Any changes or alterations of any of the foregoing shall likewise be registered.
3. Foreign nationals who do not have the practice of using seals may utilize their signatures for the above purpose.

Article 9. Regulation for Handling Shares

All procedures and fees relating to change of registration, registration of pledge or cancellation thereof, indication of trust property or removal thereof, re-issuance of stock certificates and all the other matters concerning the handling of shares, shall be prescribed by the Board of Directors.

Article 10. Record Date

1. The Company shall treat the shareholders with voting rights appearing in the shareholders' register as of the last day of each business year as the shareholders entitled to exercise their voting rights at the ordinary general meeting of shareholders for the business year.
2. In addition to the record date provided in these Articles of Incorporation, when it is necessary, the Company may fix a record date by a resolution of the Board of Directors, after giving a prior public notice thereof.

## CHAPTER III. GENERAL MEETING OF SHAREHOLDERS

### Article 11. Convening of General Meeting of Shareholders

1. An ordinary general meeting of shareholders shall be convened within there (3) months after the following day of the close of each business year.
2. An extraordinary general meeting of shareholders may be convened whenever necessary.

### Article 12. Authority to Convene General Meeting of Shareholders

Except as otherwise provided by laws or regulations, general meetings of shareholders shall be convened by the Representative Director of the Company in accordance with a resolution of the Board of Directors and, if the Representative Director is unable to convene a general meeting of shareholders, another director of the Company may convene the meeting in accordance with the order previously determined by the Board of Directors.

### Article 13. Notice of General Meetings of Shareholders

1. The notice of the convocation of a general meeting of shareholders shall be dispatched to each shareholder with voting rights seven (7) days prior to the date of such meeting.
2. A general meeting of shareholders may be convened without procedure if consents of all shareholders who have rights to exercise their voting rights at certain general meetings can be obtained.

### Article 14. Person to Preside at General Meeting of Shareholders

The Representative Director of the Company shall preside as chairperson at general meetings of shareholders and, if the Representative Director is unable to preside at a general meeting of shareholders, another director of the Company may preside at the meeting in accordance with the order previously determined by the Board of Directors.

### Article 15. Method for Resolutions and Proxy Vote

1. Unless otherwise provided by laws and regulations or these Articles of Incorporation, resolutions of a General Meeting of Shareholders shall be adopted by a majority vote of shareholders in attendance at a meeting which is attended by shareholders representing more than one half of the total number of issued and outstanding shares of the Company with voting rights.
2. A shareholder may exercise his vote by granting a proxy vote. In such case, the shareholder or the proxy holder must present to the Company at each General Meeting of Shareholders a document evidencing his proxy authority.

Article 16. Matters to be Resolved

A General Meeting of Shareholders shall resolve all matters which require a shareholders resolution (a) under the provisions of the Commercial Code or other applicable laws, or (b) pursuant to resolutions of the Board of Directors.

Article 17. Remuneration, etc. of Directors and Statutory Auditors

Remuneration and retirement allowance of directors and statutory auditors shall be separately determined by a resolution of a general meeting of shareholders.

## CHAPTER IV. DIRECTORS, STATUTORY AUDITORS AND BOARD OF DIRECTORS

Article 18. Number of Directors and Statutory Auditors

The Company shall have no less than three (3) directors and one (1) statutory auditor.

Article 19. Election

1. Directors or Statutory Auditors shall be elected by a majority vote of shareholders in attendance at a meeting which is attended by shareholders representing more than one half of the total number of issued and outstanding shares of the Company with voting rights.
2. The election of Directors shall not be conducted by cumulative voting.

Article 20. Term of Office

1. The term of office of a director shall terminate at the close of the Ordinary General Meeting of Shareholders for the last period for settlement of accounts within two (2) years following his assumption of office.
2. The term of office of a statutory auditor shall terminate at the close of the Ordinary General Meeting of Shareholders for the last period for settlement of accounts within four (4) years following his assumption of office.
3. The term of office of a director or statutory auditor elected to fill a vacancy shall correspond to the remaining term of office of his predecessor, and the term of office of a director elected due to an increase in directors shall correspond to the remaining term of office of the other directors.

Article 21. Representative Directors and Executive Directors

1. The Company shall have no less than one (1) Representative Director who shall be selected among the directors by a resolution of the Board of Directors.

2. The Company may have a President, Chairman, Vice Presidents, Senior Managing Directors and Managing Directors who shall be selected among the directors by a resolution of the Board of Directors.

3. In the event that the Representative Director is not available, one of the other directors shall act as Representative Director in accordance with the procedures previously established by the Board of Directors.

Article 22. Board of Directors

1. The directors of the company shall constitute the Board of Directors of the Company.

2. The Board of Directors shall decide such matters as are required by laws or regulations or by these Articles of Incorporation to be decided by the Board of Directors as well as all important matters pertaining to the management of the Company, except as otherwise required by laws or regulations or by these Articles of Incorporation. Meetings of Board of Directors may be held in person or by means of telephonic, video or other communication facility that is permitted under applicable laws and regulations.

Article 23. Authority to Convene Meetings of the Board of Directors

1. Representative director of the Company may convene a meeting of the Board of Directors at any time but no less than once every three (3) months unless otherwise permitted by applicable laws and regulations.

2. A representative director of the Company has to convene a meeting of the Board of Directors upon the request of a director of the Company.

Article 24. Convening the Meetings of the Board of Directors

The meetings of the Board of Directors may be called as determined by law and the provisions of these Articles of Incorporation. The notice of the meeting shall be dispatched three (3) days prior to the date of the meeting of the Board of Directors; provided that such notice period may be shortened in case of emergency. The meeting of the Board of Directors may be convened without notice if all the directors consent thereto.

Article 25. Person to Preside at Meetings of the Board of Directors

The Representative Director of the Company shall preside as chairperson at meetings of the Board of Directors, and if the Representative Director is unable to preside at a meeting of the Board of Directors, another director of the Company may preside at the meeting in accordance with the order previously determined by the Board of Directors.

Article 26. Resolutions

Except as otherwise provided by law or in these Articles of Incorporation, resolutions of the Board of Directors of the Company shall be adopted upon affirmative majority vote of directors present, with more than one half of the total number of directors being present at the meeting.

Article 27. Rules of the Board of Directors

The Board of Directors may promulgate rules for the operation of the Company and Board of Directors consistent with laws and these Articles of Incorporation.

## CHAPTER V. ACCOUNTING

Article 28. Business Term

The business year of the Company shall be one-year term commencing on the first day of January each year and ending on the last day of December in the same year.

Article 29. Payment of Dividends, etc.

1. Distribution of dividends shall be approved by resolution of the general meeting of shareholders.
2. Dividends shall be paid to shareholders listed in the Shareholders' Register (including the pledgrees of shares) as of the last day of the business term for which the dividends are declared. Dividends shall not yield interest.
3. The Company shall be relieved from the obligation to pay such dividends when the same remain unreceived after the expiration of three (3) full years from the payment date thereof.

## CHAPTER VI. SUPPLEMENTARY PROVISIONS

Article 30. First Business Year

The first business year of the company is to be from the date of the establishment of the company until the 31st day of December 2004.

Article 31. Shares Issued at the Time of Establishment

The number of shares issued by the company at the time of establishment shall be ten million (10,000,000) common shares. The issue price per share is one (1) yen.

Article 32. Term of First Directors and First Statutory Auditor

The term of office of the first directors shall terminate at the close of the ordinary general meeting of shareholders for the last period of settlement of accounts which shall occur within the first year following the assumption of office. The same term of office shall apply for the first statutory auditor.

Article 33. Promoter

The name and address of the promoter, with the number of shares accepted, are as follows:

| | |
|---|---|
| Name: | MagnaChip Semiconductor S.àr.l.<br>Managing Director Roy Kuan |
| Address: | 10, rue de Vianden, L-2680 Luxembourg, Grand Duchy of Luxembourg |
| Number of Shares: | 10,000,000 shares of common stock |

These ARTICLES OF INCORPORATION have been prepared by the promoter for the purpose of establishing MagnaChip Semiconductor Inc. in accordance with the provisions of the Commercial Code.

Accordingly, he has hereunto affixed his signature or name and seal.

Date: September 16, 2004

Promoter: 10, rue de Vianden, L-2680 Luxembourg, Grand Duchy of Luxembourg

MagnaChip Semiconductor S.àr.l.
Managing Director Roy Kuan
(Signature)

**Exhibit 3.14**

**THE COMPANIES ORDINANCE (Cap. 32)**

Company Limited by Shares

**MEMORANDUM OF ASSOCIATION**

OF

**MagnaChip Semiconductor Limited**

1. The name of the Company is MagnaChip Semiconductor Limited.
2. The Registered Office of the Company will be situated in Hong Kong.
3. The Company has the capacity and the rights, powers and privileges of a natural person and the objects for which the Company is established are unrestricted and shall include, but without limitation, the following:

   (1) To purchase or otherwise acquire and undertake the whole or any part of the business, goodwill, assets and liabilities of any person, firm or company; to acquire an interest in, amalgamate with or enter into partnership, joint venture or profit-sharing arrangements with any person, firm or company, to promote, sponsor, establish, constitute, form, participate in, organise, manage, supervise and control any corporation, company, syndicate, fund, trust, business or institution.

   (2) To import, export, buy, sell (wholesale and retail), exchange, barter, let on hire, distribute and otherwise deal in and turn to account goods, materials, commodities, produce and merchandise generally in their prepared, manufactured, semi-manufactured and raw state.

   (3) To purchase or otherwise acquire and hold, in any manner and upon any terms, and to underwrite and deal in shares, stocks, debentures, debenture stock, annuities and foreign exchange, foreign currency deposits and commodities, and from time to time to vary any of the same, and to exercise and enforce all rights and powers incidental to the Company's interest therein, and to carry on business as an investment trust, and to invest or deal with the monies of the Company not immediately required for its operations in such manner as the Company may think fit.

   (4) To enter into, carry on and participate in financial transactions and operations of all kinds.

   (5) To manufacture, construct, assemble, design, repair, refine, develop, alter, convert, refit, prepare, treat, render marketable, process and otherwise produce materials, fuels, chemicals, substances and industrial, commercial and consumer products of all kinds.

(6) To carry on business as insurance brokers and agents, and underwriting agents in all classes of insurance and as insurance advisers and consultants, pensions and investment advisers, consultant assessors, average adjusters and mortgage brokers; to carry on the business of an insurance and guarantee company in all its branches.

(7) To apply for, register, purchase or otherwise acquire and protect, prolong, and renew, in any part of the world, any intellectual and industrial property and technology of whatsoever kind or nature and licences, protections and concessions therefor, and to use, turn to account, develop, manufacture, experiment upon, test, improve and licence the same.

(8) To purchase or otherwise acquire and to hold, own, licence, maintain, work, exploit, farm, cultivate, use, develop, improve, sell, let, surrender, exchange, hire, convey or otherwise deal in lands, mines, natural resources, and mineral, timber and water rights, wheresoever situate, and any interest, estate and rights in any real, personal or mixed properly and any franchises, rights, licences or privileges, and to collect, manage, invest, reinvest, adjust, and in any manner to dispose of the income, profits, and interest arising therefrom.

(9) To improve, manage, develop, sell, let, exchange, invest, reinvest, settle, grant licences, easements, options, servitudes and other rights over, or otherwise deal with all or any part of the Company's property, undertaking and assets (present and future) including uncalled capital, and any of the Company's rights, interests and privileges.

(10) To acquire, sell, own lease, let out on hire, administer, manage, control, operate, construct, repair, alter, equip, furnish, fit out, decorate, improve and otherwise undertake and deal in engineering and construction works, buildings, projects, offices and structures of all kinds.

(11) To carry on business as consulting engineers in all fields including without limitation civil, mechanical, chemical, structural, marine, mining, industrial, aeronautical, electronic and electrical engineering, and to provide architectural, design and other consultancy services of all kinds.

(12) To purchase or otherwise acquire, take in exchange, charter, hire, build, construct, own, work, manage, operate and otherwise deal with any ship, boat, barge or other waterborne vessel, hovercraft, balloon, aircraft, helicopter or other flying machine, coach, wagon, carriage (however powered) or other vehicle, or any share or interest therein.

(13) To establish, maintain, and operate sea, air, inland waterway and land transport enterprises (public and private) and all ancillary services.

(14) To carry on the business of advisers, consultants, researchers, analysts and broken of whatsoever kind or nature in all branches of trade, commerce, industry and finance.

(15) To provide or procure the provision of every and any service or facility required by any person, firm or company.

(16) To provide agency, corporate, office, business and management consultancy services, and to act as consultants, analysts and advisors to any person, firm or company or any business, governmental or other undertaking in respect of management, administration, manufacture, marketing, sales, distribution, finance, costing, design, research, industrial relations and otherwise howsoever and to act as nominee, custodian, director, secretary, registrar, book-keeper, manager, broker, agent or trustee, and to administer the estates of deceased persons and undertake and execute any trust in accordance with the terms of the deed or other instrument or law creating such trust.

(17) To carry on all or any of the businesses of shippers and ship owners, ship and boat builders, charterers, shipping and forwarding agents, ship managers, wharfingers, lightermen, stevedores, packers, storers, fishermen and trawlers.

(18) To carry on all or any of the businesses of hoteliers and restaurateurs and sponsors, managers and licencees of all kinds of sporting, competitive, social and leisure activities and of clubs, associations and social gatherings of all kinds and purposes.

(19) To carry on business as auctioneers, appraisers, valuers, surveyors, land and estate agents.

(20) To carry on business as farmers, graziers, dealers in and breeders of livestock, horticulturists and market gardeners.

(21) To carry on all or any of the businesses of printers, publishers, designers, draughtsmen, journalists, press and literary agents, tourist and travel agents, advertisers, advertising and marketing agents and contractors, personal and promotional representatives, artists, sculptors, decorators, illustrators, photographers, film makers, producers and-distributors, publicity agents and display specialists.

(22) To establish and carry on institutions of education, instruction or research and to provide for the giving and holding of lectures, scholarships, awards, exhibitions, classes and meetings for the promotion and advancement of education or the dissemination of knowledge generally.

(23) To design, invent, develop, modify, adapt, alter, improve and apply any object, article, device, appliance, utensil or product for any use or purpose whatsoever.

(24) To develop, acquire, store, licence, apply, assign, exploit all and any forms of computer and other electronic software, programs and applications and information, databases and reference material and computer, digital and other electronic recording, retrieval, processing and storage media of whatsoever kind and nature.

(25) To engage in the provision or processing of communications and telecommunications services, information retrieval and delivery, electronic message, electronic commerce, internet and database services.

(26) To carry on business as jewellers, goldsmiths, silversmiths and bullion dealers and to import, export, buy, sell and deal in (wholesale and retail) jewellery, gold, silver and bullion, gold and silver plate, articles of value, objects of art and such other articles and goods as the Company thinks fit, and to establish factories for culturing, processing and manufacturing goods for the above business.

(27) To carry on any other business or activity and do any act or thing which in the opinion of the Company is or may be capable of being conveniently carried on or done in connection with any of the above, or likely directly or indirectly to enhance the value of or render more profitable all or any part of the Company's property or assets or otherwise to advance the interests of the Company or its Members.

(28) To enter into any commercial or other arrangements with any government, authority, corporation, company or person and to obtain or enter into any legislation, orders, charters, contracts, decrees, rights, privileges, licences, franchises, permits and concessions for any purpose and to carry out, exercise and comply with the same and to make, execute, enter into, commence, carry on, prosecute and defend all steps, contracts, agreements, negotiations, legal and other proceedings, compromises, arrangements, and schemes and to do all other acts, matters and things which shall at any time appear conducive or expedient for the advantage or protection of the Company.

(29) To take out insurance in respect of any and all insurable risks which may affect the Company or any other company or person and to effect insurance (and to pay the premiums therefor) in respect of the life of any person and to effect re-insurance and counter-insurance, but no business amounting to fire, life or marine insurance business may be undertaken.

(30) To lend and advance money and grant and provide credit and financial or other accommodation to any person, firm or company.

(31) To borrow or raise money in such manner as the Company shall think fit and in particular by the issue (whether at par or at a premium or discount and for such consideration as the Company may think fit) of bonds, debentures or debenture stock (payable to bearer or otherwise), mortgages or charges, perpetual or otherwise, and if the Company thinks fit charged upon all or any of the Company's property (both present and future) and undertaking including its uncalled capital and further, if so thought fit, convertible into any stock or shares of the Company or any other company, and collaterally or further to secure any obligations of the Company by a trust deed or other assurance.

(32) To guarantee or otherwise support or secure, either with or without the Company receiving any consideration or advantage and whether by personal covenant or by mortgaging or charging all or part of the undertaking, property, assets and rights (present and future) and uncalled capital of the Company or by both such methods or by any other means whatsoever, the liabilities and obligations of and the payment of any monies whatsoever (including but not limited to capital, principal, premiums, interest, dividends, costs and expenses on any stocks, shares or securities) by any person, firm or company whatsoever including but not limited to any company which is for the time being the holding company or a subsidiary (both as defined by Section 2 of the Companies Ordinance (Cap. 32)) of the Company or of the Company's holding company or is otherwise associated with the Company in its business, and to act as agents for the collection, receipt or payment of money, and to enter into any contract of indemnity or suretyship (but not in respect of fire, life and marine insurance business).

(33) To draw, make, accept, endorse, negotiate, discount, execute, issue, purchase or otherwise acquire, exchange, surrender, convert, make advances upon, hold, charge, sell and otherwise deal in bills of exchange, cheques, promissory notes, and other negotiable instruments and bills of lading, warrants, and other instruments relating to goods.

(34) To give any remuneration or other compensation or reward (in cash or securities or in any other manner the Directors may think fit) to any person for services rendered or to be rendered in the conduct or course of the Company's business or in placing or procuring subscriptions of or otherwise assisting in the issue of any securities of the Company or any other company formed or promoted by the Company or in which the Company may be interested in or about the formation or promotion of the Company or any other company as aforesaid.

(35) To grant or procure pensions, allowances, gratuities and other payments and benefits of whatsoever nature to or for any person and to make payments towards insurances or other arrangements likely to benefit any person or advance the interests of the Company or of its Members, and to subscribe, guarantee or pay money for any purpose likely, directly or indirectly, to further the interests of the Company or of its Members or for any national, charitable, benevolent, educational, social, public, general or useful object.

(36) To pay all expenses preliminary or incidental to the formation and promotion of the Company or any other company and the conduct of the business of the Company or any other company.

(37) To procure the Company to be registered or recognised in any territory.

(38) To cease carrying on and wind up any business or activity of the Company, and to cancel any registration of and to wind up and procure the dissolution of the Company in any territory.

(39) To distribute any part of the undertaking, property and assets of the Company among its creditors and Members in specie or in kind but so that no distribution amounting to a reduction of capital may be made without the sanction (if any) for the time being required by law.

(40) To appoint agents, experts and attorneys to do any and all of the above matters and things on behalf of the Company or any thing or matter for which the Company act as agent or in any other way whatsoever interested or concerned in any part of the world.

(41) To do all and any of the above matters or things in any part of the world and either as principal, agent, contractor, trustee, or otherwise and by or through trustees, agents or otherwise and either alone or in conjunction with others, and generally upon such terms and in such manner and for such consideration and security (if any) as the Company shall think fit including the issue and allotment of securities of the Company in payment or part payment for any property acquired by the Company or any services rendered to the Company or as security for any obligation or amount (even if less than the nominal amount of such securities) or for any other purpose.

(42) To do all such acts or things as are incidental or conducive to the attainment of the above objects or any of them.

And it is hereby declared that the word "company" in this clause shall be deemed to include any partnership or other body of persons whether incorporated or not incorporated and whether domiciled in Hong Kong or elsewhere and the intention is that the objects specified in each paragraph of this Clause shall, except where otherwise expressed in such paragraph, be independent main objects and shall be in nowise limited or restricted by reference to or inference from the terms of any other paragraph or the name of the Company.

4. The liability of the members is limited.

5. The Capital of the Company is HK$10,000.00 divided into 10,000 shares of HK$1.00 each and the Company shall have power to divide the original or any increased capital into several classes, and to attach thereto any preferential, deferred, qualified, or other special rights, privileges, restrictions or conditions.

We, whose name, address and description are hereto subscribed, are desirous of being formed into a Company in pursuance of this Memorandum of Association, and we agree to take the number of shares in the capital of the Company set opposite to our name:

| Name, Address and Description of Subscriber | Number of Shares Taken by Subscriber |
|---|---|
| For and on behalf of<br>System Semiconductor Luxembourg S.àr.l.<br><br>(SD.) Roy Ruan<br><br>_____<br>Roy Ruan<br>10, rue de Vianden,<br>L-2680 Luxembourg,<br>Grand Duchy of Luxembourg<br>Corporation | ONE |
| Total Number of Shares Taken | ONE |

DATED JULY 27, 2004

WITNESS to the above signature:

(SD.) Kei Mizukami

Name of Witness: Kei Mizukami
Address: 2-6-15-203 Himonya
Meguro, Tokyo, Japan

Occupation: Banker

**Exhibit 3.15**

**THE COMPANIES ORDINANCE (Cap. 32)**

Company Limited by Shares

**ARTICLES OF ASSOCIATION**

OF

**MagnaChip Semiconductor Limited**

**PRELIMINARY**

1) The regulations in Table A in the First Schedule to the Ordinance shall not apply to the Company.

**INTERPRETATION**

1. (a) In these Articles, save where the context otherwise requires:

| | |
|---|---|
| "the Company" | means the above named Company; |
| "the Ordinance" | means the Companies Ordinance (Cap. 32 of the Laws of Hong Kong), and includes every other Ordinance incorporated therewith or substituted therefor; and in the case of any such substitution the references in these Articles to the provisions of the Ordinance shall be read as references to the provisions substituted therefor in the new Ordinance; |
| "the Board" and "the Directors" | means the Directors for the time being of the Company or the Director present at a duly convened meeting of Directors at which a quorum is present; |
| "Dividend" | includes bonuses, distributions in specie and in kind, capital distributions and capitalisation issues; |
| "month" | means calendar month; |
| "the Office" | means the registered office of the Company for the time being; |

| | |
|---|---|
| "paid up" | includes credited as paid up; |
| "the Register" | means the register of members of the Company kept pursuant to the Ordinance and includes any branch register kept pursuant to the Ordinance; |
| "the Secretary" | means the secretary for the time being of the Company; |
| "the Seal" | means the common seal of the Company or any official seal that the Company may have as permitted by the Ordinance; |
| "these Articles" | means the Articles of Association in their present form or as altered from time to time; |
| "in writing" and "written" | includes cable, telex, facsimile messages, electronic messages and any mode of reproducing words in a legible and non-transitory form. |

(b) In these Articles, if not inconsistent with the subject or context, words importing the singular number only shall include the plural number and vice versa, and words importing any gender shall include all genders and vice versa.

(c) Subject as aforesaid, any words defined in the Ordinance or any statutory modification thereof in force at the date at which these Articles become binding on the Company shall, if not inconsistent with the subject or context, bear the same meaning in these Articles.

(d) The headings are inserted for convenience only and shall not affect the construction of these Articles.

**PRIVATE COMPANY**

2. The Company is a private company, and accordingly:

(a) any invitation to the public to subscribe for any shares or debentures of the Company is prohibited;

(b) the number of the members of the Company (not including persons who are in the employment of the Company, and persons who, having been formerly in the employment of the Company, were, while in such employment, and have continued after the determination of such employment to be, members of the Company) shall be limited to 50 PROVIDED that where two or more persons hold one or more shares in the Company jointly they shall, for the purposes of this Article, be treated as a single member;

(c) the right to transfer the shares of the Company shall be restricted in manner hereinafter prescribed; and

(d) the Company shall not have power to issue share warrants to bearer.

**THE OFFICE**

3. The Office shall be at such place in Hong Kong as the Directors or Secretary shall from time to time appoint.

**SHARES**

4. (a) Subject to the provisions of Section 57B of the Ordinance, and save as provided by contract or these Articles to the contrary, all unissued shares shall be at the disposal of the Directors who may allot, grant options over, or otherwise deal with or dispose of the same to such persons, at such times, for such consideration and generally up such terms and conditions as they think proper, but so that no shares of any class shall be issued at a discount except in accordance with Section 50 of the Ordinance.

(b) The Company may give such financial assistance for purposes of acquiring shares in the Company as is not prohibited by the Ordinance.

(c) The Directors are authorised to make statements or take such other steps as may be required by the Ordinance in relation to the giving of financial assistance to acquire shares in the Company.

5. The Company may make arrangements on the issue of shares for a difference between the holders of such shares in the amount of calls to be paid and the time of payment of such calls.

6. If by the conditions of allotment of any shares the whole or part of the amount or issue price thereof shall be payable by installments, every such installment shall, when due, be paid to the Company by the person who for the time being is the registered holder of the shares, or his legal personal representative.

7. (a) Subject to sections 49 to 49S of the Ordinance, the Company may issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or the shareholder. The redemption of shares may be effected upon such terms and in such manner as the Company before or upon issue of the shares shall by ordinary resolution determine.

(b) Subject to sections 49 to 49S of the Ordinance, the Company may purchase its own shares (including redeemable shares) and without prejudice to the generality of the foregoing the Company may purchase its own shares (including any redeemable shares) in order to:

(i) settle or compromise a debt or claim;

(ii) eliminate a fractional share or fractional entitlement;

(iii) fulfil an agreement in which the Company has an option or is obliged to purchase shares under an employee share scheme which had previously been approved by the Company in general meeting;

(iv) comply with an order of court under section 8(4), 47G(6), or 168A(2) of the Ordinance.

(c) Subject to sections 491 to 490 of the Ordinance, the Company may make a payment in respect of the redemption or purchase under section 49A or (as the case may be) section 49B of its own shares otherwise than out of its distributable profits or the proceeds of a fresh issue of shares.

(d) For purposes of Article 8(c), the Directors are authorised to make statements or take such other steps as may be required by the Ordinance in relation to the redemption or purchase by the Company of its own shares out of capital.

8. Subject to the provisions of these Articles, the Company shall not, except as required by law, be bound by or required in any way to recognise any contingent, future, partial or equitable interest in any share or in any fractional part of a share, or any other right in respect of any share, or any other claim to or in respect of any such share on the part of any person (even when having notice thereof) except an absolute right to the entirety thereof in the registered holder.

9. The Company may in connection with the issue of any shares exercise all powers of paying interest out of capital and of paying commission and brokerage conferred or permitted by the Ordinance.

10. No person shall become a member until his name shall have been entered into the Register.

**JOINT HOLDERS OF SHARES**

11. Where two or more persons are registered as the holders of any share they shall be deemed to hold the same as joint tenants with benefit of survivorship, subject to the following provisions:

(a) the Company shall not be bound to register more than three persons as the holders of any shares except in the case of the legal personal representative of a deceased member,

(b) the joint holders of any shares shall be liable severally as well as jointly in respect of all payments which ought not be made in respect of such shares;

(c) on the death of any one of such joint holders the survivor or survivors shall be the only person or persons recognised by the Company as having any title to such shares, but the Directors may require such evidence of death as they may deem fit;

(d) any one of such joint holders may give effectual receipts for any dividend, return of capital or other payment in the share; and

(e) the Company shall be at liberty to treat the person whose name stands first in the Register as one of the joint holders of any shares as solely entitled to delivery of the certificate relating to such shares, or to receive notices from the Company, and to attend and vote at general meetings of the Company, and any notice given to such person shall be deemed notice to all the joint holder; but any one of such joint holders may be appointed the proxy of the persons entitled to vote on behalf of such joint holders, and as such proxy to attend and vote at general meetings of the Company, and if more than one of such joint holders be present at any meeting personally or by proxy that one so present whose name stands first in the Register in respect of such shares shall alone be entitled to vote in respect thereof.

**SHARE CERTIFICATES**

12. Every member shall, without payment, be entitled to receive within two months after allotment or lodgment of an instrument of transfer duly stamped, or within such other period as the conditions of issue may provide, a certificate for all his shares of any particular class, or several certificates, each for one or more of his shares, upon payment of such fee, not exceeding two dollars for every certificate after the first, as the Directors shall from time to time determine, provided that in the event of a member transferring part of the shares represented by a certificate in his name a new certificate in respect of the balance thereof shall be issued in his name without payment and, in the case of joint holders, the Company shall not be bound to issue more than one certificate for all the shares of any particular class registered in their joint names.

13. Every share certificate shall be issued under the Seal and shall specify the number and class of shares, and if required, the distinctive numbers thereof comprised therein, the amount paid up thereon and, if appropriate, whether such shares carry no voting rights. No certificate shall be issued in respect of more than one class of shares. If there shall be more than one class of shares then each certificate of every class shall state thereon that the share capital is divided into different classes and the nominal value of the voting rights attaching to each class.

14. If any share certificate shall be worn out, defaced, destroyed or lost, it may be renewed on such evidence being produced as the Directors shall require, and in case of wearing out or defacement, on delivery up of the old certificate, and in case of destruction or loss, on the execution of such indemnity (if any), as the Directors may from time to time require. In case of destruction or loss, the person to whom such renewed certificate is given shall also bear and pay to the Company all expenses incidental to the investigation by the Company of the evidence of such destruction or loss and of such indemnity.

**CALLS ON SHARES**

15. (a) The Directors may from time to time make calls upon the members in respect of all monies unpaid on their shares (whether on account of the nominal value of the

shares or by way of premium) but subject always to the terms of issue of such shares, and any such call may be made payable by instalments.

(b) Each member shall, subject to receiving at least fourteen days notice specifying the time or times and place for payment pay to the Company the amount called on his shares and at the time or times and place so specified. The non-receipt of a notice of any call by, or the accidental omission to give notice of a call to, any of the members shall not invalidate the call.

16. A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed. A call may be revoked, varied or postponed as the Directors may determine.

17. If any part of a sum called in respect of any shares or any instalment of a call be not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall be liable to pay interest on the outstanding part thereof at such rate as the Directors shall determine from the day appointed for the payment of such call or instalment to the time of discharge thereof in full; but the Directors may, if they shall think fit, waive the payment of such interest or any part thereof

18. If, by the terms of the issue of any shares or otherwise, any amount is made payable upon allotment or at any fixed time, whether on account of the nominal amount of the shares or by way of premium every such amount shall be payable as if it were a call duly made and payable on the date on which by the terms of the issue the same becomes payable; and all the provisions thereof with respect to the payment of calls and interest thereon, or to the forfeiture of shares for non-payment of calls, shall apply to every such amount and the shares in respect of which it is payable in the case of non-payment thereof.

19. The Directors may, if they shall think fit, receive from any member willing to advance the same all or any part of the monies uncalled and unpaid upon any shares held by him; and upon all or any of the monies so paid in advance the Directors may (until the same would, but for such payment in advance, become presently payable) pay interest at such rate as may be agreed upon between the member paying the monies in advance and the Directors. The Directors may also at any time repay the amount so advanced upon giving to such member one month's notice in writing.

20. On the trial or hearing of any action for the recovery of any money due for any call, it shall be sufficient to prove that the name of the member sued is entered in the Register as the holder, or one of the holders, of the shares in respect of which such debt accrued; that the resolution making the call is duly recorded in the Minute Book; and that notice of such call was duly given to the member sued in pursuance of these Articles; and it shall not be necessary to prove the appointment of the Directors who made such call, nor any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.

21. No member shall, unless the Directors otherwise determine, be entitled to receive any dividend, or, subject to the Ordinance, to receive notice of or to be present or vote at any

general meeting, either personally or (save as proxy for another member) by proxy, or to exercise any privileges as a member, or be reckoned in a quorum, until be shall have paid all calls or other sums for the time being due and payable on every share held by him, whether alone or jointly with any other person, together with interest and expenses (if any).

**FORFEITURE**

22. If any member fails to pay in full any call or instalment of a call on the day appointed for payment thereof, the Directors may at any time thereafter, during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring him to pay so much of the call or instalment as is unpaid together with interest accrued and any expenses incurred by reason of such non-payment.

23. The notice shall name a further day (not being less than fourteen days from the date of the notice) on or before which such call or instalment or part thereof and all interest accrued and expenses incurred by reason of such non-payment are to be paid, and it shall also name the place where payment is to be made, such place being either the Office, or some other place at which calls of the Company are usually made payable. The notice shall also state that, in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call or instalment is payable will be liable to be forfeited.

24. If the requirements of any such notice as aforesaid be not complied with, any shares in respect of which such notice has been given may, at any time thereafter before the payment required by the notice had been made, be forfeited by a resolution of the Directors to that effect, and any such forfeiture shall extend to all dividends declared in respect of the shares so forfeited but not actually paid before such forfeiture. The Directors may accept the surrender of any shares liable to be forfeited hereunder and in such case references in these Articles to forfeiture shall include surrender.

25. Any shares so forfeited shall be deemed for the purposes of this Article to be the property of the Company, and may be sold, re-allotted or otherwise disposed of either subject to or discharged from all calls made or instalments due prior to the forfeiture, to any person, upon such terms and in such manner and at such time or times as the Directors think fit. For the purpose of giving effect to any such sale or other disposition the Directors may authorise some person to transfer the shares so sold or otherwise disposed of to the purchaser thereof or any other person becoming entitled thereto.

26. The Directors may, at any time before any shares so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as they think fit.

27. Any person whose shares have been forfeited shall thereupon cease to be the holder of any such shares but shall notwithstanding be and remain liable to pay to the Company all calls, instalments, interest and expenses owing upon or in respect of such shares at the time of the forfeiture together with interest thereon from the time of forfeiture until

payment at such rate as the Directors shall think fit and without any deduction or allowance for the value of the shares at the time of forfeiture, and the Directors may enforce the payment of such monies or any part thereof and may waive payment of such interest wholly or in pan.

28. When any shares have been forfeited an entry shall be made in the Register recording the forfeiture and the date thereof, and so soon as the shares so forfeited have been sold or otherwise disposed of an entry shall also be made of the manner and date of the sale or disposal thereof.

**LIEN**

29. The Company shall have a first and paramount lien on every share for all monies outstanding in respect of such share, whether presently payable or not, and the Company shall also have a first and paramount lien on every share standing registered in the name of a member, whether singly or jointly with any other person or persons, for all the debts and liabilities of such member or his estate to the Company, whether the same shall have been incurred before or after notice to the Company of any interest of any person other than such member, and whether the same shall have fallen due for payment or not, and notwithstanding that the same arc joint debts or liabilities of such member or his estate and any other person, whether a member or not. The Directors may at any time either generally or in any particular case waive any lien that has arisen, or declare any share to be wholly or in part exempt from the provisions of this Article.

30. The Company may sell in such manner as the Directors think fit any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable, nor until the expiration of fourteen days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell in default shall have been given to the holder for the time being of the share or the person entitled thereto by reason of his death, bankruptcy or winding up or otherwise by operation of law or court order.

31. The net proceeds of such sale after payment of the costs of such sale shall be applied in or towards payment or satisfaction of the debts or liabilities in respect whereof the lien existed so far as the same are presently payable and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the shares prior to the sale) be paid to the person entitled to the shares at the time of the sale. For giving effect to any such sale the Directors may authorize some person to transfer the shares so sold to the purchaser thereof.

32. A statutory declaration in writing that the declarant is a Director or the Secretary of the Company and that a share bas been duly forfeited or surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt of the Company for the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together with the shares certificate delivered to a purchaser or allottee thereof shall (subject to the execution of a transfer if

the same be required) constitute a good title to the share and the person to whom the share is sold, re-allotted or disposed of shall be registered as the holder of the share and shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, surrender, sale, reallotment or disposal of the share.

**TRANSFER OF SHARES**

33. The instrument of transfer of any shares in the Company shall be in writing and shall be executed by or on behalf of the transfer and by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register in respect thereof.

34. Every instrument of transfer shall be lodged at the Office for registration accompanied by the certificate relating to the shares to be transferred and such other evidence as the Directors may require in relation thereto. All instruments of transfer which shall be registered shall be retained by the Company but, save where fraud is suspected, any instrument of transfer which the Directors may decline to register shall, on demand, be returned to the person depositing the same.

35. There shall be paid to the Company in respect of the registration of a transfer and of any Grant of Probate or Letters of Administration, Certificate of Marriage or Death, Power of Attorney or other document relating to or affecting the title to any share or the making of any entry in the Register affecting the title to any share such fee (if any) as the Directors may from time to time require or prescribe.

36. The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine and either generally or in respect of any class of shares provided always that such registration shall not be suspended for more than 30 days in any year.

37. (a) The Directors may at any time in their absolute discretion and without assigning any reason therefor, decline to register any transfer of any share whether or not it is a fully paid share.

    (b) The Directors may also decline to register any transfer unless:

        (i) The instrument of transfer is in respect of only one class of shares;

        (ii) in the case of a transfer to joint holders, the number of joint holders to whom the shares are to be transferred does not exceed three; and

        (iii) the shares concerned are free of any lien in favour of the Company.

    (c) If the Directors refuse to register a transfer they shall, within two months after the date on which the transfer was lodged with the Company, send to the transferor and transferee notice of the refusal.

**TRANSMISSION OF SHARES**

38. In case of the death of a member, the survivor or survivors where the deceased was a joint holder, and the legal personal representatives of the deceased where be was a sole holder, shall be the only persons recognised by the Company as having any title to his interest in the shares; but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by him with other persons.

39. (a) Any person becoming entitled to a share in consequence of the death or bankruptcy of a member may, upon such evidence being produced as may from time to time properly be required by the Directors and, subject as hereinafter provided, elect either to be registered himself as holder of the share or to have some person nominated by him registered as the transferee thereof, but the directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by that member before his death or bankruptcy, as the case may be.

(b) If the person so becoming entitled shall elect to be registered himself, be shall deliver or send to the Company a notice in writing signed by him stating that be so elects. If be shall elect to have another person registered be shall execute a transfer of the share in favour of that person. All the limitations, restrictions and provisions of these regulations relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the member had not occurred and the notice or transfer were a transfer signed by the member.

40. A person becoming entitled to a share by reason of the death or bankruptcy of the holder shall be entitled to the same dividends and other advantages to which be would be entitled if be were the registered holder of the share, except that be shall not, before being registered as a member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company:

PROVIDED always that the Directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within 90 days the Directors may thereafter withhold payment of all dividends or other monies payable in respect of the share until the requirements of the notice have been complied with.

41. Any person to whom the right to any shares in the Company has been transmitted by operation of law shall, if the Directors refuse to register the transfer, be entitled to call on the Directors to furnish within 28 days a statement of the reasons for the refusal.

**STOCK**

42. The Company may from time to time by ordinary resolution convert any fully paid up shares into stock and may reconvert any stock into fully paid up shares of any denomination. After the passing of any resolution converting all the fully paid up shares

of any class in the capital of the Company into stock, any shares of that class which subsequently become fully paid up and rank pari passu in all other respects with such shares shall, by virtue of this Article and such resolution be convened into stock transferable in the same units as the shares already converted.

43. The holders of stock may transfer the same or any part thereof in the same manner and subject to the same regulations as the shares from which the stock arose might prior to conversion have been transferred 01 as near thereto as circumstances admit. The Directors may from time to time fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of such minimum, but the minimum shall not, without the sanction of an ordinary resolution of the Company, exceed the nominal amount of each of the shares from which the stock arose.

44. The holders of stock shall, according to the amount of the stock held by them have the same rights as regards dividends, voting at general meetings of the Company and other matters as if they held the shares from which the stock arose, but no such right (except as to participation in dividends and profits of the Company and in assets on a reduction of capital or a winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred such right.

45. Such of these Articles as are applicable to fully paid up shares shall apply *mutatis mutandis* to stock, and the words "share" and "shareholder" therein shall include "stock" and "stockholder".

**INCREASE OF CAPITAL**

46. The Company may, from time to time, by ordinary resolution increase its authorised capital by such sum divided into shares of such amounts as the resolution shall prescribe.

47. Without prejudice to any special rights, privileges or restrictions for the time being attaching to any class of shares then existing in the capital of the Company, any new shares created pursuant to Article 47 may be issued upon such terms and conditions, and with such rights, privileges and restrictions attached thereto as the general meeting resolving upon the creation thereof shall direct or, if no such direction be given, as the Directors shall determine, and in particular such shares may be issued with a preferential, qualified or deferred right to dividends and in the distribution of assets of the Company, and with a special, or without any, right of voting.

48. The general meeting resolving upon the creation of any new shares may direct that the same or any of them shall be offered in the first instance, and either at par or at a premium or (subject to the provisions of the Ordnance) at a discount, to all the holders for the time being of any class of shares in the capital of the Company in proportion to the number of shares of such class held by them respectively, or make any other provisions as to the issue and allotment of the new shares.

49. Subject to any direction or determination that may be given or made in accordance with the powers contained in these Articles all new shares created pursuant to Article 47 shall be subject to the same provisions herein contained with reference to the payment of calls,

transfer, transmission, forfeiture, lien and otherwise as the shares in the capital of the Company existing at the date of creation of such new shares.

**ALTERATIONS OF SHARE CAPITAL**

50. The Company may by ordinary resolution:

(a) subdivide its existing shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association of the Company, provided that in the subdivision of an existing share the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived, and so that the resolution whereby any share is subdivided may determine that as between the holders of the shares resulting from such subdivision one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights or be subject to any such restrictions as the Company has power to attach to unissued or new shares;

(b) consolidate and divide its capital or any part thereof into shares of larger amount than its existing shares; or

(c) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its authorized capital by the amount of the shares so cancelled.

51. The Company may by special resolution reduce its share capital and any capital redemption reserve fund or any share premium account in any manner allowed by law.

52. Where any difficulty arises in regard to any consolidation and division under paragraph (b) of Article 51, the Directors may settle the same as they think expedient and in particular may arrange for the sale of the shares representing fractions and the distribution of the net proceeds of sale in due proportion amongst the members who would have been entitled to the fractions, and for this purpose the Directors may authorise some person to transfer the shares representing fractions to the purchaser thereof, who shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

**MODIFICATION OF RIGHTS**

53. (a) All or any of the rights attached to any class of shares in the Capital of the Company for the time being may, at any time, as well before as during liquidation, be altered or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of the class, and all the provisions contained in these Articles relating to general meetings shall *mutatis mutandis* apply to every such meeting, but so that the quorum thereof shall be not less than two persons personally present and

holding or representing by proxy one-third in nominal value of the issued shares of the class, and that any holder of shares of the class present in person or by proxy may demand a poll, and that each holder of shares of the class present in person or by proxy shall on a poll be entitled to one vote for each share of the class held by him, and if at any adjourned meeting of such holders such quorum as aforesaid is not present, any two holders of shares of the class who are personally present in person or by proxy shall be a quorum. If the Company has only one member, one member present in person or by proxy shall be a quorum for all purposes.

(b) The foregoing provisions of this Article shall apply to the variation or abrogation of the rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class, the rights whereof are to be varied.

54. The special rights conferred upon the holders of any shares or such class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be altered by the creation or issue of further shares ranking pari passu therewith.

**GENERAL MEETINGS**

55. (a) The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year, and shall specify the meeting as such in the notices calling it, and not more than fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next, PROVIDED that so long as the Company holds its first annual general meeting within eighteen months of its incorporation, it need not hold it in the year of its incorporation or in the following year. The annual general meeting shall be held at such time and place as the Directors shall appoint.

(b) All other general meetings shall be called extraordinary general meetings.

56. The Directors may, whenever they think fit, and shall, on requisition by Members in accordance with the Ordinance, proceed to convene an extraordinary general meeting. The provisions of the Ordinance shall apply to any requisition and to any failure by the Directors to convene an extraordinary general meeting when so requisitioned.

**NOTICE OF GENERAL MEETINGS**

57. An annual general meeting and a meeting called for the passing of a special resolution shall be called by 21 days notice in writing at the least, and a meeting of the Company other than an annual general meeting or a meeting for the passing of a special resolution shall be called by fourteen days notice in Writing at the least. The notice shall specify the place, the day and the hour of meeting and, in case of special business, the general nature of that business, and shall be given in manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the Company in general meeting, to such persons

as are, under the Articles of the Company, entitled to receive such notices from the Company:

PROVIDED that a meeting of the Company shall, notwithstanding that it is called by shorter notice than that specified in this Article, be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as the annual general meeting, by all the members entitled to attend and vote thereat; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent in nominal value of the shares giving that right.

58. The accidental omission to give notice of a meeting or (in cases where an instrument of proxy is sent out with the notice) the accidental omission to send such instrument of proxy to, or the non-receipt of notice of a meeting or such instrument of proxy by, any person entitled to receive such notice shall not invalidate the proceedings at that meeting.

**PROCEEDINGS AT GENERAL MEETINGS**

59. All business shall be deemed special that is transacted at an extraordinary general meeting and also all business that is transacted at an annual general meeting with the exception of:

(a) the declaration and sanction of dividends;

(b) the consideration of the accounts and balance sheets and the reports of the Directors and other documents required to be annexed to the accounts;

(c) the election of Directors in place of those retiring (if any);

(d) the appointment of the Auditors of the Company and the fixing of, or the determination of the method of fixing, the remuneration of the Auditors.

60. (a) No business, save the election of a Chairman of the meeting, shall be transacted at any general meeting, unless a quorum is present when the meeting proceeds to business. Two members present in person or by proxy and holding between them at least 51 per centum in nominal value of the issued shares of the Company for the time being shall be a quorum for all purposes. If the Company has only one member, one member present in person or by proxy shall be a quorum for all purposes.

(b) A meeting of the members or any class thereof may be held by means of such telephone, electronic or other communication facilities (including, without limiting the generality of the foregoing, by telephone or video conferencing) which permit all persons participating in the meeting to communicate with each

other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

61. The Chairman (if any) of the Board or, in his absence, a Deputy Chairman (if any) shall preside as Chairman at every general meeting. If there is no such Chairman or Deputy Chairman, or if at any meeting neither the Chairman nor a Deputy Chairman is present within fifteen minutes after the time appointed for holding the meeting, or if neither of them is willing to act as Chairman, the Directors present shall choose one of their number to act, or if one Director only is present be shall preside as Chairman if willing to act. If no Director is present, or if each of the Directors present declines to act as Chairman, the persons present and entitled to vote shall elect one of their number to be Chairman of the meeting.

62. If within fifteen minutes from the time appointed for the meeting a quorum be not present, the meeting, if convened upon a requisition as specified in Article 57, shall be dissolved; but in any other case it shall stand adjourned to the same day in the next week at the same time and place, or to such other day, time and place as the Chairman of the meeting may determine. If at such adjourned meeting a quorum be not present within fifteen minutes from the time appointed for the meeting, the members present in person or by proxy shall be a quorum.

63. The Chairman of any general meeting at which a quorum is present may, with the consent of the meeting, and shall, if so directed by the meeting, adjourn the meeting from time to time and from place to place or *sine die*; but no business shall be transacted at any adjourned meeting other than business which might have been transacted at the meeting from which the adjournment took place, unless due notice thereof is given or such notice is waived in the manner prescribed by these Articles. When a meeting is adjourned for 30 days or more, or *sine die*, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjourned meeting or the business to be transacted thereat. Where a meeting is adjourned *sine die* the time and place for the adjourned meeting shall be fixed by the Directors.

64. (a) Subject to the provisions of the Ordinance, a resolution in writing signed by all the members for the time being entitled to receive notice of and to attend and vote at general meetings (or, being corporations, by their duly authorised representatives) shall be as valid and effective as if the same had been passed at a general meeting of the Company duly convened and held. A written notice of confirmation of such resolution in writing sent by or on behalf of a member shall be deemed to be his signature to such resolution in writing for the purposes of this Article. Such resolution in writing may consist of several documents, and each such document shall be certified by the Secretary to contain the correct version of the proposed resolution.

(b) Where the Company has only one member and that member takes any decision that may be taken by the Company in general meeting and that has effect as if agreed by the Company in general meeting, unless that decision is taken by way

of a written resolution agreed in accordance with section 116(B) of the Ordinance, a written record of that decision shall be sufficient evidence of the decision having been taken by the member. The member shall provide the Company with such written record of the decision within 7 days after the decision is made provided that failure by the member to provide the written record within such time limit shall not affect the validity of any decision concerned.

**VOTING**

65. (a) At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless, before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll, a poll is demanded by:

    (i) the Chairman of the meeting; or

    (ii) at least two members present in person or by proxy and entitled to vote; or

    (iii) any member or members present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or

    (iv) any member or members present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

    (b) Unless a poll is so demanded and the demand is not withdrawn, a declaration by the Chairman that a resolution has, on a show of hands, been carried unanimously or by a particular majority or not carried by a particular majority or lost shall be final and conclusive evidence of the fact without proof of the number of the votes recorded for or against such resolution.

66. A demand for a poll may be withdrawn only with the approval of the meeting. If a poll be directed or demanded in the manner above mentioned it shall (subject to the provisions of Article 69 hereof) be taken at such time (being not later than seven days after the date of the demand) and in such manner as the Chairman of the meeting may appoint. No notice need be given of a poll not taken immediately. The result of such poll shall be deemed for all purposes to be the resolution of the meeting at which the poll was so directed or demanded.

67. In the case of an equality of votes at any general meeting, whether upon a show of hands or on a poll, the Chairman of the meeting shall be entitled to a second or casting vote.

68. A poll demanded upon the election of a Chairman or upon a question of adjournment shall be taken forthwith. Any business, other than that upon which a poll has been demanded, may be proceeded with pending the taking of the poll.

69. (a) No objection shall be made to the validity of any vote except at a meeting or poll at which such vote shall be tendered and every vote whether given personally or by proxy not disallowed at such meeting or poll shall be deemed valid for all purposes whatsoever of such meeting or poll.

(b) In case of any dispute as to voting the Chairman shall determine the same, and such determination shall be final and conclusive.

70. Subject to any special rights or restrictions for the time being attaching to any special class of shares in the capital of the Company, on a show of hands every member who is present in person or by proxy or by attorney shall be entitled to one vote only, and, in the case of a poll, every member present in person or by proxy or by attorney shall be entitled to one vote for each share held by him.

71. On a poll, votes may be given either personally or by proxy and a member entitled to more than one vote need not use all his votes or cast all the votes be uses in the same way.

72. A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee, curator bonis or other person in the nature of a committee or curator bonis appointed by that court, and any such committee, curator bonis or other person may, on a poll, vote by proxy. If any member be a minor, be may vote by his guardian or one of his guardians who may give their votes personally or by proxy.

**PROXIES**

73. (a) A proxy need not be a member of the Company.

(b) An instrument appointing a proxy shall be in writing in any usual or common form or in any other form which the Directors may accept, and shall be deemed, save where the contrary appears on the face of the instrument of proxy, to confer authority to demand or concur in demanding a poll and to include power to act generally at the meeting for the person giving the proxy and any adjournment thereof, and either to vote on any resolution (or amendment thereto) put to the meeting for which it is given as the proxy thinks fit. No instrument appointing a proxy shall be valid except for the meeting mentioned therein and any adjournment thereof.

74. The instrument appointing a proxy shall be signed by the appointor, or his duly authorised attorney in writing or, if such appointor be a corporation, under its common seal or signed by such officer, attorney or other person duly authorised in that behalf.

75. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be deposited at the Office at least 48 hours before the time fixed for holding the meeting at which the person named in such instrument proposes to vote or, in the case of a poll, not less than 24 hours before the time appointed for taking the poll; otherwise the person so

named shall not be entitled to vote in respect thereof except with the approval of the Chairman of the meeting.

76. Any member may by power of attorney appoint any person to be his attorney for the purpose of voting at any meeting, and such power may be a special power limited to any particular meeting or a general power extending to all meetings at which such member is entitled to vote. Every such power shall be deposited at the Office at least 48 hours before being acted upon.

77. (a) An instrument of proxy may be revoked by forwarding to the Office written notification of such revocation signed by or on behalf of the person who issued or authorised the issue of the instrument of Proxy.

(b) A vote given in accordance with the terms of an instrument of proxy or power of attorney shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the proxy or power of attorney, or transfer of the shares in respect of which the vote is given, provided that no intimation in writing of the death, insanity, revocation or transfer shall have been received at the Office 24 hours at least before the time fixed for holding the meeting, or adjourned meeting, or the taking of the poll, at which the instrument of proxy is to be used.

**CORPORATIONS ACTING BY REPRESENTATIVES**

78. Any corporation which is a member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which be represents as that corporation could exercise if it were an individual member of the Company.

**DIRECTORS**

79. The first Directors shall be appointed in writing by the subscribers to the Memorandum of Association of the Company or by the Company in general meeting.

80. (a) Unless and until otherwise determined by an ordinary resolution of the Company, the Directors shall not be less than one in number, and there shall be no maximum number of Directors.

(b) Where the Company has only one member and that member is the sole Director of the Company, the Company may in general meeting, notwithstanding anything in these Articles, nominate a person (other than a body corporate) who has attained the age of 18 years as a reserve director of the Company to act in the place of the sole Director in the event of his death.

(c) The nomination of a person as a reserve director of the Company ceases to be valid if before the death of the Director in respect of whom be was nominated be resigns as reserve director in accordance with section 157D of the Ordinance or

the Company in general meeting revokes the nomination or the Director in respect of whom be was nominated ceases to be the sole member and sole Director of the Company for any reason other than the death of that Director.

81. A Director need not hold any shares in the Company. A Director who is not a member of the Company shall nevertheless be entitled to attend and speak at general meetings.

**DIRECTORS' REMUNERATION**

82. The remuneration of the Directors shall from time to time be determined by the Company in general meeting. Such remuneration shall be deemed to accrue from day to day. The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or in connection with the business of the Company.

**POWERS OF DIRECTORS**

83. Subject to the provisions of the Ordinance, the memorandum and articles and to any directions given by special resolution, the business and affairs of the Company shall be managed by the directors, who may exercise all the powers of the Company. No alteration of the memorandum or articles and no such direction shall invalidate any prior act of the directors which would have been valid if that alteration had not been made or that direction had not been given. The powers given by this regulation shall not be limited by any special power given to the directors by the articles, and a meeting of the directors at which a quorum is present may exercise all powers exercisable by the directors.

84. The Directors may establish any local boards or agencies for managing any of the affairs of the Company, either in Hong Kong or elsewhere, and may appoint any persons to be members of such local boards, or any managers or agents for the Company, and may fix their remuneration, and may delegate to any local board, manager or agent any of the powers, authorities and discretions vested in the Directors, with power to sub-delegate, and may authorize the members of any local boards, or any of them, to fill any vacancies therein, and to act notwithstanding vacancies, and any such appointment and delegation may be made upon such terms and subject to such conditions as the Directors may think fit, and the Directors may remove any person so appointed, and may annul or vary any such delegation, but no person dealing in good faith and without notice of any such annulment or variation shall be affected thereby.

85. The Directors may from time to time and at any time by power of attorney or otherwise appoint any company, firm or person or any fluctuating body of persons, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit, and may also

authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions vested in him.

86. Subject to and to the extent permitted by the Ordinance, the Company, or the Directors on behalf of the Company, may cause to be kept in any territory a Branch Register of members resident in such territory, and the Directors may make and vary such regulations as they may think fit respecting the keeping of any such Branch Register.

87. All cheques, promissory notes, drafts, bills of exchange, and other negotiable or transferable instruments, and all receipts for monies paid to the Company, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, in such manner as the Directors shall from time to time by resolution determine.

88. The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and to issue debentures including, subject to Section 57B of the Ordinance, convertible debentures and convertible debenture stock, and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

**APPOINTMENT AND REMOVAL OF DIRECTORS**

89. The Company may by ordinary resolution remove any Director notwithstanding anything in these Articles or in any agreement between him and the Company (but without prejudice to any right to damages for termination of such agreement not in accordance with the terms thereof), and may, if thought fit, by ordinary resolution, appoint another person in his stead.

90. The Company may, without prejudice to the powers of the Directors under Article 92, from time to time, by ordinary resolution appoint new Directors either to fill a casual vacancy or as an addition to the existing Directors, and change any minimum or maximum number of Directors specified in Article 81, or prescribe such minimum or maximum if there be none so specified.

91. The Directors shall have power, exercisable at any time and from time to time, to appoint any other person as a Director, either to fill a casual vacancy or as an addition to the Board.

92. The continuing Directors may act notwithstanding any vacancy in their body, but if and so long as the number of Directors is reduced below the number fixed by or pursuant to these Articles as the necessary quorum of Directors, the continuing Directors may act for the purpose of increasing the number of Directors to that number, or of summoning a general meeting of the Company, but for no other purpose. If there shall be no Directors able or willing to act, then any member may summon a general meeting for the purpose of appointing Directors.

**ALTERNATE DIRECTORS**

93. Each Director may by written notification to the Company nominate any other person to act as alternate Director in his place and, at his discretion, in similar manner remove such alternate Director. A Director may appoint two or more persons in the alternative to act as Alternate Director and in the event of any dispute as to who is to represent the Director as his Alternate the first named of such alternative persons shall be the only person recognised as the Alternate Director and shall in any case, if in Hong Kong, be the only person entitled to receive notice of Directors' meetings in the absence from Hong Kong of his appointor. The alternate Director shall (except as regards the power to appoint an alternate) be subject in all respects to the terms and conditions existing with reference to the other Directors of the Company; and each alternate Director, whilst acting as such, shall exercise and discharge all the functions, powers and duties of the Director be represents, but shall look to such Director solely for his remuneration as alternate Director. Every person acting as an alternate Director shall have one vote for each Director for whom be acts as alternate (in addition to his own vote if be is also a Director). The signature of an alternate Director to any resolution in writing of the Board or a committee of the Board shall, unless the notice of his appointment provides to the contrary, be as effective as the signature of his appointor. Any person appointed as an alternate Director shall vacate his office as such alternate Director as and when the Director by whom be has been appointed removes him or vacates office as Director. A Director shall not be liable for the acts or defaults of any alternate Director appointed by him.

**DISQUALIFICATION OF DIRECTORS**

94. The office of a Director shall *ipso facto* be vacated:

(a) if be becomes prohibited by law or court order from being a Director;

(b) if a receiving order or, in the case of a company, a winding up order is made against him or be makes any arrangement or composition with his creditors;

(c) if be becomes of unsound mind;

(d) if be gives the Company notice in writing that be resigns his office;

(e) if be is removed by an ordinary resolution of the Company in accordance with the provisions of these Articles;

(f) if be is convicted of an arrestable offence.

**DIRECTORS' INTERESTS**

95. A Director may hold any other office or place of profit under the Company (other than the office of Auditor), and be or any firm of which be is a member may act in a professional capacity for the Company in conjunction with his office of Director, for such period and on such terms (as to remuneration and otherwise) as the Directors may

determine. No Director or intending Director shall be disqualified by his office from contracting with the Company, nor shall any contract or arrangement entered into by or on behalf of the Company in which any Director or intending Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit, remuneration or other benefits of such Director holding that office, or of any fiduciary relationship thereby established.

96. A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract (being a contract of significance in relation to the Company's business) with the Company shall declare the nature of his interest in accordance with the provisions of the Ordinance. A general notice given to the Directors by a Director to the effect that be is a member of a specified company or firm, and is to be regarded as interested in any contract, arrangement or dealing which may, after the date of the notice, be entered into or made with that company or firm shall, for the purposes of this Article, be deemed to be a sufficient disclosure of interest in relation to any contract, arrangement or dealing so entered into or made.

97. A Director may vote as a Director in regard to any contract or arrangement in which be is interested or upon any matter arising thereout, and if be shall so vote his vote shall be counted and be shall be taken into account in determining a quorum when any such contract or arrangement is under consideration.

98. A Director may hold office as a Director in or as manager of any other company in which the Company is a shareholder or is otherwise interested, and (subject to any agreement with the Company to the contrary) shall not be liable to account to the Company for any remuneration or other benefits receivable by him from such other company. The Board may exercise the voting power conferred by the shares in any company held or owned by the Company in such manner and in all respects as the Board thinks fit (including the exercise thereof in favour of any resolution appointing the Directors or any of the Directors of such company or voting or providing for the payment of remuneration to the Directors of such company) and any Director of the Company may vote in favour of the exercise of such voting rights other than his own appointment or the arrangement of the terms thereof, in manner aforesaid.

**MANAGING DIRECTORS AND OTHER APPOINTMENTS**

99. The Directors may, from time to time, appoint one or more of their number to be Managing Director or Joint Managing Director of the Company, or to hold such office in the management administration or conduct of the business of the Company as they may decide, and for such period and upon such terms and for such remuneration as the Directors shall think fit and the Directors may also, from time to time (subject to the provisions of any agreement between him or them and the Company) remove him or them from office, and appoint another or others in his or their place or places.

100. A Managing Director or a Joint Managing Director (subject to the provisions of any agreement between him as Managing Director or a Joint Managing Director and the

Company) shall be subject to the same provisions as to resignation and removal as the other Directors of the Company, and shall *ipso facto* and immediately cease to be Managing Director or Joint Managing Director if be shall cease to hold the office of Director.

101. The Directors may, from time to time, entrust to and confer upon any Managing Director, Joint Managing Director or Director holding any other office in the management, administration or conduct of the business of the Company, such of the powers exercisable under these Articles by the Directors as they may think fit, and may confer such powers for such time, and to be exercised for such objects and purposes, and upon such terms and conditions and with such restrictions as they may consider expedient, and may confer such powers collaterally with, or to the exclusion of, and in substitution for, all or any of the powers of the Directors in that behalf, and may from time to time revoke, withdraw, alter or vary all or any of such powers.

**PROCEEDINGS OF DIRECTORS**

102. The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit, and determine the quorum necessary for the transaction of business. Until otherwise determined by the Board, two Directors shall constitute a quorum or one Director shall constitute a quorum where the Company bas only one Director. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes the Chairman of the meeting shall have a second or casting vote. A Director or the Secretary may, at any time, summon a meeting of the Directors.

103. Notice of a meeting of Directors shall be deemed to be duly given to a Director if it is given to him personally in writing or by word of mouth or sent to him at his last known address or any other address given by him to the Company for this purpose. A Director may consent to short notice of and may waive notice of any meeting and any such waiver may be retrospective.

104. The Directors may elect a Chairman of the Board and determine the period for which be is to hold office; but if no such Chairman be elected, or if at any meeting the Chairman be not present within fifteen minutes after the time appointed for holding the same, the Directors present shall choose one of their number to be Chairman of such meeting.

105. (a) A resolution in Writing signed by a simple majority of the Directors for the time being shall be as effective for all purposes as a resolution of the Directors passed at a meeting duly convened, held and constituted. A written notification of confirmation of such resolution in writing sent by a Director shall be deemed to be his signature to such resolution in writing for the purposes of this Article. Such resolution in writing may consist of several documents, each signed by one or more Directors.

(b) Any Director or member of a committee of Directors may participate in a meeting of the Directors or such committee by means of telephone or other audio

communications equipment whereby all persons attending or participating in the meeting can hear each other. The person or persons participating in the meeting in the aforesaid manner shall be deemed for all purposes to be present in person at such meeting.

(c) Where the Company has only one Director and that Director takes any decision that may be taken in a meeting of the Directors and that has effect as if agreed in a meeting of the Directors, unless that decision is taken by way of a resolution in writing, a written record of that decision shall be sufficient evidence of the decision having been taken by the Director. The Director shall provide the Company with such Written record of the decision within 7 days after the decision is made provided that failure by the Director to provide the written record within such time limit shall not affect the validity of any decision concerned.

106. A meeting of the Directors at which a quorum is present shall be competent to exercise all the powers, authorities and discretions for the time being vested in or exercisable by the Directors generally.

107. The Directors may, from time to time, appoint committees consisting of such persons as they think fit, and may delegate any of their powers to any such committee and, from time to time, revoke any such delegation and discharge any such committee wholly or in part. Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may, from time to time, be imposed upon it by the Directors. Any such committee shall be properly constituted even if it consists of one person.

108. The meetings and proceedings of any such committee consisting of two or more members shall be governed *mutatis mutandis* by the provisions of these Articles regulating the meetings and proceedings of the Directors insofar as the same are not superseded by any regulations made by the Directors under the last preceding Article.

109. All acts done bona fide by any meeting of the Directors or of a committee of Directors, or by any persons acting as Directors, shall, notwithstanding that there was some defect in the appointment of any such Directors or persons acting as aforesaid, or that they or any of them were disqualified, or had vacated office, be as valid as if every such person had been duly appointed and was qualified and continued to be a Director.

**MINUTES**

110. The Directors shall cause to be entered and kept in books provided for the purpose minutes of the following:

(a) all appointments of officers;

(b) the names of the Directors and any alternate Director who is not also a Director present at each meeting of the Directors and of any committee of Directors;

(c) all orders made by the Directors and committees of Directors; and

(d) all resolutions and proceedings of general meetings and meetings of the Directors and committees and, where the Company bas only one member and / or one Director, all written records of the decision of the sole member and / or the sole Director.

Any such minutes of any meeting of the Directors, or any committee, or of the Company, if purporting to be signed by the Chairman of such meeting, or by the Chairman of the next succeeding meeting shall be receivable as *prima facie* evidence of the matters stated in such minutes

**THE SEAL**

111. The Directors shall forthwith procure a common seal to be made for the Company, and shall provide for the safe custody thereof. The Seal shall not be affixed to any instrument except by the authority of a resolution of the Directors or a committee of the Directors and every instrument to which the Seal shall be affixed shall be signed by one Director or some other person nominated by the Directors for the purpose.

112. The Company may exercise all the powers of having official seals conferred by the Ordinance and such powers shall be vested in the Directors.

**SECRETARY**

113. The Company shall have a Secretary. The Secretary and any joint secretaries or deputy or assistant secretary or secretaries may be appointed by the Directors for such term, at such remuneration and upon such conditions as the Directors may think fit and the Secretary and any joint secretaries or deputy or assistant secretary so appointed may at any time be removed from office by the Directors. A Director may be the Secretary. If the Company has only one director, the sole director shall not also be the Secretary.

114. A provision of the Ordinance or these regulations requiring or authorising a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done by or to the same person acting both as Director and as, or in place of, the Secretary.

**DIVIDENDS AND RESERVES**

115. (a) The Company may by ordinary resolution declare dividends but no such dividend shall exceed the amount recommended by the Directors.

(b) No distribution (as defined in section 79A of the Ordinance) shall be made save in accordance with the provisions of Part IIA of the Ordinance.

116. The Directors may, if they think fit, from time to time, pay to the members such interim dividends as appear to the Directors to be justified by the profits of the Company. If at any time the share capital of the Company is divided into different classes the Directors may pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferred rights as well as in respect of those shares which confer on the holders thereof preferential or special rights in regard

to dividend, and provided that the Directors act bona fide they shall not incur any responsibility to the holders of shares conferring a preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferred rights. The Directors may also pay at half-yearly or at other suitable intervals to be settled by them any dividend which may be payable at a fixed rate if they are of the opinion that the profits justify the payment.

117. The Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which shall, at the discretion of the Directors, be applicable for any purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Directors may from time to time think fit. The Directors may also without placing the same to reserve carry forward any profits which they may think prudent not to divide.

118. No dividend shall be payable except out of the profits of the Company, and no dividend shall bear interest as against the Company.

119. The Directors may retain any dividend or other monies payable on or in respect of a share on which the Company has a lien, and may apply the same in or towards satisfaction of the debts and liabilities in respect of which the lien exists.

120. Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in general meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares at the close of business on a particular date, notwithstanding that it may be a date prior to that on which the resolution is passed, and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights *inter se* in respect of such dividend of transferor and transferees of any such shares. The provisions of this Article shall *mutatis mutandis* apply to capitalisations to be effected in pursuance of these Articles.

121. Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid. For the purposes of this Article no amount paid on a share in advance of calls shall be treated as paid on the share.

122. Unless otherwise directed, any dividend or other monies payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address of the member or person entitled, or, in the case of joint holders, to the registered address of that one whose name stands first on the register in respect of joint holding, or addressed to such person at such address as the holder or joint holders shall direct. The Company shall not be liable or responsible for any cheque or warrant lost in transmission nor for any dividend or other monies lost to the member or person entitled thereto by the

forged endorsement of any cheque or warrant. Payment of the cheque or warrant by the banker on whom it is drawn shall be a good discharge to the Company.

123. The Directors may, with the sanction of the Company in general meeting, distribute in specie or in kind among the members in satisfaction in whole or in part of any dividend any of the assets of the Company, and in particular any shares or securities of other companies to which the Company is entitled.

124. All dividends unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed, and all dividends unclaimed for two years after having been declared may be forfeited by the Directors and shall revert to the Company. The payment into a separate account of any monies payable in respect of a share shall not constitute the Company a trustee in respect thereof for any person.

**CAPITALISATION OF RESERVES ETC.**

125. The Company in general meeting may upon the recommendation of the Directors resolve to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, and accordingly that such sums be set free for distribution amongst the members who would have been entitled thereto if distributed by way of dividend and in the same proportions, on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such members respectively or paying up in full unissued shares or debentures or other obligations of the Company to be allotted and distributed credited as fully paid up to and amongst such members in the proportions aforesaid, or partly in one way and partly in the other, and the Directors shall give effect to such resolution:

PROVIDED that a share premium account and a capital redemption reserve fund may, for the purposes of this Article, only be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.

126. Whenever such a resolution as aforesaid shall have been passed the Directors shall make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid shares or debentures, if any, and generally shall do all acts and things required to give effect thereto.

127. For the purpose of giving effect to any resolution under Articles 124 and 126 hereof the Directors may settle any difficulty which may arise in regard to the distribution as they think expedient, and in particular may issue fractional certificates, and may fix the value for distribution of any specific assets, and may determine that cash payments shall be made to any members upon the footing of the value so fixed or that fractions of such value as the Directors may determine may be disregarded in order to adjust the rights of all parties, and may vest any such cash or specific assets in trustees upon such trusts for the persons entitled to the dividend or capitalised fund as may seem expedient to the Directors. The provisions of the Ordinance in relation to the filing of contacts for

allotment shall be observed, and the Director may appoint any person to sign such contract on behalf of the persons entitled to share in the appropriation and distribution, and such appointment shall be effective and binding upon all concerned, and the contract may provide for the acceptance by such persons of the shares or debentures to be allotted and distributed to them respectively in satisfaction of their claims in respect of the sum so capitalised.

**ACCOUNTS AND AUDITORS**

128. (a) The Directors shall cause proper and true books of account to be kept of all sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place; of all sales and purchases of goods by the Company; and of the assets and liabilities of the Company and of all other matters necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

(b) The Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and hooks of the Company or any of them shall be open to the inspection of members not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by statute or authorised by the Directors or by the Company in general meeting.

129. The Directors shall from time to time, in accordance with the provisions of the Ordinance, cause to be prepared and to be laid before the Company in general meeting such Profit and Loss Accounts, Balance Sheets, Group Accounts (if any) and Reports as are required by the Ordinance.

130. A copy of every Balance Sheet (including every document required by law to be annexed thereto) which is to be laid before the Company in general meeting, together with a copy of the Directors' Report and a copy of the Auditors' Report, shall, not less than 21 days before the date of the meeting, be sent to every member of, and every holder of debentures of, the Company and to all persons other than members or holders of debentures of the Company, being persons entitled to receive notices of general meetings of the Company:

PROVIDED that this Article shall not require a copy of those documents to be sent to any person of whose address the Company is not aware nor to more than one of the joint holders of any shares or debentures.

131. Auditors shall be appointed and their duties regulated in the manner provided by the Ordinance.

**NOTICES**

132. Any notice or other document may be served by the Company upon any member either personally or by sending it through the post in a prepaid letter, envelope or wrapper addressed to such member at his registered address, and, in any case where the registered

address of a member is outside Hong Kong, by prepaid airmail. The signature to any notice to be given by the Company may be written or printed.

133. Each member shall, from time to time, notify in writing to the Company some place which shall be deemed his registered address within the meaning of the last preceding Article.

134. Any notice sent by post shall be deemed to have been served in the case where the member's registered address is in Hong Kong at the expiration of 48 hours after the letter, envelope or wrapper containing the same was posted in Hong Kong and in any other case on the fifth day after the day of posting. In proving such service it shall be sufficient to prove that the letter, envelope or wrapper containing the notice was properly addressed and put in the post as a prepaid letter.

135. A notice may be given by the Company to the persons entitled to a share in consequence of the death or bankruptcy of a member by sending it through the post in a prepaid letter addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt, or by any like descriptions at the address, if any, within Hong Kong supplied for the purpose by the persons claiming to be so entitled, or (until such an address has been so supplied) by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.

136. Notice of every general meeting shall be given in any manner hereinbefore authorised to:

(a) every member;

(b) every person entitled to a share in consequence of the death or bankruptcy of a member who, but for his death or bankruptcy, would be entitled to receive notice of the meeting; and

(c) the Auditors for the time being of the Company.

No other person shall be entitled to receive notices of general meetings.

137. Any summons, notice, order or other document required to be sent to or served upon the Company, or upon any officer of the Company, may be sent or served by leaving the same or sending it through the post in a prepaid letter, envelope or wrapper, addressed to the Company or to such officer at the Office.

138. Subject to any special provisions contained in these Articles or in the Ordinance, all notices required to be given by advertisement shall be advertised in at least one daily Chinese and one daily English newspaper in Hong Kong.

139. In reckoning the period for any notice given under these Articles, the day on which notice is served, or deemed to be served and the day for which such notice is given shall be excluded.

**WINDING UP**

140. If the Company shall be wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital which at the commencement of the winding up is paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up at the commencement of the Winding up on the shares held by them respectively. This Article is, however, to be subject to the rights of any shares which may be issued on special terms or conditions.

141. If the Company shall be wound up the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Ordinance, divide amongst the members in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as be deems fair upon any properly to be divided as aforesaid and may determine how such division shall be carried out as between the members of different classes of members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

**INDEMNITY**

142. Every Director, Managing Director, Agent Auditor, Secretary and other officer for the time being of the Company shall be indemnified out of the assets of the Company against any liability incurred by him in relation to the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application under Section 358 of the Ordinance in which relief is granted to him by the court

**Name, Address and Description of Subscriber**

For and on behalf of
System Semiconductor Luxembourg S.àr.l.

(SD.) Roy Kuan

_____

Roy Kuan
10, rue de Vianden,
L-2680 Luxembourg,
Grand Duchy of Luxembourg
Corporation

DATED JULY 27, 2004

WITNESS to the above signature:

(SD.) Kei Mizukami

Name of Witness: Kei Mizukami
Address: 2-6-15-203 Himonya
Meguro, Tokyo, Japan

Occupation: Banker

**Exhibit 3.16**

**The Companies Acts 1985 and 1989**

**COMPANY LIMITED BY SHARES**

**MEMORANDUM OF ASSOCIATION**

**OF**

**MAGNACHIP SEMICONDUCTOR LIMITED**

1. The name of the Company is **"MAGNACHIP SEMICONDUCTOR LIMITED"**.

2. The registered office of the Company will be situate in England.

3. The objects for which the Company is established are:-

3.1.1 to carry on business as a general commercial company;

3.1.2 to carry on the business of a holding company in all its branches and to acquire by purchase, lease, concession, grant, licence or otherwise such businesses, options, rights, privileges, lands, buildings, leases, underleases, stocks, shares, debentures, debenture stock, bonds, obligations, securities, reversionary interests, annuities, policies of assurance and other property and rights and interests in property as the Company shall deem fit; generally to hold, manage, develop, lease, sell or dispose of the same, and to vary any of the investments of the Company; to act as trustee of any deeds constituting or securing any debentures, debenture stock or other securities or obligations; to enter into, assist, or participate in financial, commercial, mercantile, industrial and other transactions, undertakings and businesses of any description, and to establish, carry on, develop and extend the same or sell, dispose of or otherwise turn the same to account, and to co-ordinate the policy

administration of any companies of which this Company is a member or which are in any manner controlled by, or connected with the Company.

3.1.3 To carry on business as a property investment and development company, and to purchase, hold, take on lease or in exchange or otherwise acquire and deal in, sell, exchange, let on lease, and otherwise dispose of land or buildings wheresoever situate or rights or interests therein and to manage or let the same or any part thereof or to develop the same or any part thereof and to carry on business as auctioneers, valuers, surveyors, estate agents, managing agents, estate developers and development agents, builders, builders' merchants, joiners and woodworkers, decorators, plumbers, electricians, transport and removal contractors, carriers, warehousemen, proprietors and dealers in all forms of transport and to carry on business as proprietors of restaurants and hotels and producers, promoters, exhibitors, distributors, managers and agents of all forms of amusement, recreation, sport and entertainment.

3.1.4 To carry on business as bankers, financiers, dealers, concessionaires, merchants and brokers and to form, constitute, float, invest in, manage, assist, advise and control any companies, syndicates or undertakings whatsoever and to undertake, carry on, transact and execute all kinds of financial, commercial, trading, trust and agency business and operations.

3.1.5 to carry on within and without the United Kingdom the businesses of exporters, importers, manufacturers, agents, brokers, general merchants and dealers, both wholesale and retail, in commodities of every description and all commercial goods, manufactured goods and all goods for personal and household use and consumption, ornament, recreation and amusement, and generally in all raw materials, manufactured goods, materials, provisions and general produce, and to carry on the aforesaid businesses, either together as a single business or as separate and distinct businesses in any part of the world;

3.1.6 to carry on any other trade or business, whether subsidiary or not, which may appear to the Company likely to be carried on conveniently or advantageously in conjunction with any of the above trades or businesses or which is likely to be profitable to the Company or is calculated directly or indirectly to enhance the value of any of the property, rights or assets of the Company;

3.2 to construct, erect, maintain, alter, repair, replace or remove any buildings, works, structures, roads, plant, machinery, tools or equipment as may seem desirable for any of the trades or businesses of the Company;

3.3 to buy, grow, process, prepare, manufacture, repair, alter and improve all kinds of plant, machinery, apparatus, tools, utensils, materials, produce, substances, articles and things of all descriptions which may conveniently be dealt with in connection with any of the objects of the Company or which are likely to be required by customers or other persons or companies having or about to have dealings with the Company;

3.4 to apply for or otherwise acquire any patents, patent rights, trade marks, names, copyrights, licences, privileges or processes for or in any way relating to any of the trades or businesses of the Company and to grant licences for the use of the same;

3.5 to purchase, take on lease or in exchange, hire or otherwise acquire, develop, hold and manage for any estate or interest any real or personal property and any rights or privileges which the Company may think necessary, suitable or convenient for the purposes of or in connection with any of its trades or businesses;

3.6 To purchase or otherwise acquire and undertake all or any part of the business, property, assets, liabilities and transactions of any person or company carrying on any business which the Company is authorised to carry on or which can be carried on in conjunction therewith or which are capable of being conducted directly or indirectly for the benefit of the Company.

3.7 to pay for any property, assets or rights acquired by the Company either in cash or by the issue of fully or partly paid shares of the Company, with or without any preferred or special rights or privileges, or by the issue of debentures, bonds or other securities, with or without special rights or privileges, on such terms as the Company may determine;

3.8 To work, improve, manage, develop, lease, let on hire, grant licences, easements and other rights in or over and to mortgage, charge, pledge, turn to account or otherwise deal with all or any part of the property, rights or assets of the Company and to develop the resources of any property for the time being belonging to the Company in such manner as the Company may think fit.

3.9 to sell, dispose of or otherwise deal with the property, business, undertaking or assets of the Company or any part thereof for such consideration as the Company may think fit, and in particular for shares, debentures or securities of any other company, and to take or hold mortgages, liens and charges to secure the payment of the whole or any part of the purchase price thereof;

3.10 to enter into partnership or amalgamation with any person or company for the purpose of carrying on any business or transaction within the objects of the Company and to enter into such arrangement for co-operation, sharing profits, losses, mutual assistance, or other working arrangements as may seem desirable;

3.11 to enter into any arrangements with any Government or authority, supreme, municipal, local or otherwise, which may seem conducive to the objects of the Company or any of them and to apply for, promote and obtain any statute, order, regulation, contract, decree, right, privilege, concession, licence or authorisation from any such Government or authority or from any department thereof for enabling the Company to carry any of its objects into effect or for extending any of the powers of the Company or for effecting any modification of the constitution of the Company or for any other purpose which may seem expedient and to carry out, exercise and comply with the same;

3.12 to borrow or raise money in such amounts and manner and upon such terms as the Company shall think fit, and, when thought desirable, to execute and issue security of such kind, subject to such conditions, for such amount, and payable in such place and manner and to such person or company as the Company shall think fit;

3.13 to mortgage and charge the undertaking and all or any of the real or personal property and assets, present or future, and all or any of the uncalled capital for the time being of the Company, and to issue as primary or collateral or other security at par or at a premium or a discount and for such consideration and with and subject to such rights, powers, privileges and conditions as may be thought fit, debentures, debenture stock, mortgages, charges or other securities either permanent or redeemable and collaterally or further to secure any securities of the Company by a trust deed or other assurance;

3.14 to give credit to or become surety or guarantor for any person or company, and to give all descriptions of guarantees and indemnities and, either with or without the Company receiving any consideration, to guarantee or otherwise secure (with or without a mortgage or charge on all or any part of the undertaking, property and assets, present and future, and the uncalled capital of the Company) the performance of the obligations, and the payment of the capital or principal of, and dividends or interest on, any stocks, shares, debentures, debenture stock, notes, bonds or other securities, of any person, authority (whether supreme, local, municipal or otherwise) or company, including (without prejudice to the generality of the foregoing) any company which is for the time being the Company's holding company, or a subsidiary undertaking of the Company's holding company or of the Company, or any other company associated with the Company in business; the expressions "holding company" and "subsidiary undertaking" shall when used in this Memorandum of Association have the same meanings respectively as in the Companies Act 1985;

3.15 to advance, deposit or lend money, securities and property to or with such persons or companies on such terms with or without security upon such property, rights and assets as may seem expedient, to undertake the provision of hire purchase and credit sale finance and to act as factors;

3.16 to invest and deal with the monies of the Company not immediately required for the purpose of its business in or upon such investments or securities and in such manner and upon such terms as may from time to time be determined;

3.17 to make, draw, accept, endorse, discount, and negotiate, issue or execute bills of exchange, promissory notes, bills of lading, warrants and other negotiable, transferable or mercantile instruments;

3.18 to pay all or any of the costs and expenses of, and preliminary and incidental to, the formation, promotion and incorporation of the Company, whether incurred before or after its registration;

3.19 to pay commissions to and remunerate any person or company for services rendered to the Company and in particular in placing or assisting to place any of the shares in the capital of the Company, or any debentures or other security of the Company, or in or about the formation or promotion of the Company or the conduct of its business whether by cash payment or by the allotment of shares or securities of the Company, credited as paid up in full or in part or otherwise, as may be deemed expedient;

3.20 to make donations to such persons or companies and, in such cases, either by cash or by other assets, as the Company may think directly or indirectly conducive to any of its objects or otherwise expedient;

3.21 to adopt such means for making known any services provided by the Company and keeping the same before the public as may be deemed expedient and in particular to employ advertising and public relations techniques of all kinds;

3.22 to vest any real or personal property, rights or interest acquired by or belonging to the Company in any person or company on behalf of or for the benefit of the Company;

3.23 to distribute among the members in specie any property of the Company, or any proceeds of sale, disposal or realisation of any property of the Company, but so that no distribution amounting to a reduction of capital be made except with the sanction (if any) for the time being required by law;

3.24 to establish or promote any company for the purpose of acquiring all or any of the assets and liabilities of the Company or for any other purpose which may seem directly or indirectly calculated to benefit the Company or to further any of the objects of the Company;

3.25 to appoint any person or company to be the agent or agents of the Company and to act as agents, secretaries, managers, contractors or in any similar capacity;

3.26 to insure the life of any person who may, in the opinion of the Company, be of value to the Company as having or holding for the Company interest, goodwill or influence or other assets and to pay the premiums on such insurance;

3.27 to support or subscribe to any charitable or public object and any institution, society or club which may be for the benefit of the Company or its officers or employees, or the officers or employees of its predecessors in business or any subsidiary undertaking or associated company, or which may be connected with any town or other place where the Company carries on business, and to give pensions, gratuities or charitable aid to any officer, former officer, employee or former employee of the Company or its predecessors in business or any subsidiary undertaking or associated company, or to the wives, children or other relatives or dependants of such persons, and to make payments towards insurance, and to form and contribute to provident and benefit funds for the benefit of any officers or employees of the Company, its predecessors in business or any subsidiary undertaking, or associated company, and to

subsidise or assist any association of employers or employees or any trade association, and to promote, enter into and carry into effect any scheme for the sharing of profits with employees or the grant of options and other benefits to employees;

3.28 to purchase and maintain insurance for or for the benefit of any persons who are or were at any time directors, officers or employees or auditors of the Company, or of any other company which is its holding company or in which the Company or such holding company has any interest whether direct or indirect or which is in any way allied to or associated with the Company or of any subsidiary undertaking of the Company or of any such other company, or who are or were at any time trustees of any pension fund in which any employees of the Company or of any such other company or subsidiary undertaking are interested, including (without prejudice to the generality of the foregoing) insurance against any liability incurred by such persons in respect of any act or omission in the actual or purported execution and/or discharge of their duties and/or in the exercise or purported exercise of their powers and/or otherwise in relation to their duties, powers or offices in relation to the Company or any such other company, subsidiary undertaking or pension fund and to such extent as may be permitted by law otherwise to indemnify or to exempt any such person against or from any such liability;

3.29 to procure the Company to be registered or recognised in any country or place outside the United Kingdom;

3.30 to do all or any of the above things in any part of the world, and either as principals, agents, contractors, trustees or otherwise, or by or through trustees, agents, sub-contractors or otherwise, and either alone or in conjunction with others;

3.31 to do all such acts or things as are incidental or conducive to the attainment of the above objects or any of them.

It is hereby expressly declared that the objects specified in each sub-clause of this clause shall be regarded as independent objects and accordingly shall be in no way limited or restricted (except when otherwise expressed in such sub-clause) by reference to or inference from the terms of any other sub-clause, or the name of the Company, and none of the sub-clauses shall be deemed merely subsidiary or auxiliary to the objects mentioned in the first sub-clause but may be carried out and construed in as wide a sense as if each of the said sub-clauses defined the objects of a separate and distinct company.

4. The liability of the members is limited.

5. The share capital of the Company is £1,000 divided into 1,000 shares of £1 each with power to increase the capital and to consolidate and sub-divide the same. The shares in the original or increased capital may be divided into several classes and there may be attached thereto respectively any preferential, deferred or other special rights, privileges, conditions or restrictions as to dividends, capital, redemption, voting or otherwise.

**WE**, the subscriber to this memorandum of association, wish to be formed into a company pursuant to this memorandum; and we agree to take the number of shares in the capital of the Company set opposite our name below.

| **NAME AND ADDRESS OF SUBSCRIBER** | **Number of Shares taken by Subscriber** |
|---|---|
| For and on behalf of<br>Magnachip Semiconductor S.a r.L<br>10, rue de Vianden,<br>L-2680 Luxembourg<br>Grand Duchy of Luxembourg | |
| Total Shares taken | Two |

**DATED** day of August 2004

**WITNESS** to the above Signature:-

Sign: _____

Print Name: _____

Address: _____

**Exhibit 3.17**

Company No:

The Companies Acts 1985 and 1989

**PRIVATE COMPANY LIMITED BY SHARES**

**ARTICLES OF ASSOCIATION**
**OF**
**MAGNACHIP SEMICONDUCTOR LIMITED (the "Company")**

## 1 PRELIMINARY

1.1 The regulations contained in Table A to any Companies Act or Companies (Consolidation) Act prior to the Companies Act 1985 shall not apply to the Company. The regulations contained in Table A in the Schedule to the Companies (Tables A to F) Regulations 1985 in force at the time of adoption of these Articles ("**Table A**") shall, except as provided in and so far as the same are not inconsistent with the provisions of these Articles, apply to the Company and shall together with these Articles constitute the regulations of the Company.

1.2 Regulations 3, 23 to 25, 29 to 31, 35 to 55, 57, 59 to 62, 64 to 69, 73 to 81, 85 to 91, 93 to 98, 112 and 115 of Table A shall not apply to the Company.

1.3 In these Articles unless the context otherwise requires the following expressions shall have the following meanings:-

**"the Act"** means the Companies Act 1985 including any statutory modification or re-enactment thereof for the time being in force;

**"Articles"** means the articles of association of the Company, whether as originally adopted or as from time to time altered by special or written resolution;

**"address"** in relation to electronic communication means any number or address used for the purposes of such communications;

**"clear days"** in relation to the period of a notice means that period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect;

**"directors"** means the directors for the time being of the Company or (as the context shall require) any of them acting as the board of directors of the Company;

**"electronic communication"** means any communication transmitted by way of fax or e-mail;

**"executed"** includes any mode of execution;

**"holder"** in relation to shares means the member whose name is entered in the register of members as the holder of the shares;

**"office"** means the registered office of the Company;

**"seal"** means the common seal of the Company (if any);

**"secretary"** means the secretary of the Company or any other person appointed to perform the duties of the secretary of the Company, including a joint, assistant or deputy secretary;

**"share"** includes any interest in a share;

**"United Kingdom"** means Great Britain and Northern Ireland;

**"in writing"** and **"written"** include any method of representing or reproducing words in legible form including, for the avoidance of doubt, electronic communication.

Words importing the masculine gender include the feminine gender.

Words importing persons include bodies corporate and unincorporated associations.

Words importing the singular shall, where the context so permits, include a reference to the plural and vice versa.

Subject as aforesaid any words or expressions defined in the Act shall (if not inconsistent with the subject or context) bear the same meaning in these Articles.

Reference to any act, statute or statutory provision shall include any statutory modification, amendment or re-enactment thereof for the time being in force.

A special or extraordinary resolution shall be effective for any purpose for which an ordinary resolution is expressed to be required under any provision of these Articles and a special resolution shall be effective for any purpose for which an extraordinary resolution is expressed to be required under any provision of these Articles.

## 2 SHARE CAPITAL AND ISSUE OF SHARES

2.1 The authorised share capital of the Company as at the date of incorporation of the Company is £1,000 divided into 1000 shares of £1 each.

2.2 Subject to the provisions of the Act, the Company may:-

2.2.1 issue shares which are to be redeemed or are liable to be redeemed at the option of the Company, or the holder, on such terms and in such manner as may be set out in these Articles (as amended from time to time) or (as to the date on or by which or the dates between which the shares are to be or may be redeemed) as may be determined by the directors prior to the date of issue;

2.2.2 purchase its own shares (including any redeemable shares) or enter into such agreement (contingent or otherwise) in relation to the purchase of its own shares on such terms and in such manner as may be approved by such ordinary or special resolution as may be required by the Act;

2.2.3 to the extent permitted by section 171 of the Act, make a payment in respect of the redemption or purchase of any of its own shares (including any redeemable shares) otherwise than out of distributable profits of the Company or the proceeds of a fresh issue of shares.

2.3 Subject as otherwise provided in these Articles and to any direction or authority contained in the resolution of the Company creating or authorising the same, the directors are generally and unconditionally authorised, for the purposes of section 80 of the Act, to allot or to grant options or rights of subscription or conversion over unissued shares to such persons (whether existing shareholders or not), at such times and on such terms and conditions as they think proper.

2.4 The authority granted to the directors under Article 2.3:-

2.4.1 shall not permit the directors to allot or to grant options or rights of subscription or conversion over shares to an aggregate amount of more than the unissued share capital on the date of incorporation of the Company or (if such authority is renewed or varied by the Company in general meeting) the amount specified in the resolution for such renewal or variation;

2.4.2 shall expire not more than five years from the date of the incorporation of the Company or (if such authority is renewed or varied by the Company in general meeting) on the date specified in the resolution on which the renewed or varied authority shall expire;

2.4.3 may be renewed, revoked or varied at any time by the Company in general meeting;

2.4.4 shall permit the directors after the expiry of the period of the said authority to allot any shares or grant any such rights in pursuance of an offer or agreement so to do made by the Company within that period.

2.5 In exercising their authority under this Article 2 the directors shall not be required to have regard to section 89(1) and section 90(1) to (6) (inclusive) of the Act which sections shall be excluded from applying to the Company.

2.6 The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by these Articles or by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

## 3 LIEN

The lien conferred by regulation 8 of Table A shall also attach to fully paid up shares registered in the name of any person indebted or under liability to the Company whether he shall be the sole registered holder thereof or shall be one of two or more joint holders.

## 4 TRANSFER AND TRANSMISSION

4.1 The instrument of transfer of shares shall be in the usual form prescribed from time to time or, if none is so prescribed, then in such form as the directors may determine and shall be executed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee.

4.2 The directors may, in their absolute discretion and without assigning any reason therefor, decline to register any transfer of any share whether or not it is a fully paid share.

4.3 The directors may also refuse to register a transfer unless:-

4.3.1 it is lodged at the office or at such other place as the directors may appoint and is accompanied by the certificate for the shares to which it relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer;

4.3.2 it is in respect of only one class of shares; and

4.3.3 it is in favour of not more than four transferees.

4.4 If the directors refuse to register a transfer of a share they shall within two months after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal.

4.5 If a member dies the survivor or survivors where he was a joint holder, and his personal representatives where he was a sole holder or the only survivor of joint holders, shall be the only person(s) recognised by the Company as having any title to his interest; but nothing herein contained shall release the estate of a deceased member from any liability in respect of any share which had been jointly held by him.

4.6 In the case of a person becoming entitled to a share in consequence of the death or bankruptcy of a member:-

4.6.1 he may, upon such evidence being produced as the directors may properly require, elect either to become the holder of the share or to have some person nominated by him registered as a transferee;

4.6.2 if he elects to become the holder he shall give notice to the Company to that effect;

4.6.3 if he elects to have another person registered he shall execute an instrument of transfer of the share to that person;

4.6.4 the provisions of Articles 4.1 to 4.3 relating to the transfer of shares shall apply to any notice or instrument of transfer referred to in Article 4.6 as if it were an instrument of transfer executed by the member and the death or bankruptcy of the member had not occurred.

4.7 The directors may at any time give notice requiring a person becoming entitled to a share in consequence of the death or bankruptcy of a member to elect either to become the holder of the share or to have some person nominated by him registered as the transferee and if the notice is not complied with within 90 days the directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the share until the requirements of the notice have been complied with.

4.8 A person becoming entitled to a share in consequence of the death or bankruptcy of a member shall have the rights to which he would be entitled if he were the holder of the share, except that he shall not, before being registered as the holder of the share, be entitled in respect of it to attend and

vote at any meeting of the Company or of any separate meeting of the holders of any class of shares in the Company.

## 5 GENERAL MEETINGS

5.1 All general meetings other than annual general meetings shall be called extraordinary general meetings.

5.2 The directors may call general meetings and, on the requisition of members pursuant to the provisions of the Act, shall forthwith proceed to convene an extraordinary general meeting for a date not later than 42 days after receipt of the requisition.

5.3 If there are not within the United Kingdom sufficient directors to call a general meeting, any director or any member of the Company may call a general meeting.

## 6 NOTICE OF GENERAL MEETINGS

6.1 All annual general meetings and extraordinary general meetings called for the passing of a special or elective resolution shall be called by at least 21 clear days' notice.

6.2 All other extraordinary general meetings shall be called by at least 14 clear days' notice.

6.3 A general meeting may be called by shorter notice if it is so agreed:-

6.3.1 in the case of an annual general meeting by all the members entitled to attend and vote thereat; and

6.3.2 in the case of any other meeting by a majority in number of the members having a right to attend and vote being a majority together holding not less than 95%, or (if an elective resolution as to the majority required to authorise short notice of meetings has been passed in accordance with section 379A of the Act and remains in force) such lesser percentage as may be specified in the resolution or subsequently determined by the Company in general meeting being not less than 90%, in nominal value of the shares giving that right.

6.4 The notice of a general meeting shall specify the time and place of the meeting and, in the case of an annual general meeting, shall specify the meeting as such.

6.5 Subject to the provisions of these Articles and to any restrictions imposed on any shares, notice of a general meeting shall be given to all members, to all

persons entitled to a share in consequence of the death or bankruptcy of a member and to the directors and auditors.

6.6 The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

## 7 PROCEEDINGS AT GENERAL MEETINGS

7.1 No business shall be transacted at any meeting unless a quorum is present.

7.2.1 Subject to the provisions of Article 7.2.2 two persons entitled to vote upon the business to be transacted, each being a member or a proxy for a member or a duly authorised representative of a corporate member, shall be a quorum.

7.2.2 If the Company only has one member, then such member present in person or by proxy or, if a corporate member, by its duly authorised representative shall be a quorum.

7.3 If within half an hour after the time appointed for the meeting a quorum is not present, or if during a meeting a quorum ceases to be present, the meeting:-

7.3.1 if convened upon the requisition of members, shall be dissolved; or

7.3.2 if convened otherwise than upon the requisition of members, shall stand adjourned until the same day in the next week at the same time and place, or such other day, time and place as the directors may determine, and if at the adjourned meeting a quorum is not present or ceases to be present then the member or members present in person or by proxy or (being a body corporate) by representative and entitled to vote upon the business to be transacted shall be a quorum and shall have power to decide upon all matters which could properly have been disposed of at the meeting from which the adjournment took place.

7.4 The chairman, if any, of the board of directors or in his absence some other director nominated by the directors shall preside as chairman of the meeting, but if neither the chairman nor such other director (if any) is present within 15 minutes after the time appointed for holding the meeting and willing to act the directors present shall elect one of their number to be chairman and, if there is only one director present and willing to act, he shall be chairman.

7.5 If no director is willing to act as chairman, or if no director is present within 15 minutes after the time appointed for holding the meeting, the members present and entitled to vote shall choose one of their number to be chairman.

7.6 In the case of an equality of votes, whether on a show of hands or on a poll, the chairman shall be entitled to have a casting vote in addition to any other vote he may have.

7.7 A director shall, notwithstanding that he is not a member, be entitled to receive notices of and attend and speak at any general meeting and at any separate meeting of the holders of any class of shares in the Company.

7.8 The chairman may, with the consent of a meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place .

7.9 No business shall be transacted at any adjourned meeting other than business which might properly have been transacted at the meeting had the adjournment not taken place.

7.10 When a meeting is adjourned for 14 days or more, at least seven clear days' notice shall be given specifying the time and the place of the adjourned meeting and the general nature of the business to be transacted, but otherwise it shall not be necessary to give any such notice.

7.11 A resolution put to the vote of a meeting shall be decided on a show of hands unless before, or on a declaration of the result of, the show of hands a poll is duly demanded.

7.12 A poll may be demanded by any member having the right to vote at the meeting.

7.13 A demand for a poll by a person as proxy for a member shall be the same as a demand by the member.

7.14 Unless a poll is duly demanded, a declaration by the chairman that a resolution has been carried or carried unanimously, or by a particular majority, or lost, or not carried by a particular majority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.

7.15 The demand for a poll may, before the poll is taken, be withdrawn but only with the consent of the chairman and a demand so withdrawn shall not be taken to have invalidated the result of a show of hands declared before the demand was made.

7.16 A poll shall be taken as the chairman may direct and he may appoint scrutineers (who need not be members) and fix a time and place for declaring the result of the poll.

7.17 The result of the poll (unless it was held at an adjourned meeting) shall be deemed to be the resolution of the meeting at which the poll was demanded.

7.18 A poll demanded on the election of a chairman or on a question of adjournment shall be taken forthwith.

7.19 A poll demanded on any other question shall be taken either forthwith or at such time and place as the chairman directs, not being more than 30 days after the poll is demanded.

7.20 The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than a question on which the poll is demanded.

7.21 If a poll is demanded before the declaration of the result of a show of hands and the demand is duly withdrawn with the consent of the chairman, the meeting shall continue as if the demand had not been made.

7.22 No notice need be given of a poll not taken forthwith if the time and place at which it is to be taken are announced at the meeting at which it is demanded, but in any other case at least seven clear days' notice shall be given specifying the time and place at which the poll is to be taken.

7.23 If the Company only has one member and such member takes any decision which may be taken by the Company in general meeting and which has effect as if agreed by the Company in general meeting, then such member shall (unless that decision is taken by way of a written resolution) provide the Company with a written record of that decision.

## 8 RESOLUTIONS IN WRITING

A resolution in writing executed by all the members of the Company entitled to receive notice of and to attend and vote at a general meeting or by their duly appointed proxies or attorneys:-

8.1 shall be as valid and effectual as if it had been passed at a general meeting of the Company duly convened and held;

8.2 any such resolution in writing may be contained in one document or in several documents in the same terms each executed by one or more of the members or their proxies or attorneys and execution in the case of a body corporate which

is a member shall be sufficient if made by a director thereof or by its duly authorised representative; and

8.3 may be contained within and/or assented to and passed in terms thereof by means of electronic communications and in accordance with such terms and arrangements as may be first stipulated by the directors using addresses notified by recipients for such purpose.

## 9 VOTES

9.1 Subject to any rights or restrictions attached to any shares, on a show of hands every member present in person, or (if a corporation) present by a representative duly authorised in accordance with the Act who is not also himself a member entitled to vote, shall have one vote and on a poll every member shall have one vote for every share of which he is the holder.

9.2 In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names of the holders stand in the register of members.

9.3 No member shall be entitled to vote at any general meeting or at any separate meeting of the holders of any class of shares in the Company, either in person or by proxy, unless all calls or other sums presently payable by him in respect of shares of the Company have been paid.

9.4 On a poll votes may be given either personally or by proxy.

9.5 An appointment of a proxy shall be in writing executed by or on behalf of the appointor, or, if a corporation, under the hand of a duly authorised officer of the corporation, or in either case, where the appointment is to be effected as an electronic communication, signed and completed upon such terms as stipulated by the directors, and shall be in such form as the directors may determine or, failing such determination, in any usual form.

9.6 The appointment of a proxy shall not be valid and the proxy named in the appointment shall not be entitled to vote at the meeting unless the appointment, together with any authority under which it is executed or a copy of such authority certified notarially or in some other way approved by the directors:-

9.6.1 is, in the case of an appointment of a proxy by a form of proxy (which for the avoidance of doubt does not include an appointment contained in an electronic

communication), deposited at the office (or such other place within the United Kingdom as is specified in the notice convening the meeting or in any form of proxy or other accompanying document sent out by the Company in relation to the meeting) not later than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the form of proxy proposes to vote; or

9.6.2 in the case of an appointment contained in an electronic communication, where an address has been specified for that purpose in the notice convening the meeting, or in any form of proxy or other accompanying document sent out by the Company in relation to the meeting, or in any other invitation contained in an electronic communication to appoint a proxy issued by the Company in relation to the meeting, is received at such address not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote;

9.6.3 in the case of a poll taken more than 48 hours after it is demanded, is deposited as specified in articles 9.6.1 or 9.6.2 after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll; or

9.6.4 where a meeting is adjourned for less than 48 hours or where the poll is not taken immediately but is taken not more than 48 hours after it was demanded, is delivered to the chairman or to the secretary or to any director at the meeting at which the poll is demanded.

## 10 DIRECTORS

10.1 The number of the directors shall be determined by the Company in general meeting but unless and until so determined there shall be no maximum number of directors and the minimum number of directors shall be one.

10.2 In the event of the minimum number of directors fixed by these Articles or determined by the Company in general meeting being one, a sole director shall have authority to exercise all the powers and discretions vested in the directors generally and Article 15.3 shall be modified accordingly.

10.3 A director or alternate director shall not require any share qualification and any director or alternate director who is not a member of the Company shall nevertheless be entitled to receive notices of and attend and speak at any

general meeting of the Company and at any separate meeting of the holders of any class of shares of the Company.

10.4 A person may be appointed a director notwithstanding that he shall have attained the age of seventy years or any other age and no director shall be liable to vacate office by reason of his attaining that or any other age, nor shall special notice be required of any resolution appointing or approving the appointment of such a director or any notice be required to state the age of the person to whom such resolution relates.

10.5 The first directors of the Company shall be the persons named as the first directors of the Company in the statement delivered under section 10(2) of the Act.

## 11 APPOINTMENT OF DIRECTORS

11.1 The Company may, by ordinary resolution, appoint another person in place of a director removed from office by resolution of a general meeting in accordance with the Act and (without prejudice to the powers of the directors under the next following article) the Company may, by ordinary resolution, appoint a person who is willing to act to be a director either to fill a vacancy or as an additional director.

11.2 The directors may appoint a person who is willing to act to be a director, either to fill a vacancy or as an additional director, provided that the appointment does not cause the number of directors to exceed any number fixed by or in accordance with these articles as the maximum number of directors.

11.3 At any time or from time to time the holder or holders of not less than three-quarters in nominal value of such part of the issued share capital of the Company as confers the right for the time being to attend and vote at general meetings of the Company may, by memorandum in writing executed by or on behalf of him or them and left at or sent to the office, or, if permitted by the directors, by electronic communication in such manner and form as the directors may decide, appoint any person to be a director or remove from office any director who shall vacate office accordingly. Any such removal shall be without prejudice to any claim such director may have for damages for breach of any contract of service between him and the Company.

11.4 If, immediately following and as a result of the death of a member, the Company has no members and if at that time it has no directors, the personal

representatives of the deceased member may appoint any person to be a director and the director who is appointed will have the same rights and be subject to the same duties and obligations as if appointed by ordinary resolution in accordance with Article 11.1. If two members die in circumstances rendering it uncertain which of them survived the other, such deaths shall, for the purposes of this Article, be deemed to have occurred in order of seniority and accordingly the younger shall be deemed to have survived the elder.

## 12 DISQUALIFICATION AND REMOVAL OF DIRECTORS

12.1 The office of a director shall be vacated in any of the following events:-

12.1.1 if he resigns his office by notice in writing to the Company;

12.1.2 if he becomes bankrupt or makes any arrangement or composition with his creditors generally;

12.1.3 if he is admitted to hospital in pursuance of an application for admission for treatment under the Mental Health Act 1983 or, in Scotland, an application for admission under the Mental Health (Scotland) Act 1960, or an order is made by a Court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator bonis or other person to exercise powers with respect to his property or affairs;

12.1.4 if he ceases to be a director by virtue of any provision of the Act or the Articles or he becomes prohibited by law from being a director;

12.1.5 if he is absent from meetings of the board for six successive months without leave and his alternate director (if any) shall not during such period have attended in his stead, and the directors resolve that his office be vacated;

12.1.6 if he shall be removed from office by notice in writing served upon him signed by all the other directors but so that if he holds an appointment to an executive office which thereby automatically determines such removal shall be deemed an act of the Company and shall have effect without prejudice to any claim for damages for breach of any contract of service between him and the Company; or

12.1.7 if he shall be removed from office under the provisions of Article 11.3.

**13 POWERS OF DIRECTORS**

13.1 Without prejudice to the powers conferred by regulation 70 of Table A, the directors may establish and maintain, or procure the establishment and maintenance of, any pension or superannuation funds (whether contributory or otherwise) for the benefit of, and give or procure the giving of donations, gratuities, pensions, allowances and emoluments to, any persons (including directors and other officers) who are or were at any time in the employment or service of the Company, or of any undertaking which is or was a subsidiary undertaking of the Company or allied to or associated with the Company or any such subsidiary undertaking, or of any of the predecessors in business of the Company or of any such other undertaking and the spouses, widows, widowers, families and dependants of any such persons and make payments to, for or towards the insurance of or provide benefits otherwise for any such persons.

13.2 Without prejudice to the provisions of regulation 70 of Table A and of Article 20, the directors shall have power to purchase and maintain insurance for or for the benefit of any persons who are or were at any time:-

13.2.1 directors (including alternate directors), officers, employees or auditors of the Company or of any other company which is its holding company, or in which the Company or such holding company has any interest whether direct or indirect, or which is in any way allied to or associated with the Company or such holding company, or of any subsidiary undertaking of the Company or of such other company;

13.2.2 trustees of any pension fund in which employees of the Company or of any other such company or subsidiary undertaking are interested;

including (without prejudice to the generality of the foregoing) insurance against any liability incurred by such persons in respect of any act or omission in the actual or purported exercise, execution and/or discharge of their powers or duties and/or otherwise in relation to their duties, powers or offices in relation to the Company or any other such company, subsidiary undertaking or pension fund.

## 14 DIRECTORS' INTERESTS

14.1 Subject to the provisions of the Act, and provided that he has disclosed to the directors the nature and extent of any material interest of his, a director notwithstanding his office:-

14.1.1 may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested (including any insurance purchased or maintained by the Company for him or for his benefit);

14.1.2 may be a director or other officer of or employed by or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested;

14.1.3 may, or any firm or company of which he is a member or director may, act in a professional capacity for the Company or any body corporate in which the Company is in any way interested; and

14.1.4 shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.

14.2 For the purposes of Article 14.1:-

14.2.1 a general notice given to the directors that a director is to be regarded as having an interest of the nature and extent specified in the notice in any transaction or arrangement in which a specified person or class of persons is interested shall be deemed to be a disclosure that the director has an interest in any such transaction of the nature and extent so specified;

14.2.2 an interest of which a director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his; And

14.2.3 an interest of a person who is for any purpose of the Act connected with a director shall be treated as an interest of the director and in relation to an alternate director an interest of his appointor shall be treated as an interest of the alternate director without prejudice to any interest which the alternate director has otherwise.

## 15 PROCEEDINGS OF DIRECTORS

15.1 Subject to the provisions of these Articles, the directors may regulate their proceedings as they think fit.

15.2 A director may, and the secretary at the request of a director shall, call a meeting of the directors.

15.3 The quorum for the transaction of the business of the directors may be fixed by the directors and unless so fixed it shall be two persons.

15.4 Questions arising at a meeting shall be decided by a majority of votes.

15.5 The directors may elect one of their number to be chairman of the board of directors and may at any time remove him from that office.

15.6 If there is no director holding the office of chairman, or if the director holding it, having had notice of a meeting, is not present within five minutes after the time appointed for it, the directors present shall appoint one of their number to be chairman of that meeting.

15.7 In the case of an equality of votes, the chairman shall have a second or casting vote.

15.8 A director who is also an alternate director shall be entitled in the absence of his appointor to a separate vote on behalf of his appointor in addition to his own vote.

15.9 Any director for the time being absent from the United Kingdom shall, if he so requests, be entitled to be given reasonable notice of meetings of the directors to such address in the United Kingdom (if any) as the director may from time to time notify to the Company but save as aforesaid it shall not be necessary to give notice of a meeting to a director who is absent from the United Kingdom.

15.10 An alternate director who is not himself a director may, if his appointor is not present, be counted towards the quorum.

15.11 The continuing directors or a sole continuing director may act notwithstanding any vacancies in their number but, in such case, if the number of directors is less than the number fixed as the quorum, he or they may act only for the purpose of filling vacancies or of calling a general meeting.

15.12 A meeting of the directors shall, subject to notice thereof having been given in accordance with these Articles, for all purposes be deemed to be held when a director is or directors are in communication by telephone or television (or any other form of audio-visual linking) with another director or directors and all of

the directors in communication agree to treat the meeting as so held, if the number of the directors in communication constitutes a quorum of the board in accordance with these Articles. Such a meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the chairman of the meeting then is. A resolution passed by the directors at such a meeting as specified in this Article 15.12 shall be as valid as it would have been if passed at an actual meeting duly convened and held.

15.13 A resolution in writing executed by all the directors entitled to receive notice of a meeting of directors or of a committee of directors shall be as valid and effectual as if it had been passed at a meeting of directors or (as the case may be) a committee of directors duly convened and held and may be contained in one document or in several documents in the same terms each executed by one or more directors; but a resolution executed by an alternate director need not also be signed by his appointor and, if it is executed by a director who has appointed an alternate director, it need not be executed by the alternate director in that capacity.

15.14 A director who is in any way either directly or indirectly interested in a contract or arrangement or proposed contract or arrangement with the Company:-

15.14.1 shall declare the nature of his interest at a meeting of the directors in accordance with section 317 of the Act;

15.14.2 subject to such disclosure, shall be entitled to vote in respect of any contract or arrangement in which he is interested and if he shall do so his vote shall be counted and he may be taken into account in ascertaining whether a quorum is present.

## 16 ALTERNATE DIRECTORS

16.1 Any director may at any time by writing under his hand and deposited at the office, or delivered at a meeting of the directors, appoint any person (including another director) to be his alternate director and may in like manner at any time terminate such appointment. Such appointment, unless previously approved by the directors, shall have effect only upon and subject to being so approved.

16.2 The appointment of an alternate director shall determine on the happening of any event which, if he were a director, would cause him to vacate such office or if his appointor ceases to be a director.

16.3 An alternate director shall (except when absent from the United Kingdom) be entitled to receive notices of meetings of the directors and shall be entitled to attend and vote as a director at any such meeting at which the director appointing him is not personally present and generally at such meeting to perform all the functions of his appointor as a director and for the purposes of the proceedings at such meeting the provisions of these Articles shall apply as if he (instead of his appointor) were a director.

16.4 If an alternate director shall be himself a director or shall attend any such meeting as an alternate for more than one director his voting rights shall be cumulative.

16.5 If his appointor is for the time being absent from the United Kingdom or temporarily unable to act through ill health or disability, the execution by an alternate director of any resolution in writing of the directors shall be as effective as the execution by his appointor.

16.6 To such extent as the directors may from time to time determine in relation to any committees of the directors, the foregoing provisions of this Article 16 shall also apply mutatis mutandis to any meeting of such committee of which the appointor of an alternate director is a member.

16.7 An alternate director shall not (save as provided in this Article 16) have power to act as a director nor shall he be deemed to be a director for the purposes of these Articles, but he shall be an officer of the Company responsible for his own acts and defaults and shall not be deemed to be the agent of the director appointing him.

16.8 An alternate director shall be entitled to contract and be interested in and benefit from contracts or arrangements or transactions and to be repaid expenses and to be indemnified to the same extent mutatis mutandis as if he were a director, but he shall not be entitled to receive from the Company in respect of his appointment as alternate director any remuneration except only such part (if any) of the remuneration otherwise payable to his appointor as such appointor may by notice in writing to the Company from time to time direct.

**17 EXECUTION OF DOCUMENTS**

Where the Act so permits, any instrument signed by one director and the secretary or by two directors and expressed to be executed by the Company as a deed shall have the same effect as if executed under the seal, provided that no instrument shall be so signed which makes it clear on its face that it is intended by the person or persons making it to have effect as a deed without the authority of the directors or of a committee authorised by the directors in that behalf. If the Company has a seal, it shall be used only with the authority of the directors or of a committee of the directors. The obligation under regulation 6 of Table A relating to the sealing of share certificates shall only apply if the Company has a seal.

**18 DIVIDENDS**

The directors may deduct from any dividend payable on or in respect of a share all sums of money presently payable by the holder to the Company on any account whatsoever.

**19 NOTICES**

19.1 A notice or other document may be given by the Company to any member in writing either by hand or by sending it by pre-paid first class post or facsimile telecopier (**"fax"**) to his registered address within the United Kingdom or to his fax number supplied by him to the Company for the giving of notice to him, except in the case of a share certificate and only if an address has been specified by the member for such purpose, by electronic communication. In the absence of an address or fax number the member shall not be entitled to receive from the Company notice of any meeting.

19.2 In the case of joint holders of a share, all notices shall be given to the joint holder whose name stands first in the register of members in respect of the joint holding and notice so given shall be sufficient notice to all the joint holders.

19.3 Notices shall be deemed to have been received:-

19.3.1 if delivered by hand, on the day of delivery;

19.3.2 if sent by first class post, two business days after posting exclusive of the day of posting;

19.3.3 if sent by fax at the time of transmission or, if the time of transmission is not during the addressee's normal business hours, at 9.30 am on the next business day;

19.3.4 if sent by electronic communication, at the expiration of 48 hours after the time it was sent.

19.4 Any notice or other document may only be served on, or delivered to, the Company by anyone:

19.4.1 by sending it through the post in a pre-paid envelope addressed to the Company or any officer of the Company at the office or such other place in the United Kingdom as may from time to time be specified by the Company;

19.4.2 by delivery of it by hand to the office or such other place in the United Kingdom as may from time to time be specified by the Company;

19.4.3 if an address has been specified by the Company for such purpose (and in the case of an appointment of a proxy such address has been specified in a document or other communication referred to in Article 9.6), by electronic communication.

**20 INDEMNITY**

Subject to the provisions of and so far as may be permitted by the Act, every director (including an alternate director), secretary or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all costs, charges, losses, expenses and liabilities incurred or sustained by him in or about the lawful execution and discharge of his duties or otherwise in relation thereto, including any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted. Regulation 118 of Table A shall be extended accordingly.

**NAME AND ADDRESS OF SUBSCRIBER**

_____
For and on behalf of
Magnachip Semiconductor S.a r.L
10, rue de Vianden,
L-2680 Luxembourg
Grand Duchy of Luxembourg

**DATED** this day of July 2004

**WITNESS** to the above Signature:-

Sign: _____
Print Name: _____
Address: _____
_____
_____

**Exhibit 3.18**

(Translation)

Articles of Incorporation of

MagnaChip Semiconductor Limited

ARTICLE I.

This Company, duly incorporated in accordance with the Company Law of the Republic of China, shall be named as MagnaChip Semiconductor Limited.

ARTICLE II.

The purpose for which this Company is organized is to engage in activity or business not in conflict with the laws and regulations of Taiwan.

ARTICLE III.

The main office of the Company shall be in Taipei, Taiwan. Upon necessity, branch office(s) may be established nationally and overseas.

ARTICLE IV.

The Company may act as a guarantor.

ARTICLE V.

All notifications of the Company shall be made pursuant to Article 28 of the Company Law.

ARTICLE VI.

The Company's authorized capital is in the amount of 5,000,000 New Taiwan Dollars.

ARTICLE VII.

The names of the shareholders of the Company, domicile or residence, and investment is as listed below:

| Name | Domicile/Residence | Investment |
|---|---|---|
| MagnaChip Semiconductor S.a r.l. | 10, Rue de Vianden, L-2680 Luxembourg | NTD 5,000,000 |

ARTICLE VIII.

The director without the approval of all the shareholders and the shareholder without the approval of the majority of shareholders shall not transfer its initial capital in whole or in part.

ARTICLE IX.

The Company shall have at least one but not more than three directors to execute the business operation and to represent the Company. When there are several directors one of them shall be designated to act as the chairman of directors and to represent the Company externally.

ARTICLE X.

The Company's appointment, discharge, and remuneration of managerial personnel shall comport with Article 29 of the Company Law.

ARTICLE XI.

In accordance with the provisions of Article 110 of the Company Law, upon the close of each fiscal year, the directors shall prepare various reports and financial statements and shall send the same to each shareholder for their approval.

ARTICLE XII.

The Company shall, after its losses have been covered and all taxes and dues have been paid and at the time of allocating surplus profits, first set aside ten percent of such profits as a legal reserve. However when the legal reserve amounts to the authorized capital, this shall not apply. The Corporation shall then set aside 0.00001% to 10% of the remaining sum for the Employee Bonus.

ARTICLE XIII.

The distribution of the Company's earnings and losses shall be allocated to the shareholders in proportion to the amount of their respective investment.

ARTICLE XIV.

Matters not provided for in these Articles of Incorporation shall be dealt with in accordance with the Company Law and other relevant laws and regulations.

ARTICLE XV.

These Articles of Incorporation were formulated on 15th day of September, 2004, and became effective upon registration authorization of the competent authority.

MagnaChip Semiconductor Limited

Representative: Choi Jong Soo

Shareholder's signature or stamp

MagnaChip Semiconductor S.a r.l

**Exhibit 3.19**

(Translation)

ARTICLES OF INCORPORATION

OF

ISRON CORPORATION

## CHAPTER I. GENERAL PROVISIONS

**Article 1. Corporate Name**

The name of the Company shall be ISRON (in "Katakana") *Kabushiki Kaisha*. In the English language it shall be known as ISRON CORPORATION.

**Article 2. Location of Head Office**

The Company shall have its head office in Osaka City.

**Article 3. Purposes**

The purposes of the Company shall be as follows:

1. Development, design and sales of semiconductors
2. Contractor business and technical assistance of development and design of semiconductors
3. Development, design and sales of electronic circuits
4. Development, design and sales of software
5. All business incidental to and necessary to perform any of the foregoing items

**Article 4. Method of Public Notice**

Public Notices of the Company shall be published in the Official Gazette.

## CHAPTER II. SHARES

**Article 5. Numbers of Shares to be Issued**

The total number of shares authorized to be issued by the Company shall be thirty two thousand (32,000) shares.

**Article 6. Fraction Less Than One Share**

Any fraction less than one share of the Company shall not be registered in the fractional share register as a fractional share.

**Article 7. Types of Share Certificates**

The types of share certificates to be issued by the Company shall be designated by resolution of the Board of Directors.

**Article 8. Record Date**

1. The shareholders of the Company who are permitted to exercise their rights at an ordinary general meeting of shareholders concerning each fiscal year shall be those shareholders registered on the Register of Shareholders as of the end of the same fiscal year.
2. In addition to the preceding paragraph, whenever necessary, the Company may, by giving public notice, temporarily fix a record date, by the resolution of the Board of Directors.

**Article 9. Share Handling Regulations**

The procedures for registration of transfer of shares and any other proceedings concerning share handling and related fees shall be governed by Share Handling Regulations adopted by resolution of the Board of Directors.

## CHAPTER III. GENERAL MEETING OF SHAREHOLDERS

**Article 10. Holding of General Meeting of Shareholders**

1. An ordinary general meeting of Shareholders shall be held in February of each year.
2. In addition to the preceding paragraph, an extraordinary general meeting of Shareholders shall be held whenever necessary.

**Article 11. Chairman of General Meetings**

The President shall act as the chairman at a general meeting of shareholders. When the President is unable to act as chairman, one of the other directors, in accordance with the order previously determined by a resolution of the Board of Directors, shall act as the chairman.

**Article 12. Requirements for Ordinary Resolution**

Except as otherwise provided for by applicable laws or ordinances or this Articles, resolutions of the general meeting of shareholders shall be adopted by a majority of votes of shareholders present at the meeting.

**Article 13. Exercise of Voting Rights by a Proxy**

1. A shareholder may exercise his vote by proxy given to another shareholder, who has the right to vote.
2. The proxy holder appointed pursuant to the preceding paragraph shall submit to the Company a document evidencing power of representation at each general meeting of shareholders.

## CHAPTER IV. DIRECTORS AND BOARD OF DIRECTORS

### Article 14. Number of Directors

There shall be no less than three (3) directors of the Company.

### Article 15. Election of Directors

1. In case of the election of directors, shareholders representing not less than one third (1/3) of the number of voting rights of all shareholders shall attend the meeting, and the resolutions of the general meeting of shareholders shall be adopted by a majority of votes of shareholders present at the meeting.
2. The election of directors shall not be based on cumulative voting.

### Article 16. Term of Office of Directors

1. The terms of office of directors shall expire upon the conclusion of the ordinary general meeting of shareholders for the last fiscal year ending within two (2) years after their assumption of office.
2. The term of office of a director elected as a replacement director or due to increase of directors shall expire when the terms of office of the other directors expire.

### Article 17. Notice of the Meeting of the Board of Directors

A notice of a meeting of the Board of Directors shall be dispatched to each director at least seven (7) days prior to the date of such meeting, provided, however, that the period of notice may be shortened in the case of an emergency.

### Article 18. Directors with Managing Position and Representative Directors

1. The Board of Directors may, pursuant to a resolution, elect one Chairman and one President, one or more Vice Presidents, senior managing directors and managing directors, from among the directors.
2. The Board of Directors shall, pursuant to a resolution, elect one or more directors to represent the Company.

### Article 19. Remuneration for Directors

Remuneration for directors shall be determined by the resolution of a general meeting of shareholders.

## CHAPTER V. AUDITORS

### Article 20. Number of Auditors

The Company shall have one (1) or more auditors.

**Article 21. Election of Auditor**

In case of the election of auditor, shareholders representing not less than one third (1/3) of the number of voting rights of all shareholders shall attend the meeting, and the resolutions of the general meeting of shareholders shall be adopted by a majority of votes of shareholders present at the meeting.

**Article 22. Term of Office of Auditor**

1. The term of office of an auditor shall expire upon the conclusion of the ordinary general meeting of shareholders for the last fiscal year ending within four (4) years after his assumption of office.
2. The term of office of an auditor elected as a replacement auditor shall expire when the terms of office of the auditor he is replacing would have expired.

**Article 23. Remuneration for Auditor**

Remuneration for the auditor shall be determined by the resolution of a general meeting of shareholders.

## CHAPTER VI. ACCOUNTS

**Article 24. Fiscal Year Period**

The fiscal year period of the Company shall commence on January 1 of each year and end on December 31.

**Article 25. Distribution of Dividends**

Dividends on shares shall be paid to shareholders or registered pledgees appearing on the Register of Shareholders as of the end of each fiscal year.

**Article 26. Forfeiture of Dividends**

In case the dividends have not been received within three (3) years from the day of commencement of payments, the Company shall be released from the payment obligation.

**Exhibit 3.20**

**ARTICLES OF INCORPORATION**

**ARTICLES OF INCORPORATION**

**OF**

**IC MEDIA CORPORATION**

**Article I**

The name of this corporation is IC Media Corporation.

**Article II**

The purpose of the corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

**Article III**

This corporation is authorized to issue one class of shares, designated "Common Shares". The total number of Common Shares this corporation is authorized to issue is 100 shares.

**Article IV**

Limitation of Directors' Liability. The liability of the directors of this corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

A. Indemnification of Corporate Agents. This corporation is authorized to provide indemnification of agents (as defined in Section 317 of the California Corporations Code) through bylaw provisions, agreements with agents, votes of shareholders or disinterested directors or otherwise, in excess of the indemnification otherwise permitted by Section 317 of the California Corporations Code, subject only to the applicable limits set forth in Section 204 of the California Corporations Code with respect to actions for breach of duty to this corporation and its shareholders.

B. Repeal or Modification. Any repeal or modification of the foregoing provisions of this ARTICLE IV shall not adversely affect any right or protection of an agent of this corporation relating to acts or omissions occurring prior to such repeal or modification.

**Exhibit 3.21**

# BYLAWS

# OF

# IC MEDIA CORPORATION

## ARTICLE I

## CORPORATE OFFICES

**1.1** *Principal Office*

The board of directors shall fix the location of the principal executive office of the corporation at any place within or outside the State of California. If the principal executive office is located outside such state and the corporation has one or more business offices in such state, then the board of directors shall fix and designate a principal business office in the State of California.

**1.2** *Other Offices*

The board of directors may at any time establish branch or subordinate offices at any place or places where the corporation is qualified to do business.

## ARTICLE II

## MEETINGS OF SHAREHOLDERS

**2.1** *Place Of Meetings*

Meetings of shareholders shall be held at any place within or outside the State of California designated by the board of directors. In the absence of any such designation, shareholders' meetings shall be held at the principal executive office of the corporation.

**2.2** *Annual Meeting*

The annual meeting of shareholders shall be held each year on a date and at a time designated by the board of directors. In the absence of such designation, the annual meeting of shareholders shall be held on the third Wednesday of May in each year at 10:00 a.m. However, if such day falls on a legal holiday, then the meeting shall be held at the same time and place on the next succeeding full business day. At the meeting, directors shall be elected, and any other proper business may be transacted.

**2.3** *Special Meeting*

A special meeting of the shareholders may be called at any time by the board of directors, or by the chairman of the board, or by the president, or by one or more shareholders holding shares in the aggregate entitled to cast not less than ten percent (10%) of the votes at that meeting.

If a special meeting is called by any person or persons other than the board of directors or the president or the chairman of the board, then the request shall be in writing, specifying the time of such meeting and the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the chairman of the board, the president, any vice president or the secretary of the corporation. The officer receiving the request shall cause notice to be promptly given to the shareholders entitled to vote, in accordance with the provisions of Sections 2.4 and 2.5 of these bylaws, that a meeting will be held at the time requested by the person or persons calling the meeting, so long as that time is not less than thirty-five (35) nor more than sixty (60) days after the receipt of the request. If the notice is not given within twenty (20) days after receipt of the request, then the person or persons requesting the meeting may give the notice. Nothing contained in this paragraph of this Section 2.3 shall be construed as limiting, fixing or affecting the time when a meeting of shareholders called by action of the board of directors may be held.

**2.4** *Notice Of Shareholders' Meetings*

All notices of meetings of shareholders shall be sent or otherwise given in accordance with Section 2.5 of these bylaws not less than ten (10) (or, if sent by third-class mail pursuant to Section 2.5 of these bylaws, thirty (30)) nor more than sixty (60) days before the date of the meeting. The notice shall specify the place, date, and hour of the meeting and (i) in the case of a special meeting, the general nature of the business to be transacted (no business other than that specified in the notice may be transacted) or (ii) in the case of the annual meeting, those matters which the board of directors, at the time of giving the notice, intends to present for action by the shareholders (but subject to the provisions of the next paragraph of this Section 2.4 any proper matter may be presented at the meeting for such action). The notice of any meeting at which directors are to be elected shall include the name of any nominee or nominees who, at the time of the notice, the board intends to present for election.

If action is proposed to be taken at any meeting for approval of (i) a contract or transaction in which a director has a direct or indirect financial interest, pursuant to Section 310 of the Corporations Code of California (the "Code"), (ii) an amendment of the Article s of incorporation, pursuant to Section 902 of the Code, (iii) a reorganization of the corporation, pursuant to Section 1201 of the Code, (iv) a voluntary dissolution of the corporation, pursuant to Section 1900 of the Code, or (v) a distribution in dissolution other than in accordance with the rights of outstanding preferred shares, pursuant to Section 2007 of the Code, then the notice shall also state the general nature of that proposal.

**2.5** *Manner Of Giving Notice; Affidavit Of Notice*

Written notice of any meeting of shareholders shall be given either (i) personally or (ii) by first-class mail or (iii) by third-class mail but only if the corporation has outstanding shares held of record by five hundred (500) or more persons (determined as provided in Section 605 of the Code) on the record date for the shareholders' meeting, or (iv) by telegraphic or other written communication. Notices not personally delivered shall be sent charges prepaid and shall be addressed to the shareholder at the address of that shareholder appearing on the books of the corporation or given by the shareholder to the corporation for the purpose of notice. If no such address appears on the corporation's books or is given, notice shall be deemed to have been given if sent to that shareholder by mail or telegraphic or other written communication to the corporation's principal executive office, or if published at least once in a newspaper of general circulation in the county where that office is located. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by telegram or other means of written communication.

If any notice addressed to a shareholder at the address of that shareholder appearing on the books of the corporation is returned to the corporation by the United States Postal Service marked to indicate that the United States Postal Service is unable to deliver the notice to the shareholder at that address, then all future notices or reports shall be deemed to have been duly given without further mailing if the same shall be available to the shareholder on written demand of the shareholder at the principal executive office of the corporation for a period of one (1) year from the date of the giving of the notice.

An affidavit of the mailing or other means of giving any notice of any shareholders' meeting, executed by the secretary, assistant secretary or any transfer agent of the corporation giving the notice, shall be prima facie evidence of the giving of such notice.

**2.6** *Quorum*

The presence in person or by proxy of the holders of a majority of the shares entitled to vote thereat constitutes a quorum for the transaction of business at all meetings of shareholders. The shareholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the shares required to constitute a quorum.

**2.7** *Adjourned Meeting; Notice*

Any shareholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of the majority of the shares represented at that meeting, either in person or by proxy. In the absence of a quorum, no other business may be transacted at that meeting except as provided in Section 2.6 of these bylaws.

When any meeting of shareholders, either annual or special, is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place are announced at the

meeting at which the adjournment is taken. However, if a new record date for the adjourned meeting is fixed or if the adjournment is for more than forty-five (45) days from the date set for the original meeting, then notice of the adjourned meeting shall be given. Notice of any such adjourned meeting shall be given to each shareholder of record entitled to vote at the adjourned meeting in accordance with the provisions of Sections 2.4 and 2.5 of these bylaws. At any adjourned meeting the corporation may transact any business which might have been transacted at the original meeting.

**2.8** *Voting*

The shareholders entitled to vote at any meeting of shareholders shall be determined in accordance with the provisions of Section 2.11 of these bylaws, subject to the provisions of Sections 702 through 704 of the Code (relating to voting shares held by a fiduciary, in the name of a corporation or in joint ownership).

The shareholders' vote may be by voice vote or by ballot; provided, however, that any election for directors must be by ballot if demanded by any shareholder at the meeting and before the voting has begun.

Except as provided in the last paragraph of this Section 2.8, or as may be otherwise provided in the Article s of incorporation, each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote of the shareholders. Any shareholder entitled to vote on any matter may vote part of the shares in favor of the proposal and refrain from voting the remaining shares or, except when the matter is the election of directors, may vote them against the proposal; but, if the shareholder fails to specify the number of shares which the shareholder is voting affirmatively, it will be conclusively presumed that the shareholder's approving vote is with respect to all shares which the shareholder is entitled to vote.

If a quorum is present, the affirmative vote of the majority of the shares represented and voting at a duly held meeting (which shares voting affirmatively also constitute at least a majority of the required quorum) shall be the act of the shareholders, unless the vote of a greater number or a vote by classes is required by the Code or by the Articles of incorporation.

At a shareholders' meeting at which directors are to be elected, a shareholder shall be entitled to cumulate votes (i.e., cast for any candidate a number of votes greater than the number of votes which such shareholder normally is entitled to cast) if the candidates' names have been placed in nomination prior to commencement of the voting and the shareholder has given notice prior to commencement of the voting of the shareholder's intention to cumulate votes. If any shareholder has given such a notice, then every shareholder entitled to vote may cumulate votes for candidates in nomination either (i) by giving one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which that shareholder's shares are normally entitled or (ii) by distributing the shareholder's votes on the same principle among any or all of the candidates, as the shareholder thinks fit. The candidates receiving the highest number of affirmative votes, up to the number of directors to be elected, shall be elected; votes against any candidate and votes withheld shall have no legal effect.

**2.9** *Validation Of Meetings; Waiver Of Notice; Consent*

The transactions of any meeting of shareholders, either annual or special, however called and noticed, and wherever held, shall be as valid as though they had been taken at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each person entitled to vote, who was not present in person or by proxy, signs a written waiver of notice or a consent to the holding of the meeting or an approval of the minutes thereof. The waiver of notice or consent or approval need not specify either the business to be transacted or the purpose of any annual or special meeting of shareholders, except that if action is taken or proposed to be taken for approval of any of those matters specified in the second paragraph of Section 2.4 of these bylaws, the waiver of notice or consent or approval shall state the general nature of the proposal. All such waivers, consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Attendance by a person at a meeting shall also constitute a waiver of notice of and presence at that meeting, except when the person objects at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Attendance at a meeting is not a waiver of any right to object to the consideration of matters required by the Code to be included in the notice of the meeting but not so included, if that objection is expressly made at the meeting.

**2.10** *Shareholder Action By Written Consent Without A Meeting*

Any action which may be taken at any annual or special meeting of shareholders may be taken without a meeting and without prior notice, if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take that action at a meeting at which all shares entitled to vote on that action were present and voted.

In the case of election of directors, such a consent shall be effective only if signed by the holders of all outstanding shares entitled to vote for the election of directors. However, a director may be elected at any time to fill any vacancy on the board of directors, provided that it was not created by removal of a director and that it has not been filled by the directors, by the written consent of the holders of a majority of the outstanding shares entitled to vote for the election of directors.

All such consents shall be maintained in the corporate records. Any shareholder giving a written consent, or the shareholder's proxy holders, or a transferee of the shares, or a personal representative of the shareholder, or their respective proxy holders, may revoke the consent by a writing received by the secretary of the corporation before written consents of the number of shares required to authorize the proposed action have been filed with the secretary.

If the consents of all shareholders entitled to vote have not been solicited in writing and if the unanimous written consent of all such shareholders has not been received, then the secretary shall give prompt notice of the corporate action approved by the shareholders without a meeting. Such notice shall be given to those shareholders entitled to vote who have not consented in writing and shall be given in the manner specified in Section 2.5 of these bylaws. In the case of approval of (i) a contract or transaction in which a director has a direct or indirect financial interest, pursuant to

Section 310 of the Code, (ii) indemnification of a corporate "agent," pursuant to Section 317 of the Code, (iii) a reorganization of the corporation, pursuant to Section 1201 of the Code, and (iv) a distribution in dissolution other than in accordance with the rights of outstanding preferred shares, pursuant to Section 2007 of the Code, the notice shall be given at least ten (10) days before the consummation of any action authorized by that approval.

**2.11** *Record Date For Shareholder Notice; Voting; Giving Consents*

For purposes of determining the shareholders entitled to notice of any meeting or to vote thereat or entitled to give consent to corporate action without a meeting, the board of directors may fix, in advance, a record date, which shall not be more than sixty (60) days nor less than ten (10) days before the date of any such meeting nor more than sixty (60) days before any such action without a meeting, and in such event only shareholders of record on the date so fixed are entitled to notice and to vote or to give consents, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date, except as otherwise provided in the Code.

If the board of directors does not so fix a record date:

(a) the record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the business day next preceding the day on which notice is given or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held; and

(b) the record date for determining shareholders entitled to give consent to corporate action in writing without a meeting, (i) when no prior action by the board has been taken, shall be the day on which the first written consent is given, or (ii) when prior action by the board has been taken, shall be at the close of business on the day on which the board adopts the resolution relating to that action, or the sixtieth (60th) day before the date of such other action, whichever is later.

The record date for any other purpose shall be as provided in Article VIII of these bylaws.

**2.12** *Proxies*

Every person entitled to vote for directors, or on any other matter, shall have the right to do so either in person or by one or more agents authorized by a written proxy signed by the person and filed with the secretary of the corporation. A proxy shall be deemed signed if the shareholder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission or otherwise) by the shareholder or the shareholder's attorney-in-fact. A validly executed proxy which does not state that it is irrevocable shall continue in full force and effect unless (i) the person who executed the proxy revokes it prior to the time of voting by delivering a writing to the corporation stating that the proxy is revoked or by executing a subsequent proxy and presenting it to the meeting or by voting in person at the meeting, or (ii) written notice of the death or incapacity of the maker of that proxy is received by the corporation before the vote pursuant to that proxy is counted; provided, however, that no proxy shall be valid after the expiration of eleven (11) months from the date of the proxy, unless otherwise provided in the proxy. The dates contained on the forms of proxy

presumptively determine the order of execution, regardless of the postmark dates on the envelopes in which they are mailed. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Sections 705(e) and 705(f) of the Code.

**2.13** *Inspectors Of Election*

Before any meeting of shareholders, the board of directors may appoint an inspector or inspectors of election to act at the meeting or its adjournment. If no inspector of election is so appointed, then the chairman of the meeting may, and on the request of any shareholder or a shareholder's proxy shall, appoint an inspector or inspectors of election to act at the meeting. The number of inspectors shall be either one (1) or three (3). If inspectors are appointed at a meeting pursuant to the request of one (1) or more shareholders or proxies, then the holders of a majority of shares or their proxies present at the meeting shall determine whether one (1) or three (3) inspectors are to be appointed. If any person appointed as inspector fails to appear or fails or refuses to act, then the chairman of the meeting may, and upon the request of any shareholder or a shareholder's proxy shall, appoint a person to fill that vacancy.

Such inspectors shall:

(a) determine the number of shares outstanding and the voting power of each, the number of shares represented at the meeting, the existence of a quorum, and the authenticity, validity, and effect of proxies;

(b) receive votes, ballots or consents;

(c) hear and determine all challenges and questions in any way arising in connection with the right to vote;

(d) count and tabulate all votes or consents;

(e) determine when the polls shall close;

(f) determine the result; and

(g) do any other acts that may be proper to conduct the election or vote with fairness to all shareholders.

## ARTICLE III

## DIRECTORS

**3.1** *Powers*

Subject to the provisions of the Code and any limitations in the Article s of incorporation and these bylaws relating to action required to be approved by the shareholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the board of directors.

**3.2** *Number Of Directors*

The authorized number of directors of the corporation shall be one (1) until changed by a duly adopted amendment to the Article s of incorporation or by an amendment to this bylaw adopted by the vote or written consent of holders of a majority of the outstanding shares entitled to vote.

No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

**3.3** *Election And Term Of Office Of Directors*

Directors shall be elected at each annual meeting of shareholders to hold office until the next annual meeting. Each director, including a director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified.

**3.4** *Resignation And Vacancies*

Any director may resign effective on giving written notice to the chairman of the board, the president, the secretary or the board of directors, unless the notice specifies a later time for that resignation to become effective. If the resignation of a director is effective at a future time, the board of directors may elect a successor to take office when the resignation becomes effective.

Vacancies in the board of directors may be filled by a majority of the remaining directors, even if less than a quorum, or by a sole remaining director; however, a vacancy created by the removal of a director by the vote or written consent of the shareholders or by court order may be filled only by the affirmative vote of a majority of the shares represented and voting at a duly held meeting at which a quorum is present (which shares voting affirmatively also constitute a majority of the required quorum), or by the unanimous written consent of all shares entitled to vote thereon. Each director so elected shall hold office until the next annual meeting of the shareholders and until a successor has been elected and qualified.

A vacancy or vacancies in the board of directors shall be deemed to exist (i) in the event of the death, resignation or removal of any director, (ii) if the board of directors by resolution declares vacant the office of a director who has been declared of unsound mind by an order of court or convicted of a felony, (iii) if the authorized number of directors is increased, or (iv) if the shareholders fail, at any meeting of shareholders at which any director or directors are elected, to elect the number of directors to be elected at that meeting.

The shareholders may elect a director or directors at any time to fill any vacancy or vacancies not filled by the directors, but any such election other than to fill a vacancy created by removal, if by written consent, shall require the consent of the holders of a majority of the outstanding shares entitled to vote thereon.

**3.5** *Place Of Meetings; Meetings By Telephone*

Regular meetings of the board of directors may be held at any place within or outside the State of California that has been designated from time to time by resolution of the board. In the

absence of such a designation, regular meetings shall be held at the principal executive office of the corporation. Special meetings of the board may be held at any place within or outside the State of California that has been designated in the notice of the meeting or, if not stated in the notice or if there is no notice, at the principal executive office of the corporation.

Any meeting, regular or special, may be held by conference telephone or similar communication equipment, so long as all directors participating in the meeting can hear one another; and all such directors shall be deemed to be present in person at the meeting.

**3.6** *Regular Meetings*

Regular meetings of the board of directors may be held without notice if the times of such meetings are fixed by the board of directors.

**3.7** *Special Meetings; Notice*

Special meetings of the board of directors for any purpose or purposes may be called at any time by the chairman of the board, the president, any vice president, the secretary or any two (2) directors.

Notice of the time and place of special meetings shall be delivered personally or by telephone to each director or sent by first-class mail or telegram, charges prepaid, addressed to each director at that director's address as it is shown on the records of the corporation. If the notice is mailed, it shall be deposited in the United States mail at least four (4) days before the time of the holding of the meeting. If the notice is delivered personally or by telephone or telegram, it shall be delivered personally or by telephone or to the telegraph company at least forty-eight (48) hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. The notice need not specify the purpose or the place of the meeting, if the meeting is to be held at the principal executive office of the corporation.

**3.8** *Quorum*

A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 3.10 of these bylaws. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the board of directors, subject to the provisions of Section 310 of the Code (as to approval of contracts or transactions in which a director has a direct or indirect material financial interest), Section 311 of the Code (as to appointment of committees), Section 317(e) of the Code (as to indemnification of directors), the Article s of incorporation, and other applicable law.

A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

**3.9** *Waiver Of Notice*

Notice of a meeting need not be given to any director (i) who signs a waiver of notice or a consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or (ii) who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such directors. All such waivers, consents, and approvals shall be filed with the corporate records or made part of the minutes of the meeting. A waiver of notice need not specify the purpose of any regular or special meeting of the board of directors.

**3.10** *Adjournment*

A majority of the directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place.

**3.11** *Notice Of Adjournment*

Notice of the time and place of holding an adjourned meeting need not be given unless the meeting is adjourned for more than twenty-four (24) hours. If the meeting is adjourned for more than twenty-four (24) hours, then notice of the time and place of the adjourned meeting shall be given before the adjourned meeting takes place, in the manner specified in Section 3.7 of these bylaws, to the directors who were not present at the time of the adjournment.

**3.12** *Board Action By Written Consent Without A Meeting*

Any action required or permitted to be taken by the board of directors may be taken without a meeting, provided that all members of the board individually or collectively consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the board of directors. Such written consent and any counterparts thereof shall be filed with the minutes of the proceedings of the board.

**3.13** *Fees And Compensation Of Directors*

Directors and members of committees may receive such compensation, if any, for their services and such reimbursement of expenses as may be fixed or determined by resolution of the board of directors. This Section 3.13 shall not be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee or otherwise and receiving compensation for those services.

**3.14** *Removal*

The entire board of directors or any individual director may be removed from office without cause by the affirmative vote of a majority of the outstanding shares entitled to vote on such removal; provided, however, that unless the entire board is removed, no individual director may be removed when the votes cast against such director's removal, or not consenting in writing to such removal, would be sufficient to elect that director if voted cumulatively at an election at which the same total number of votes cast were cast (or, if such action is taken by written consent, all shares

entitled to vote were voted) and the entire number of directors authorized at the time of such director's most recent election were then being elected.

**3.15** *Approval of Loans to Officers*

If these bylaws have been approved by the corporation's shareholders in accordance with the Code, the corporation may, upon the approval of the board of directors alone, make loans of money or property to, or guarantee the obligations of, any officer of the corporation or of its parent, if any, whether or not a director, or adopt an employee benefit plan or plans authorizing such loans or guaranties provided that (i) the board of directors determines that such a loan or guarantee or plan may reasonably be expected to benefit the corporation, (ii) the corporation has outstanding shares held of record by 100 or more persons (determined as provided in Section 605 of the Code) on the date of approval by the board of directors, and (iii) the approval of the board of directors is by a vote sufficient without counting the vote of any interested director or directors. Notwithstanding the foregoing, the corporation shall have the power to make loans permitted by the Code.

## ARTICLE IV

## COMMITTEES

**4.1** *Committees Of Directors*

The board of directors may, by resolution adopted by a majority of the authorized number of directors, designate one (1) or more committees, each consisting of two or more directors, to serve at the pleasure of the board. The board may designate one (1) or more directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. The appointment of members or alternate members of a committee requires the vote of a majority of the authorized number of directors. Any committee, to the extent provided in the resolution of the board, shall have all the authority of the board, except with respect to:

(a) the approval of any action which, under the Code, also requires shareholders' approval or approval of the outstanding shares;

(b) the filling of vacancies on the board of directors or in any committee;

(c) the fixing of compensation of the directors for serving on the board or any committee;

(d) the amendment or repeal of these bylaws or the adoption of new bylaws;

(e) the amendment or repeal of any resolution of the board of directors which by its express terms is not so amendable or repealable;

(f) a distribution to the shareholders of the corporation, except at a rate or in a periodic amount or within a price range determined by the board of directors; or

(g) the appointment of any other committees of the board of directors or the members of such committees.

**4.2** *Meetings And Action Of Committees*

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Article III of these bylaws, Section 3.5 (place of meetings), Section 3.6 (regular meetings), Section 3.7 (special meetings and notice), Section 3.8 (quorum), Section 3.9 (waiver of notice), Section 3.10 (adjournment), Section 3.11 (notice of adjournment), and Section 3.12 (action without meeting), with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the board of directors and its members; provided, however, that the time of regular meetings of committees may be determined either by resolution of the board of directors or by resolution of the committee, that special meetings of committees may also be called by resolution of the board of directors, and that notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The board of directors may adopt rules for the government of any committee not inconsistent with the provisions of these bylaws.

## ARTICLE V

## OFFICERS

**5.1** *Officers*

The officers of the corporation shall be a president, a secretary, and a chief financial officer. The corporation may also have, at the discretion of the board of directors, a chairman of the board, one or more vice presidents, one or more assistant secretaries, one or more assistant treasurers, and such other officers as may be appointed in accordance with the provisions of Section 5.3 of these bylaws. Any number of offices may be held by the same person.

**5.2** *Election Of Officers*

The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Section 5.3 or Section 5.5 of these bylaws, shall be chosen by the board, subject to the rights, if any, of an officer under any contract of employment.

**5.3** *Subordinate Officers*

The board of directors may appoint, or may empower the president to appoint, such other officers as the business of the corporation may require, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws or as the board of directors may from time to time determine.

**5.4** *Removal And Resignation Of Officers*

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by the board of directors at any regular or special meeting

of the board or, except in case of an officer chosen by the board of directors, by any officer upon whom such power of removal may be conferred by the board of directors.

Any officer may resign at any time by giving written notice to the corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

**5.5** *Vacancies In Offices*

A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these bylaws for regular appointments to that office.

**5.6** *Chairman Of The Board*

The chairman of the board, if such an officer be elected, shall, if present, preside at meetings of the board of directors and exercise and perform such other powers and duties as may from time to time be assigned to him by the board of directors or as may be prescribed by these bylaws. If there is no president, then the chairman of the board shall also be the chief executive officer of the corporation and shall have the powers and duties prescribed in Section 5.7 of these bylaws.

**5.7** *President*

Subject to such supervisory powers, if any, as may be given by the board of directors to the chairman of the board, if there be such an officer, the president shall be the chief executive officer of the corporation and shall, subject to the control of the board of directors, have general supervision, direction, and control of the business and the officers of the corporation. He shall preside at all meetings of the shareholders and, in the absence or nonexistence of a chairman of the board, at all meetings of the board of directors. He shall have the general powers and duties of management usually vested in the office of president of a corporation, and shall have such other powers and duties as may be prescribed by the board of directors or these bylaws.

**5.8** *Vice Presidents*

In the absence or disability of the president, the vice presidents, if any, in order of their rank as fixed by the board of directors or, if not ranked, a vice president designated by the board of directors, shall perform all the duties of the president and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. The vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the board of directors, these bylaws, the president or the chairman of the board.

**5.9** *Secretary*

The secretary shall keep or cause to be kept, at the principal executive office of the corporation or such other place as the board of directors may direct, a book of minutes of all meetings and actions of directors, committees of directors and shareholders. The minutes shall show

the time and place of each meeting, whether regular or special (and, if special, how authorized and the notice given), the names of those present at directors' meetings or committee meetings, the number of shares present or represented at shareholders' meetings, and the proceedings thereof.

The secretary shall keep, or cause to be kept, at the principal executive office of the corporation or at the office of the corporation's transfer agent or registrar, as determined by resolution of the board of directors, a share register, or a duplicate share register, showing the names of all shareholders and their addresses, the number and classes of shares held by each, the number and date of certificates evidencing such shares, and the number and date of cancellation of every certificate surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all meetings of the shareholders and of the board of directors required to be given by law or by these bylaws. He shall keep the seal of the corporation, if one be adopted, in safe custody and shall have such other powers and perform such other duties as may be prescribed by the board of directors or by these bylaws.

**5.10** *Chief Financial Officer*

The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and shares. The books of account shall at all reasonable times be open to inspection by any director.

The chief financial officer shall deposit all money and other valuables in the name and to the credit of the corporation with such depositaries as may be designated by the board of directors. He shall disburse the funds of the corporation as may be ordered by the board of directors, shall render to the president and directors, whenever they request it, an account of all of his transactions as chief financial officer and of the financial condition of the corporation, and shall have such other powers and perform such other duties as may be prescribed by the board of directors or these bylaws.

## ARTICLE VI

## INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND OTHER AGENTS

**6.1** *Indemnification Of Directors And Officers*

The corporation shall, to the maximum extent and in the manner permitted by the Code, indemnify each of its directors and officers against expenses (as defined in Section 317(a) of the Code), judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding (as defined in Section 317(a) of the Code), arising by reason of the fact that such person is or was an agent of the corporation. For purposes of this Article VI, a "director" or "officer" of the corporation includes any person (i) who is or was a director or officer of the corporation, (ii) who is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, or (iii) who was a director or

officer of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

**6.2** *Indemnification Of Others*

The corporation shall have the power, to the extent and in the manner permitted by the Code, to indemnify each of its employees and agents (other than directors and officers) against expenses (as defined in Section 317(a) of the Code), judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding (as defined in Section 317(a) of the Code), arising by reason of the fact that such person is or was an agent of the corporation. For purposes of this Article VI, an "employee" or "agent" of the corporation (other than a director or officer) includes any person (i) who is or was an employee or agent of the corporation, (ii) who is or was serving at the request of the corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or (iii) who was an employee or agent of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

**6.3** *Payment Of Expenses In Advance*

Expenses incurred in defending any civil or criminal action or proceeding for which indemnification is required pursuant to Section 6.1 or for which indemnification is permitted pursuant to Section 6.2 following authorization thereof by the Board of Directors shall be paid by the corporation in advance of the final disposition of such action or proceeding upon receipt of an undertaking by or on behalf of the indemnified party to repay such amount if it shall ultimately be determined that the indemnified party is not entitled to be indemnified as authorized in this Article VI.

**6.4** *Indemnity Not Exclusive*

The indemnification provided by this Article VI shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office, to the extent that such additional rights to indemnification are authorized in the Articles of Incorporation.

**6.5** *Insurance Indemnification*

The corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation against any liability asserted against or incurred by such person in such capacity or arising out of such person's status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article VI.

**6.6** *Conflicts*

No indemnification or advance shall be made under this Article VI, except where such indemnification or advance is mandated by law or the order, judgment or decree of any court of competent jurisdiction, in any circumstance where it appears:

(1) That it would be inconsistent with a provision of the Articles of Incorporation, these bylaws, a resolution of the shareholders or an agreement in effect at the time of the accrual of the alleged cause of the action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

(2) That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

## ARTICLE VII

## RECORDS AND REPORTS

**7.1** *Maintenance And Inspection Of Share Register*

The corporation shall keep either at its principal executive office or at the office of its transfer agent or registrar (if either be appointed), as determined by resolution of the board of directors, a record of its shareholders listing the names and addresses of all shareholders and the number and class of shares held by each shareholder.

A shareholder or shareholders of the corporation who holds at least five percent (5%) in the aggregate of the outstanding voting shares of the corporation or who holds at least one percent (1%) of such voting shares and has filed a Schedule 14B with the Securities and Exchange Commission relating to the election of directors, may (i) inspect and copy the records of shareholders' names, addresses, and shareholdings during usual business hours on five (5) days' prior written demand on the corporation, (ii) obtain from the transfer agent of the corporation, on written demand and on the tender of such transfer agent's usual charges for such list, a list of the names and addresses of the shareholders who are entitled to vote for the election of directors, and their shareholdings, as of the most recent record date for which that list has been compiled or as of a date specified by the shareholder after the date of demand. Such list shall be made available to any such shareholder by the transfer agent on or before the later of five (5) days after the demand is received or five (5) days after the date specified in the demand as the date as of which the list is to be compiled.

The record of shareholders shall also be open to inspection on the written demand of any shareholder or holder of a voting trust certificate, at any time during usual business hours, for a purpose reasonably related to the holder's interests as a shareholder or as the holder of a voting trust certificate.

Any inspection and copying under this Section 7.1 may be made in person or by an agent or attorney of the shareholder or holder of a voting trust certificate making the demand.

**7.2** *Maintenance And Inspection Of Bylaws*

The corporation shall keep at its principal executive office or, if its principal executive office is not in the State of California, at its principal business office in California the original or a copy of these bylaws as amended to date, which bylaws shall be open to inspection by the shareholders at all reasonable times during office hours. If the principal executive office of the corporation is outside the State of California and the corporation has no principal business office in such state, then the secretary shall, upon the written request of any shareholder, furnish to that shareholder a copy of these bylaws as amended to date.

**7.3** *Maintenance And Inspection Of Other Corporate Records*

The accounting books and records and the minutes of proceedings of the shareholders, of the board of directors, and of any committee or committees of the board of directors shall be kept at such place or places as are designated by the board of directors or, in absence of such designation, at the principal executive office of the corporation. The minutes shall be kept in written form, and the accounting books and records shall be kept either in written form or in any other form capable of being converted into written form.

The minutes and accounting books and records shall be open to inspection upon the written demand of any shareholder or holder of a voting trust certificate, at any reasonable time during usual business hours, for a purpose reasonably related to the holder's interests as a shareholder or as the holder of a voting trust certificate. The inspection may be made in person or by an agent or attorney and shall include the right to copy and make extracts. Such rights of inspection shall extend to the records of each subsidiary corporation of the corporation.

**7.4** *Inspection By Directors*

Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of every kind as well as the physical properties of the corporation and each of its subsidiary corporations. Such inspection by a director may be made in person or by an agent or attorney. The right of inspection includes the right to copy and make extracts of documents.

**7.5** *Annual Report To Shareholders; Waiver*

The board of directors shall cause an annual report to be sent to the shareholders not later than one hundred twenty (120) days after the close of the fiscal year adopted by the corporation. Such report shall be sent at least fifteen (15) days (or, if sent by third-class mail, thirty-five (35) days) before the annual meeting of shareholders to be held during the next fiscal year and in the manner specified in Section 2.5 of these bylaws for giving notice to shareholders of the corporation.

The annual report shall contain (i) a balance sheet as of the end of the fiscal year, (ii) an income statement, (iii) a statement of changes in financial position for the fiscal year, and (iv) any report of independent accountants or, if there is no such report, the certificate of an authorized officer of the corporation that the statements were prepared without audit from the books and records of the corporation.

The foregoing requirement of an annual report shall be waived so long as the shares of the corporation are held by fewer than one hundred (100) holders of record.

**7.6** *Financial Statements*

If no annual report for the fiscal year has been sent to shareholders, then the corporation shall, upon the written request of any shareholder made more than one hundred twenty (120) days after the close of such fiscal year, deliver or mail to the person making the request, within thirty (30) days thereafter, a copy of a balance sheet as of the end of such fiscal year and an income statement and statement of changes in financial position for such fiscal year.

If a shareholder or shareholders holding at least five percent (5%) of the outstanding shares of any class of stock of the corporation makes a written request to the corporation for an income statement of the corporation for the three-month, six-month or nine-month period of the then current fiscal year ended more than thirty (30) days before the date of the request, and for a balance sheet of the corporation as of the end of that period, then the chief financial officer shall cause that statement to be prepared, if not already prepared, and shall deliver personally or mail that statement or statements to the person making the request within thirty (30) days after the receipt of the request. If the corporation has not sent to the shareholders its annual report for the last fiscal year, the statements referred to in the first paragraph of this Section 7.6 shall likewise be delivered or mailed to the shareholder or shareholders within thirty (30) days after the request.

The quarterly income statements and balance sheets referred to in this Sections hall be accompanied by the report, if any, of any independent accountants engaged by the corporation or by the certificate of an authorized officer of the corporation that the financial statements were prepared without audit from the books and records of the corporation.

**7.7** *Representation Of Shares Of Other Corporations*

The chairman of the board, the president, any vice president, the chief financial officer, the secretary or assistant secretary of this corporation, or any other person authorized by the board of directors or the president or a vice president, is authorized to vote, represent, and exercise on behalf of this corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this corporation. The authority herein granted may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by such person having the authority.

## ARTICLE VIII

### GENERAL MATTERS

**8.1** *Record Date For Purposes Other Than Notice And Voting*

For purposes of determining the shareholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the shareholders entitled to exercise any rights in respect of any other lawful action (other than action by shareholders by written consent without a

meeting), the board of directors may fix, in advance, a record date, which shall not be more than sixty (60) days before any such action. In that case, only shareholders of record at the close of business on the date so fixed are entitled to receive the dividend, distribution or allotment of rights, or to exercise such rights, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date so fixed, except as otherwise provided in the Code.

If the board of directors does not so fix a record date, then the record date for determining shareholders for any such purpose shall be at the close of business on the day on which the board adopts the applicable resolution or the sixtieth (60th) day before the date of that action, whichever is later.

**8.2** *Checks; Drafts; Evidences Of Indebtedness*

From time to time, the board of directors shall determine by resolution which person or persons may sign or endorse all checks, drafts, other orders for payment of money, notes or other evidences of indebtedness that are issued in the name of or payable to the corporation, and only the persons so authorized shall sign or endorse those instruments.

**8.3** *Corporate Contracts And Instruments: How Executed*

The board of directors, except as otherwise provided in these bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the board of directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

**8.4** *Certificates For Shares*

A certificate or certificates for shares of the corporation shall be issued to each shareholder when any of such shares are fully paid. The board of directors may authorize the issuance of certificates for shares partly paid provided that these certificates shall state the total amount of the consideration to be paid for them and the amount actually paid. All certificates shall be signed in the name of the corporation by the chairman of the board or the vice chairman of the board or the president or a vice president and by the chief financial officer or an assistant treasurer or the secretary or an assistant secretary, certifying the number of shares and the class or series of shares owned by the shareholder. Any or all of the signatures on the certificate may be facsimile.

In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed on a certificate ceases to be that officer, transfer agent or registrar before that certificate is issued, it may be issued by the corporation with the same effect as if that person were an officer, transfer agent or registrar at the date of issue.

**8.5** *Lost Certificates*

Except as provided in this Section 8.5, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the corporation and canceled at the same time. The board of directors may, in case any share certificate or certificate for any other security is lost, stolen or destroyed, authorize the issuance of replacement certificates on such terms and conditions as the board may require; the board may require indemnification of the corporation secured by a bond or other adequate security sufficient to protect the corporation against any claim that may be made against it, including any expense or liability, on account of the alleged loss, theft or destruction of the certificate or the issuance of the replacement certificate.

**8.6** *Construction; Definitions*

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the Code shall govern the construction of these bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

## ARTICLE IX

### AMENDMENTS

**9.1** *Amendment By Shareholders*

New bylaws may be adopted or these bylaws may be amended or repealed by the vote or written consent of holders of a majority of the outstanding shares entitled to vote; provided, however, that if the Article s of incorporation of the corporation set forth the number of authorized directors of the corporation, then the authorized number of directors may be changed only by an amendment of the Articles of incorporation.

**9.2** *Amendment By Directors*

Subject to the rights of the shareholders as provided in Section 9.1 of these bylaws, bylaws, other than a bylaw or an amendment of a bylaw changing the authorized number of directors (except to fix the authorized number of directors pursuant to a bylaw providing for a variable number of directors), may be adopted, amended or repealed by the board of directors.

**Exhibit 3.22**

CERTIFICATE OF AMENDMENT

TO THE BYLAWS OF

IC MEDIA CORPORATION

The undersigned, being the Secretary of IC Media Corporation, a California corporation (the "Company"), hereby certifies as follows:

(a) Section 3.2 of the Bylaws of the Company was amended and restated, effective April 15, 2003, to provide in its entirety as follows:

**"3.2** ***Number of Directors***

"The authorized number of directors of the corporation shall be six (6) until changed by a duly adopted amendment to this bylaw by a vote or written consent of the majority of the directors or by an amendment to the articles of incorporation by a vote or written consent of the majority of the outstanding shares entitled to vote.

No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires."

(b) Article V of the Bylaws of the Company was amended and restated, effective April 15, 2003, to provide in its entirety as follows:

**"ARTICLE I**

**OFFICERS**

**5.1** ***Officers***

The officers of the corporation shall be a chief executive officer, a president, a secretary, and a chief financial officer. The corporation may also have, at the discretion of the board of directors, a chairman of the board, one or more vice presidents, one or more assistant secretaries, one or more assistant treasurers, and such other officers as may be appointed in accordance with the provisions of Section 5.3 of these bylaws. Any number of offices may be held by the same person.

**5.2** ***Election Of Officers***

The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Section 5.3 or Section 5.5 of these bylaws, shall be chosen by the board, subject to the rights, if any, of an officer under any contract of employment.

**5.3** ***Subordinate Officers***

The board of directors may appoint, or may empower the president to appoint, such other officers as the business of the corporation may require, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws or as the board of directors may from time to time determine.

**5.4** ***Removal And Resignation Of Officers***

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by the board of directors at any regular or special meeting of the board or, except in case of an officer chosen by the board of directors, by any officer upon whom such power of removal may be conferred by the board of directors.

Any officer may resign at any time by giving written notice to the corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

**5.5** ***Vacancies In Offices***

A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these bylaws for regular appointments to that office.

**5.6** ***Chairman Of The Board***

The chairman of the board, if such an officer be elected, shall, if present, preside at meetings of the board of directors and exercise and perform such other powers and duties as may from time to time be assigned to him or her by the board of directors or as may be prescribed by these bylaws.

**5.7** ***Chief Executive Officer***

The board of directors shall select a chief executive officer of the corporation who shall, subject to the control of the board of directors, have general supervision, direction, and control of the business and the officers of the corporation. The chief executive officer shall preside at all meetings of the shareholders and, in the absence or nonexistence of a chairman of the board, at all meetings of the board of directors. The chief executive officer shall have the general powers and duties of management usually vested in the office of chief executive officer of a corporation, and shall have such other powers and duties as may be prescribed by the board of directors or these bylaws.

**5.8** ***President***

The president shall have the general powers and duties of management usually vested in the office of president of a corporation and shall have such other powers and duties as may be prescribed by the board of directors or these bylaws.

**5.9** ***Vice Presidents***

In the absence or disability of the president, the vice presidents, if any, in order of their rank as fixed by the board of directors or, if not ranked, a vice president designated by the board of directors, shall perform all the duties of the president and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. The vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the board of directors, these bylaws, the chief executive officer, the president or the chairman of the board.

**5.10** ***Secretary***

The secretary shall keep or cause to be kept, at the principal executive office of the corporation or such other place as the board of directors may direct, a book of minutes of all meetings and actions of directors, committees of directors and shareholders. The minutes shall show the time and place of each meeting, whether regular or special (and, if special, how authorized and the notice given), the names of those present at directors' meetings or committee meetings, the number of shares present or represented at shareholders' meetings, and the proceedings thereof.

The secretary shall keep, or cause to be kept, at the principal executive office of the corporation or at the office of the corporation's transfer agent or registrar, as determined by resolution of the board of directors, a share register, or a duplicate share register, showing the names of all shareholders and their addresses, the number and classes of shares held by each, the number and date of certificates evidencing such shares, and the number and date of cancellation of every certificate surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all meetings of the shareholders and of the board of directors required to be given by law or by these bylaws. The secretary shall keep the seal of the corporation, if one be adopted, in safe custody and shall have such other powers and perform such other duties as may be prescribed by the board of directors or by these bylaws.

**5.11** ***Chief Financial Officer***

The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and shares. The books of account shall at all reasonable times be open to inspection by any director.

The chief financial officer shall deposit all money and other valuables in the name and to the credit of the corporation with such depositaries as may be designated by the board of directors. The chief financial officer shall disburse the funds of the corporation as may be ordered by the board of directors, shall render to the president and directors, whenever they request it, an account of all of his transactions as chief financial officer and of the financial condition of the corporation, and shall have such other powers and perform such other duties as may be prescribed by the board of directors or these bylaws."

Date: _____, 2003

_____

Dale R. Lindly, Secretary

**Exhibit 3.23**

CERTIFICATE OF AMENDMENT

TO THE BYLAWS OF

IC MEDIA CORPORATION

The undersigned, being Secretary of IC Media Corporation, a California corporation (the "Company"), hereby certifies as follows:

Section 3.2 of the Bylaws of the Company was amended, effective April 15, 2005, to provide in its entirety as follows:

**3.2** ***Number of Directors***

"The authorized number of directors of the corporation shall be three (3) until changed by a duly adopted amendment to the articles of incorporation or by an amendment to this bylaw duly adopted by the vote or written consent of holders of a majority of the outstanding shares entitled to vote.

No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires."

IN WITNESS WHEREOF, the undersigned has signed this Secretary's Certificate as of the date first written above.

John McFarland, Secretary

**Exhibit 3.24**

**THE COMPANIES LAW (REVISED)**
**EXEMPTED COMPANY LIMITED BY SHARES**

**MEMORANDUM OF ASSOCIATION**
**OF**
**IC MEDIA INTERNATIONAL CORPORATION**

1. The name of the Company is **IC MEDIA INTERNATIONAL CORPORATION**
2. The Registered Office of the Company shall be at the offices of Codan Trust Company (Cayman) Limited, Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies.
3. Subject to the following provisions of this Memorandum, the objects for which the Company is established are unrestricted.
4. Subject to the following provisions of this Memorandum, the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided by Section 27(2) of The Companies Law (Revised).
5. Nothing in this Memorandum shall permit the Company to carry on a business for which a licence is required under the laws of the Cayman Islands unless duly licensed.
6. The Company shall not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands; provided that nothing in this clause shall be construed as to prevent the Company effecting and concluding contracts in the Cayman Islands, and exercising in the Cayman Islands all of its powers necessary for the carrying on of its business outside the Cayman Islands.
7. The liability of each member is limited to the amount from time to time unpaid on such member's shares.
8. The share capital of the Company is US$50,000 divided into 5,000,000 shares of a nominal or par value of US$0.01 each.

We, the undersigned, are desirous of being formed into a company pursuant to this Memorandum of Association and the Companies Law (Revised), and we hereby agree to take the numbers of shares set opposite our respective names below.

Dated this 13th day of September, 2002

| **SIGNATURE, NAME, OCCUPATION, AND ADDRESS OF SUBSCRIBER** | **NUMBER OF SHARES TAKEN BY SUBSCRIBER** |
|---|---|
| CODAN TRUST COMPANY (CAYMAN) LIMITED,<br>a Cayman Islands Company of:<br>Century Yard, Cricket Square<br>George Town<br>Grand Cayman<br>British West Indies<br><br>by:<br><br>_____<br>Neil T. Cox<br><br>and<br><br>_____<br>Neil T. Cox<br><br>_____<br>Theresa L. Pearson<br>Witness to the above signatures:<br><br>Address: Century Yard, Cricket Square, George Town, Grand Cayman<br>Occupation: Secretary | one |

I, _____ Registrar of Companies in and for the Cayman Islands DO HEREBY CERTIFY that this is a true copy of the Memorandum of Association of **IC MEDIA INTERNATIONAL CORPORATION** duly registered on the 13th day of September, 2002

_____
Registrar of Companies

**Exhibit 3.25**

**THE COMPANIES LAW (REVISED)**
**COMPANY LIMITED BY SHARES**

**ARTICLES OF ASSOCIATION**

**OF**
**IC MEDIA INTERNATIONAL CORPORATION**

**INDEX**

SCHEDULE

FORM A - PROXY
FORM B - NOTICE OF LIABILITY TO FORFEITURE FOR NON-PAYMENT OF CALL
FORM C - TRANSFER OF A SHARE OR SHARES
FORM D - TRANSFER BY A PERSON BECOMING ENTITLED ON DEATH/BANKRUPTCY OF A MEMBER

**THE COMPANIES LAW (REVISED)**
**COMPANY LIMITED BY SHARES**

**ARTICLES OF ASSOCIATION**

**OF**
**IC MEDIA INTERNATIONAL CORPORATION**

1. Table A

The regulations in Table A in the First Schedule to the Companies Law (Revised) do not apply to the Company.

2. Interpretation

(1) In these Articles where the context permits:

"Alternate Director" means an alternate Director appointed in accordance with these Articles;

"Articles" means these Articles of Association as altered from time to time;

"Auditors" means the auditors for the time being of the Company and includes any person or partnership;

"Board" means the Board of Directors appointed or elected pursuant to these Articles and acting by resolution in accordance with the Law and these Articles or the Directors present at a meeting of Directors at which there is a quorum;

"class meeting" means a separate meeting of the members of a class of shares;

"clear days" in relation to notice of a meeting means days falling after the day on which notice is given or deemed to be given and before the day of the meeting;

"Company" means the company for which these Articles are approved and confirmed;

"Director" means a director, including a sole director, for the time being of the Company and shall include an Alternate Director;

"Law" means The Companies Law (Revised) of the Cayman Islands and every modification or reenactment thereof for the time being in force;

"Member" means the person registered in the Register of Members as the holder of shares in the Company and, when two or more persons are so registered as joint holders of shares, means the person whose name stands first in the Register of Members as one of such joint holders or all of such persons as the context so requires;

"month" means calendar month;

"notice" means written notice as further defined in these Articles unless otherwise specifically stated;

"Officer" means any person appointed by the Board to hold an office in the Company;

"ordinary resolution" means a resolution passed at a general meeting (or, if so specified, a class meeting) of the Company by a simple majority of the votes cast, or a written resolution passed by unanimous consent of all Members entitled to vote;

"paid-up" means paid-up or credited as paid-up;

"Register of Directors and Officers" means the Register of Directors and Officers referred to in these Articles;

"Register of Members" means the register of members of the Company;

"Registered Office" means the registered office for the time being of the Company;

"Seal" means the common seal or any official or duplicate seal of the Company;

"Secretary" means the person appointed to perform any or all duties of secretary and includes any deputy or assistant secretary;

"share" includes a fraction of a share;

"special resolution" means, a resolution passed at a general meeting (or, if so specified, a class meeting) of the Company by a majority of not less than two thirds of the votes cast, as provided in the Law, or a written resolution passed by unanimous consent of all Members entitled to vote;

"year" means calendar year.

(2) In these Articles where not inconsistent with the context:

(a) words denoting the plural number include the singular number and vice versa;

(b) words denoting the masculine gender include the feminine gender and vice versa;

(c) words importing persons include companies or associations or bodies of persons, corporate or not;

(d) the word "may" shall be construed as permissive; the word "shall" shall be construed as imperative;

(e) a reference to a statutory provision shall be deemed to include any amendment or re-enactment thereof.

(3) Subject as aforesaid, words defined or used in the Law have the same meaning in these Articles.

(4) Expressions referring to writing or written shall unless the contrary intention appears, include facsimile, printing lithography, photography and other modes of representing words in a visible form.

(5) The headings in these Articles are for ease of reference only and shall not affect the construction or interpretation of these Articles.

**BOARD OF DIRECTORS**

3. Board of Directors

The business of the Company shall be managed and conducted by the Board.

4. Management of the Company

(1) In managing the business of the Company, the Board may exercise all such powers of the Company as are not, by statute or by these Articles, required to be exercised by the Company in general meeting subject, nevertheless, to these Articles, the provisions of any statute and to such regulations as may be prescribed by the Company in general meeting.

(2) No regulation or alteration to these Articles pursuant to a special resolution shall invalidate any prior act of the Board which would have been valid if that regulation or alteration had not been made.

(3) The Board may procure that the Company pays all expenses incurred in promoting and incorporating the Company.

5. Power to appoint managing director or chief executive officer

The Board may from time to time appoint one or more Directors to the office of managing director or chief executive officer of the Company who shall, subject to the control of the Board, supervise and administer all of the general business and affairs of the Company.

6. Power to appoint manager

The Board may appoint a person to act as manager of the Company's day to day business and may entrust to and confer upon such manager such powers and duties as it deems appropriate for the transaction or conduct of such business.

7. Power to authorise specific actions

The Board may from time to time and at any time authorise any company, firm, person or body of persons to act on behalf of the Company for any specific purpose and in connection therewith to execute any agreement, document or instrument on behalf of the Company.

8. Power to appoint attorney

The Board may from time to time and at any time by power of attorney appoint any company, firm, person or body of persons, whether nominated directly or indirectly by the Board, to be an attorney of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board) and for such period and subject to such conditions as it may think fit and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board may think fit and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions so vested in the attorney. Such attorney may, if so authorised under the seal of the Company, execute any deed or instrument under such attorney's personal seal with the same effect as the affixation of the seal of the Company.

9. Power to delegate to a committee

The Board may delegate any of its powers to a committee appointed by the Board and every such committee shall conform to such directions as the Board shall impose on them. Subject to any directions or regulations made by the directors for this purpose, the meetings and proceedings of such committees shall be governed by the provisions of these Articles covering the meetings and proceedings of the Directors, including provisions for written resolutions.

10. Power to appoint and dismiss employees

The Board may appoint, suspend or remove any manager, secretary, clerk, agent or employee of the Company and may fix their remuneration and determine their duties.

11. Power to borrow and charge property

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and may issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or any third party.

12. Redemption and purchase of shares by the Company

(1) Subject to the Law, the Company is hereby authorised to issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or a Member.

(2) The Board may exercise all the powers of the Company to purchase all or any part of its own shares pursuant to the Law. Shares purchased by the Company shall be canceled and shall cease to confer any right or privilege on the Member from whom the shares are purchased.

(3) The Company is hereby authorised to make payments in respect of the redemption of its shares out of capital or out of any other account or fund which can be authorised for this purpose in accordance with the Law.

(4) The redemption price of a redeemable share, or the method of calculation thereof, shall be fixed by the Directors at or before the time of issue.

(5) Every share certificate representing a redeemable share shall indicate that the share is redeemable;

(6) In the case of shares redeemable at the option of a Member a redemption notice from a Member may not be revoked without the agreement of the Directors;

(7) At the time or in the circumstances specified for redemption the redeemed shares shall be canceled and shall cease to confer on the relevant Member any right or privilege, without prejudice to the right to receive the redemption price, which price shall become payable so soon as it can with due despatch be calculated, but subject to surrender of the relevant share certificate for cancellation (and reissue in respect of any balance);

(8) The redemption price may be paid in any manner authorised by these Articles for the payment of dividends;

(9) A delay in payment of the redemption price shall not affect the redemption but, in the case of a delay of more than thirty days, interest shall be paid for the period from the due date until actual payment at a rate which the Directors, after due enquiry, estimate to be representative of the rates being offered by Class A banks in the Cayman Islands for thirty day deposits in the same currency;

(10) The Directors may exercise as they think fit the powers conferred on the Company by Section 37(5) of the Law (payment out of capital) but only if and to the extent that the redemption could not otherwise be made (or not without making a fresh issue of shares for this purpose);

(11) Subject as aforesaid, the Directors may determine, as they think fit all questions that may arise concerning the manner in which the redemption of the shares shall or may be effected;

(12) No share may be redeemed unless it is fully paid-up.

13. Discontinuation

The Board may exercise all the powers of the Company to transfer by way of continuation the Company to a named country or jurisdiction outside the Cayman Islands pursuant to Section 226 of the Law.

14. Election of Directors and Voting

(1) The Board shall consist of not less than one Director or such number in excess thereof as the Board may from time to time determine who shall be elected or appointed in writing the first place by the subscribers to the Memorandum of Association or by a majority of them.

(2) The Directors may from time to time appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, subject to any upper limited on the number of Directors prescribed pursuant to this Article.

(3) The Company may from time to time by ordinary resolution appoint any person to be a Director and may in like manner remove any Director from office, whether or not appointing another in his stead.

(4) An appointment of a Director may be on terms that the Director shall automatically retire from office (unless he has sooner vacated office) at the next or a subsequent annual general meeting or upon any specified event or after any specified period; but no such term shall be implied in the absence of express provision.

(5) There shall be no shareholding qualification for Directors unless prescribed by special resolution.

15. Defects in appointment of Directors

All acts done bona fide by any meeting of the Board or by a committee of the Board or by any person acting as a Director shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any Director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.

16. Alternate Directors and Proxies

(1) A Director may at any time appoint any person (including another Director) to be his Alternate Director and may at any time terminate such appointment. An appointment and a termination of appointment shall be by notice in writing signed by the Director and deposited at the Registered Office or delivered at a meeting of the Directors.

(2) The appointment of an Alternate Director shall determine on the happening of any event which, if he were a Director, would cause him to vacate such office or if his appointor ceases for any reason to be a Director.

(3) An Alternate Director shall be entitled to receive notices of meetings of the Directors and shall be entitled to attend and vote as a Director at any such meeting at which his appointor is not personally present and generally at such meeting to perform all the functions of his appointor as a Director; and for the purposes of the proceedings at such meeting these Articles shall apply as if he (instead of his appointor) were a Director, save that he may not himself appoint an Alternate Director or a proxy.

(4) If an Alternate Director is himself a Director or attends a meeting of the Directors as the Alternate Director of more than one Director, his voting rights shall be cumulative.

(5) Unless the Directors determine otherwise, an Alternate Director may also represent his appointor at meetings of any committee of the Directors on which his appointor serves; and the provisions of this Article shall apply equally to such committee meetings as to meetings of the Directors.

(6) Subject to Article 21, an Alternate Director may join in a written resolution of the Directors adopted pursuant to these Articles and his signature of such resolution shall be as effective as the signature of his appointor.

(7) Save as provided in these Articles an Alternate Director shall not, as such, have any power to act as a Director or to represent his appointor and shall not be deemed to be a Director for the purposes of these Articles.

(8) A Director who is not present at a meeting of the Directors, and whose Alternate Director (if any) is not present at the meeting, may be represented at the meeting by a proxy duly appointed, in which event the presence and vote of the proxy shall be deemed to be that of the Director. All the provisions of these Articles regulating the appointment of proxies by members shall apply equally to the appointment of proxies by Directors.

17. Vacancies on the Board

(1) The Board may act notwithstanding any vacancy in its number.

(2) The office of Director shall be vacated if the Director:-

(a) is removed from office pursuant to these Articles or is prohibited from being a Director by law;

(b) is or becomes bankrupt or makes any arrangement or composition with his creditors generally;

(c) is or becomes of unsound mind or an order for his detention is made under the Mental Health Law of the Cayman Islands or any analogous law of a jurisdiction outside the Cayman Islands or dies;

(d) resigns his or her office by notice in writing to the Company.

18. Notice of meetings of the Board

(1) A Director may, and the Secretary on the requisition of a Director shall, at any time summon a meeting of the Board.

(2) Notice of a meeting of the Board shall be deemed to be duly given to a Director if it is given to such Director verbally in person or by telephone or otherwise communicated or

sent to such Director by post, cable, telex, telecopier, facsimile or other mode of representing words in a legible and non-transitory form at such Director's last known address or any other address given by such Director to the Company for this purpose.

19. Quorum at meetings of the Board

The quorum necessary for the transaction of business at a meeting of the Board shall be two Directors, provided that if there is only one Director for the time being in office the quorum shall be one.

20. Meetings of the Board

(1) The Board may meet for the transaction of business, adjourn and otherwise regulate its meetings as it sees fit.

(2) Directors may participate in any meeting of the Board by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

(3) A resolution put to the vote at a meeting of the Board shall be carried by the affirmative votes of a majority of the votes cast and in the case of an equality of votes the resolution shall fail.

21. Unanimous written resolutions

A resolution in writing signed by all the Directors which may be in counterparts, shall be as valid as if it had been passed at a meeting of the Board duly called and constituted, such resolution to be effective on the date on which the last Director signs the resolution. For the purposes of this Article only, "Director" shall not include an Alternate Director if his appointor has signed the resolution.

22. Contracts and disclosure of Directors' interests

(1) Any Director, or any Director's firm, partner or any company with whom any Director is associated, may act in a professional capacity for the Company and such Director or such Director's firm, partner or such company shall be entitled to remuneration for professional services as if such Director were not a Director, provided that nothing herein contained shall authorise a Director or Director's firm, partner or such company to act as Auditor of the Company.

(2) A Director who is directly or indirectly interested in a contract or proposed contract or arrangement with the Company shall declare the nature of such interest as required by law.

(3) Following a declaration being made pursuant to this Article, and unless disqualified by the chairman of the relevant Board meeting, a Director may vote in respect of any contract or proposed contract or arrangement in which such Director is interested and may be counted in the quorum at such meeting.

23. Remuneration of Directors

The remuneration, (if any) of the Directors shall subject to any direction that may be given by the Company in general meeting shall be determined by the Directors as they may from time to time determine and shall be deemed to accrue from day to day. The Directors may also be paid all travel, hotel and other expenses properly incurred by them in attending and returning from meetings of the Board, any committee appointed by the Board, general meetings of the Company, or in connection with the business of the Company or their duties as Directors generally.

**OFFICERS**

24. Officers of the Company

The Officers of the Company shall consist of a Secretary and such additional Officers as the Board may from time to time determine all of whom shall be deemed to be Officers for the purposes of these Articles.

25. Appointment of Officers

The Secretary and additional Officers, if any, shall be appointed by the Board from time to time.

26. Remuneration of Officers

The Officers shall receive such remuneration as the Board may from time to time determine.

27. Duties of Officers

The Officers shall have such powers and perform such duties in the management, business and affairs of the Company as may be delegated to them by the Board from time to time.

28. Chairman of meetings

Unless otherwise agreed by a majority of those attending and entitled to attend and vote thereat, the Chairman, if there be one, shall act as chairman at all meetings of the Members and of the Board at which such person is present. In his absence a chairman shall be appointed or elected by those present at the meeting and entitled to vote.

29. Register of Directors and Officers

(1) The Board shall cause to be kept in one or more books at its registered office a Register of Directors and Officers in accordance with the Law and shall enter therein the following particulars with respect to each Director and Officer:

(a) first name and surname; and

(b) address.

(2) The Board shall, within the period of thirty days from the occurrence of -

(a) any change among its Directors and Officers; or

(b) any change in the particulars contained in the Register of Directors and Officers,

cause to be entered on the Register of Directors and Officers the particulars of such change and the date on which such change occurred, and shall notify the Registrar of Companies of any such change that takes place.

30. Register Of Mortgages And Charges

(1) The Directors shall cause to be kept the register of mortgages and charges required by the Law.

(2) The Register of Mortgages and Charges shall be open to inspection in accordance with the Law, at the office of the Company on every business day in the Cayman Islands, subject to such reasonable restrictions as the Board may impose, so that not less than two hours in each such business day be allowed for inspection.

**MINUTES**

31. Obligations of Board to keep minutes

The Board shall cause minutes to be duly entered in books provided for the purpose:-

(a) of all elections and appointments of Officers;

(b) of the names of the Directors present at each meeting of the Board and of any committee appointed by the Board; and

(c) of all resolutions and proceedings of general meetings of the Members, meetings of the Board, meetings of managers and meetings of committees appointed by the Board.

**INDEMNITY**

32. Indemnification of Directors and Officers of the Company

The Directors, Officers and Auditors of the Company and any trustee for the time being acting in relation to any of the affairs of the Company and every former director, officer, auditor or trustee and their respective heirs, executors, administrators and personal representatives (each of such persons being referred to in this Article as an "indemnified party") shall be indemnified out of the assets of the Company from and against all actions, proceedings, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done or omitted in or about the execution of their duties in their respective offices or trusts, except any which

an indemnified party shall incur or sustain by or through his own wilful neglect or default; no indemnified party shall be answerable for the acts, omissions, neglects or defaults of any other Director, officer, Auditor or trustee, or for joining in any receipt for the sake of conformity, or for the solvency or honesty of any banker or other persons with whom any moneys or effects belonging to the Company may be lodged or deposited for safe custody, or for any insufficiency of any security upon which any monies of the Company may be invested, or for any other loss or damage due to any such cause as aforesaid or which may happen in or about the execution of his office or trust unless the same shall happen through the wilful neglect or default of such indemnified party.

33. Waiver of claim by Member

Each Member agrees to waive any claim or right of action such Member might have, whether individually or by or in the right of the Company, against any Director or Officer on account of any action taken by such Director or Officer, or the failure of such Director or Officer to take any action in the performance of his duties with or for the Company, PROVIDED THAT such waiver shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director or Officer.

**MEETINGS**

34. Notice of annual general meeting

(1) The Company may in each year hold a general meeting as its annual general meeting.

(2) Subject to paragraph (1) the annual general meeting of the Company may be held at such time and place as the Chairman or any two Directors or any Director and the Secretary or the Board shall appoint. At least five days notice of such meeting shall be given to each Member stating the date, place and time at which the meeting is to be held and if different, the record date for determining members entitled to attend and vote at general meeting, and as far as practicable, the other business to be conducted at the meeting.

35. Notice of extraordinary general meeting

(1) General meetings other than annual general meetings shall be called extraordinary general meetings.

(2) The Chairman or any two Directors or any Director and the Secretary or the Board may convene an extraordinary general meeting of the Company whenever in their judgment such a meeting is necessary, upon not less than five days' notice which shall state the date, time, place and the general nature of the business to be considered at the meeting.

36. Accidental omission of notice of general meeting

The accidental omission to give notice of a general meeting to, or the non-receipt of notice of a general meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

37. Meeting called on requisition of Members

(1) Notwithstanding anything herein, the Board shall, on the requisition of Members holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up share capital of the Company as at the date of the deposit carries the right to vote at general meetings of the Company, forthwith proceed to convene a extraordinary general meeting of the Company to be effective the requisition shall state the objects of the meeting, shall be in writing, signed by the requisitionists, and shall be deposited at the Registered Office. The requisition may consist of several documents in like form each signed by one or more requisitionists.

(2) If the Directors do not within twenty-one days from the date of the requisition duly proceed to call an extraordinary general meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene an extraordinary general meeting; but any meeting so called shall not be held more than ninety days after the requisition. An extraordinary general meeting called by requisitionists shall be called in the same manner, as nearly as possible, as that in which general meetings are to be called by the Directors.

38. Short notice

A general meeting of the Company shall, notwithstanding that it is called by shorter notice than that specified in these Articles, be deemed to have been properly called if it is so agreed by all the Members entitled to attend and vote thereat in the case of an annual general meeting, or in the case of an extraordinary general meeting, by seventy-five percent of the members entitled to attend and vote thereat.

39. Postponement of meetings

The Board may postpone any general meeting called in accordance with the provisions of these Articles provided that notice of postponement is given to each Member before the time for such meeting. Fresh notice of the date, time and place for the postponed meeting shall be given to each Member in accordance with the provisions of these Articles.

40. Quorum for general meeting

At any general meeting of the Company two persons present in person and representing in person or by proxy in excess of 50% of the total issued voting shares in the Company throughout the meeting shall form a quorum for the transaction of business, PROVIDED that if the Company shall at any time have only one Member, one Member present in person or by proxy shall form a quorum for the transaction of business at any general meeting of the Company held during such time. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned to the same day one week later, at the same time and place or to such other day, time or place as the Board may determine.

41. Adjournment of meetings

The chairman of a general meeting may, with the consent of the Members at any general meeting at which a quorum is present (and shall if so directed), adjourn the meeting. Unless the meeting is adjourned for more than 60 days fresh notice of the date, time and place for the resumption of the adjourned meeting shall be given to each Member in accordance with the provisions of these Articles.

42. Attendance at meetings

Members may participate in any general meeting by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

43. Written resolutions

(1) Anything which may be done by resolution of the Company in general meeting or by resolution of a meeting of any class of the Members of the Company, may, without a meeting and without any previous notice being required, be done by resolution in writing signed by, or, in the case of a Member that is a corporation whether or not a company within the meaning of the Law, on behalf of, all the Members who at the date of the resolution would be entitled to attend the meeting and vote on the resolution.

(2) A resolution in writing may be signed by, or, in the case of a Member that is a corporation whether or not a company within the meaning of the Law, on behalf of, all the Members, or any class thereof, in as many counterparts as may be necessary.

(3) For the purposes of this Article, the date of the resolution is the date when the resolution is signed by, or, in the case of a Member that is a corporation whether or not a company within the meaning of the Law, on behalf of, the last Member to sign and any reference in any Article to the date of passing of a resolution is, in relation to a resolution made in accordance with this Article, a reference to such date.

(4) A resolution in writing made in accordance with this Article is as valid as if it had been passed by the Company in general meeting or by a meeting of the relevant class of Members, as the case may be, and any reference in any Article to a meeting at which a resolution is passed or to Members voting in favour of a resolution shall be construed accordingly.

(5) A resolution in writing made in accordance with this Article shall constitute minutes for the purposes of the Law.

44. Attendance of Directors

The Directors of the Company shall be entitled to receive notice of and to attend and be heard at any general meeting.

45. Voting at meetings

(1) Subject to the provisions of the Law and these Articles, any question proposed for the consideration of the Members at any general meeting shall be decided by the affirmative votes of a majority of the votes cast in accordance with the provisions of these Articles and in the case of an equality of votes the resolution shall fail.

(2) No Member shall be entitled to vote at any general meeting unless such Member has paid all the calls on all shares held by such Member.

46. Voting on a show of hands and polls

(1) At any general meeting a resolution put to the vote of the meeting shall, in the first instance, be voted upon by a show of hands and, subject to any rights or restrictions for the time being lawfully attached to any class of shares and subject to the provisions of these Articles, every Member present in person and every person holding a valid proxy at such meeting shall be entitled to one vote and shall cast such votes by raising his or her hand.

(2) Notwithstanding the provision of the immediately preceding Article, at any general meeting of the Company, in respect of any question proposed for the consideration of the Members (whether before or on the declaration of the result of a show of hands as provided for in these Articles), a poll may be demanded by the Chairman or at least one Member.

(3) Where, in accordance with the provisions of subparagraph (2) of this Article, a poll is demanded, subject to any rights or restrictions for the time being lawfully attached to any class of shares, every person present at such meetings shall have one vote for each share of which such person is the holder or for which such person holds a proxy and such vote shall be counted in the manner set out in sub-paragraph (5) of this Article or in the case of a general meeting at which one or more Members are present by telephone in such manner as the Chairman of the meeting may direct and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded and shall replace any previous resolution upon the same matter which has been the subject of a show of hands.

(4) A poll demanded in accordance with the provisions of subparagraph (2) of this Article, for the purpose of electing a Chairman or on a question of adjournment, shall be taken forthwith and a poll demanded on any other question shall be taken in such manner and at such time and place as the Chairman may direct and any business other than that upon which a poll has been demanded may be proceeded with pending the taking of the poll.

(5) Where a vote is taken by poll, each person present and entitled to vote shall be furnished with a ballot paper on which such person shall record his or her vote in such manner as shall be determined at the meeting having regard to the nature of the question on which the vote is taken, and each ballot paper shall be signed or initialled or otherwise marked so as to identify the voter and the registered member in the case of a proxy. At the conclusion of the poll, the ballot papers shall be examined and counted by a committee of not less than two Members or proxy members appointed by the Chairman for the purpose and the result of the poll shall be declared by the Chairman.

47. Decision of chairman

At any general meeting a declaration by the chairman of the meeting that a question proposed for consideration has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in a book containing the minutes of the proceedings of the Company shall, subject to the provisions of these Articles, be conclusive evidence of that fact.

48. Seniority of joint holders voting

In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.

49. Instrument of proxy

The instrument appointing a proxy shall be in writing in the form, or as near thereto as circumstances admit, of Form "A" in the Schedule hereto, under the hand of the appointor or of the appointor's attorney duly authorised in writing, or if the appointor is a corporation, either under its seal, or under the hand of a duly authorised officer or attorney. The decision of the chairman of any general meeting as to the validity of any instrument of proxy shall be final.

50. Representation of corporations at meetings

A corporation which is a Member may, by written instrument, authorise such person as it thinks fit to act as its representative at any meeting of the Members and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which such person represents as that corporation could exercise if it were an individual Member. Notwithstanding the foregoing, the chairman of the meeting may accept such assurances as he or she thinks fit as to the right of any person to attend and vote at general meetings on behalf of a corporation which is a Member.

**SHARE CAPITAL AND SHARES**

51. Rights of shares

Subject to any resolution of the Members to the contrary and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, the share capital of the Company shall be divided into shares of a single class the holders of which shall, subject to the provisions of these Articles:-

(a) be entitled to one vote per share;

(b) be entitled to such dividends as the Board may from time to time declare;

(c) in the event of a winding-up or dissolution of the Company, whether voluntary or for the purpose of a reorganisation or otherwise or upon any distribution of capital, be entitled to the surplus assets of the Company; and

(d) generally be entitled to enjoy all of the rights attaching to shares.

52. Power to issue shares

(1) Subject to these Articles and to any resolution of the Members to the contrary and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, the Board shall have power to issue any unissued shares of the Company on such terms and conditions as it may determine and any shares or class of shares (including the issue or grant of options, warrants and other rights, renounceable or otherwise in respect of shares) may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Board may prescribe, provided that no share shall be issued at a discount except in accordance with the Law.

(2) The Board shall, in connection with the issue of any share, have the power to pay such commission and brokerage as may be permitted by law.

(3) The Company may from time to time do any one or more of the following things:

(a) make arrangements on the issue of shares for a difference between the Members in the amounts and times of payments of calls on their shares;

(b) accept from any Member the whole or a part of the amount remaining unpaid on any shares held by him, although no part of that amount has been called up;

(c) pay dividends in proportion to the amount paid up on each share where a larger amount is paid up on some shares than on others; and

(d) issue its shares in fractional denominations and deal with such fractions to the same extent as its whole shares and shares in fractional denominations shall have in proportion to the respective fractions represented thereby all of the rights of whole shares including (but without limiting the generality of the foregoing) the right to vote, to receive dividends and distributions and to participate in a winding up.

53. Alteration of Capital

(1) Subject to the Law the Company may from time to time by ordinary resolution alter the conditions of its Memorandum of Association to increase its share capital by new shares of such amount as it thinks expedient or, if the Company has shares without par value, increase its share capital by such number of shares without nominal or par value, or increase the aggregate consideration for which its shares may be issued, as it thinks expedient.

(2) Subject to the Law, the Company may from time to time by ordinary resolution alter the conditions of its Memorandum of Association to:

(a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(b) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum of Association; or

(c) cancel shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled or, in the case of shares without par value, diminish the number of shares into which its capital is divided.

(3) For the avoidance of doubt it is declared that paragraph (2) above does not apply if at any time the shares of the Company have no par value.

(4) Subject to the Law, the Company may from time to time by special resolution reduce its share capital in any way or, subject to Article 54(1) and (2), alter any conditions of its Memorandum of Association relating to share capital.

54. Alteration of registered office, name and objects

Subject to the Law, the Company may by resolution of its Directors change the location of its Registered Office.

Subject to the Law, the Company may from time to time by special resolution change its name or alter its objects or make any other alteration to its Memorandum of Association for which provision has not been made elsewhere in these Articles.

55. Variation of Rights

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound-up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a resolution passed by a majority of the votes cast at a separate general meeting of the holders of the shares of the class. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

56. Registered holder of shares

(1) The Company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not be bound to recognise any equitable or other claim to, or interest in, such share on the part of any other person.

(2) No person shall be entitled to recognition by the Company as holding any share upon any trust and the Company shall not be bound by, or be compelled in any way to recognise, (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any other right in respect of any share except an absolute right to the entirety of the share in the holder. If, notwithstanding this Article, notice of any trust is at the holder's request entered in the Register or on a share certificate in respect of a share, then, except as aforesaid:

(a) such notice shall be deemed to be solely for the holder's convenience;

(b) the Company shall not be required in any way to recognise any beneficiary, or the beneficiary, of the trust as having an interest in the share or shares concerned;

(c) the Company shall not be concerned with the trust in any way, as to the identity or powers of the trustees, the validity, purposes or terms of the trust, the question of whether anything done in relation to the shares may amount to a breach of trust or otherwise; and

(d) the holder, shall keep the Company fully indemnified against any liability or expense which may be incurred or suffered as a direct or indirect consequence of the Company entering notice of the trust in the Register or on a share certificate and continuing to recognise the holder as having an absolute right to the entirety of the share or shares concerned.

(3) Any dividend, interest or other moneys payable in cash in respect of shares may be paid by cheque or draft sent through the post directed to the Member at such Member's address in the Register of Members or, in the case of joint holders, to such address of the holder first named in the Register of Members, or to such person and to such address as the holder or joint holders may in writing direct. If two or more persons are registered as joint holders of any shares any one can give an effectual receipt for any dividend paid in respect of such shares.

57. Death of a joint holder

Where two or more persons are registered as joint holders of a share or shares then in the event of the death of any joint holder or holders the remaining joint holder or holders shall be absolutely entitled to the said share or shares and the Company shall recognise no claim in respect of the estate of any joint holder except in the case of the last survivor of such joint holders.

58. Share certificates

(1) Every Member shall be entitled to a certificate under the seal of the Company (or a facsimile thereof) specifying the number and, where appropriate, the class of shares held by such Member and whether the same are fully paid up and, if not, how much has been paid thereon. The Board may by resolution determine, either generally or in a particular case, that any or all signatures on certificates may be printed thereon or affixed by mechanical means.

(2) If any such certificate shall be proved to the satisfaction of the Board to have been worn out, lost, mislaid or destroyed the Board may cause a new certificate to be issued and request an indemnity for the lost certificate if it sees fit.

(3) Share certificates may not be issued in bearer form.

59. Calls on shares

(1) The Board may from time to time make such calls as it thinks fit upon the Members in respect of any monies unpaid on the shares allotted to or held by such Members and, if a call is not paid on or before the day appointed for payment thereof, the Member may at the discretion of the Board be liable to pay the Company interest on the amount of such call at such rate as the Board may determine, from the date when such call was payable up to the actual date of payment. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

(2) The Board may, on the issue of shares, differentiate between the holders as to the amount of calls to be paid and the times of payment of such calls.

60. Forfeiture of shares

(1) If any Member fails to pay, on the day appointed for payment thereof, any call in respect of any share allotted to or held by such Member, the Board may, at any time thereafter during such time as the call remains unpaid, direct the Secretary to forward to such Member a notice in the form, or as near thereto as circumstances admit, of Form "B" in the Schedule hereto.

(2) If the requirements of such notice are not complied with, any such share may at any time thereafter before the payment of such call and the interest due in respect thereof be forfeited by a resolution of the Board to that effect, and such share shall thereupon become the property of the Company and may be disposed of as the Board shall determine.

(3) A Member whose share or shares have been forfeited as aforesaid shall, notwithstanding such forfeiture, be liable to pay to the Company all calls owing on such share or shares at the time of the forfeiture and all interest due thereon.

**REGISTER OF MEMBERS**

61. Contents of Register of Members

The Board shall cause to be kept in one or more books a Register of Members which may be kept outside the Cayman Islands at such place as the Directors shall appoint and shall enter therein the following particulars:-

(a) the name and address of each Member, the number and, where appropriate, the class of shares held by such Member and the amount paid or agreed to be considered as paid on such shares;

(b) the date on which each person was entered in the Register of Members; and

(c) the date on which any person ceased to be a Member.

62. Determination of record dates

Notwithstanding any other provision of these Articles, the Board may fix any date as the record date for:-

(a) determining the Members entitled to receive any dividend; and

(b) determining the Members entitled to receive notice of and to vote at any general meeting of the Company.

but, unless so fixed, the record date shall be as follows:

(a) as regards the entitlement to receive notice of a meeting or notice of any other matter, the date of despatch of the notice;

(b) as regards the entitlement to vote at a meeting, and any adjournment thereof, the date of the original meeting;

(c) as regards the entitlement to a dividend or other distribution, the date of the Directors' resolution declaring the same.

**TRANSFER OF SHARES**

63. Instrument of transfer

(1) An instrument of transfer shall be in the form or as near thereto as circumstances admit of Form "C" in the Schedule hereto or in such other common form as the Board may accept. Such instrument of transfer shall be signed by or on behalf of the transferor and transferee provided that, in the case of a fully paid share, the Board may accept the instrument signed by or on behalf of the transferor alone. The transferor shall be deemed to remain the holder of such share until the same has been transferred to the transferee in the Register of Members.

(2) The Board may refuse to recognise any instrument of transfer unless it is accompanied by the certificate in respect of the shares to which it relates and by such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.

64. Restriction on transfer

(1) The Board may in its absolute discretion and without assigning any reason therefor refuse to register the transfer of a share.

(2) If the Board refuses to register a transfer of any share the Secretary shall, within three months after the date on which the transfer was lodged with the Company, send to the transferor and transferee notice of the refusal.

65. Transfers by joint holders

The joint holders of any share or shares may transfer such share or shares to one or more of such joint holders, and the surviving holder or holders of any share or shares previously held by them jointly with a deceased Member may transfer any such share to the executors or administrators of such deceased Member.

**TRANSMISSION OF SHARES**

66. Representative of deceased Member

In the case of the death of a Member, the survivor or survivors where the deceased Member was a joint holder, and the legal personal representatives of the deceased Member where the deceased Member was a sole holder, shall be the only persons recognised by the Company as having any title to the deceased Member's interest in the shares. Nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by such deceased Member with other persons. Subject to the provisions of Section 39 of the Law, for the purpose of this Article, legal personal representative means the executor or administrator of a deceased Member or such other person as the Board may in its absolute discretion decide as being properly authorised to deal with the shares of a deceased Member.

67. Registration on death or bankruptcy

Any person becoming entitled to a share in consequence of the death or bankruptcy of any Member may be registered as a Member upon such evidence as the Board may deem sufficient or may elect to nominate some person to be registered as a transferee of such share, and in such case the person becoming entitled shall execute in favour of such nominee an instrument of transfer in the form, or as near thereto as circumstances admit, of Form "D" in the Schedule hereto. On the presentation thereof to the Board, accompanied by such evidence as the Board may require to prove the title of the transferor, the transferee shall be registered as a Member but the Board shall, in either case, have the same right to decline or suspend registration as it would have had in the case of a transfer of the share by that Member before such Member's death or bankruptcy, as the case may be.

**DIVIDENDS AND OTHER DISTRIBUTIONS**

68. Declaration of dividends by the Board

(1) The Board may, subject to these Articles and any direction of the Company in general meeting declare a dividend to be paid to the Members, in proportion to the number of shares held by them and paid up by them, and such dividend may be paid in cash or wholly or partly in specie in which case the Board may fix the value for distribution in specie of assets.

(2) Dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no

longer needed, or not in the same amount. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Law.

(3) No dividend shall bear interest against the Company.

(4) With the sanction of an ordinary resolution of the Company, the Directors may determine that a dividend shall be paid wholly or partly by the distribution of specific assets (which may consist of the shares or securities of any other company) and may settle all questions concerning such distribution. Without limiting the foregoing generally, the Directors may fix the value of such specific assets, may determine that cash payments shall be made to some members in lieu of specific assets and may vest any such specific assets in trustees on such terms as the Directors think fit.

69. Other distributions and reserve fund

(1) The Board may declare and make such other distributions (in cash or in specie) to the Members as may be lawfully made out of the assets of the Company.

(2) The Board may from time to time before declaring a dividend set aside, out of the surplus or profits of the Company, such sum as it thinks proper as a reserve fund to be used to meet contingencies or for equalising dividends or for any other special purpose. Pending application, such sums may be employed in the business of the Company or invested, and need not be kept separate from other assets of the Company. The Directors may also, without placing the same to reserve, carry forward any profit which they decide not to distribute.

70. Deduction of Amounts due to the Company

The Board may deduct from the dividends or distributions payable to any Member all monies due from such Member to the Company on account of calls or otherwise.

**CAPITALISATION**

71. Issue of bonus shares

(1) The Board may resolve to capitalise any part of the amount for the time being standing to the credit of any of the Company's share premium or other reserve accounts or to the credit of the profit and loss account or otherwise available for distribution by applying such sum in paying up unissued shares to be allotted as fully paid bonus shares pro rata to the Members.

(2) The Board may resolve to capitalise any sum standing to the credit of a reserve account or sums otherwise available for dividend or distribution by applying such amounts in paying up in full partly paid shares of those Members who would have been entitled to such sums if they were distributed by way of dividend or distribution.

**SHARE PREMIUM ACCOUNT**

Subject to any direction from the Company in general meeting, the Directors may on behalf of the Company exercise all the powers and options conferred on the Company by the Law in regard to the Company's share premium account, save that unless expressly authorised by other provisions of these Articles the sanction of an ordinary resolution shall be required for any application of the share premium account in paying dividends to members.

**ACCOUNTS AND FINANCIAL STATEMENTS**

72. Records of account

(1) The Board shall cause to be kept proper records of account with respect to all transactions of the Company and in particular with respect to:-

(a) all sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure relates;

(b) all sales and purchases of goods by the Company; and

(c) the assets and liabilities of the Company.

Such records of account shall be kept and proper books of account shall not be deemed to be kept with respect to the matters aforesaid if there are not kept, at such place as the Board thinks fit, such books as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

(2) No member (not being a Director) shall have any right of inspecting any account or book or document of the Company.

(3) Subject to any waiver by the Company in general meeting of the requirements of this Article, the Directors shall lay before the Company in general meeting, or circulate to members, financial statements in respect of each financial year of the Company, consisting of:

(a) a profit and loss account giving a true and fair view of the profit or loss of the Company for the financial year; and

(b) a balance sheet giving a true and fair view of the state of affairs of the Company at the end of the financial year;

together with a report of the Board reviewing the business of the Company during the financial year. The financial statements and the Directors' report, together with the auditor's report, if any, shall be laid before the Company in general meeting, or circulated to members, no later than 180 days after the end of the financial year.

(4) The financial year end of the Company shall be the 13th December in each year but, subject to any direction of the Company in general meeting, the Board may from time to time prescribe some other period to be the financial year, provided that the Board may

not without the sanction of an ordinary resolution prescribe or allow any financial year longer than eighteen months.

**AUDIT**

73. Appointment of Auditor

(1) The Company may in general meeting appoint Auditors to hold office for such period as the Members may determine. Such Auditor may be a Member but no Director, Officer or employee of the Company shall, during his or her continuance in office, be eligible to act as an Auditor of the Company.

(2) Whenever there are no Auditors appointed as aforesaid the Directors may appoint Auditors to hold office for such period as the Directors may determine or earlier removal from office by the Company in general meeting. Unless fixed by the Company in general meeting the remuneration of the Auditors shall be as determined by the Directors. Nothing in this Article shall be construed as making it obligatory to appoint Auditors.

(3) The Auditors shall make a report to the members on the accounts examined by them and on every set of financial statements laid before the Company in general meeting, or circulated to members, pursuant to this Article during the Auditors' tenure of office.

(4) The Auditors shall have right of access at all times to the Company's books, accounts and vouchers and shall be entitled to require from the Company's Directors and Officers such information and explanations as the Auditors think necessary for the performance of the Auditors' duties; and, if the Auditors fail to obtain all the information and explanations which, to the best of their knowledge and belief, are necessary for the purposes of their audit, they shall state that fact in their report to the members.

(5) The Auditors shall be entitled to attend any general meeting at which any financial statements which have been examined or reported on by them are to be laid before the Company and to make any statement or explanation they may desire with respect to the financial statements.

(6) The financial statements provided for by these Articles shall be audited by the Auditor in accordance with generally accepted auditing standards. The Auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the Auditor shall be submitted to the Members in general meeting.

**NOTICES**

74. Notices to Members of the Company

A notice may be given by the Company to any Member either by delivering it to such Member in person or by sending it to such Member's address in the Register of Members or to such other address given for the purpose. For the purposes of this Article, a notice may be sent by mail, courier service, cable, telex, telecopier, facsimile or other mode of representing words in a legible and non-transitory form.

75. Notices to joint Members

Any notice required to be given to a Member shall, with respect to any shares held jointly by two or more persons, be given to whichever of such persons is named first in the Register of Members and notice so given shall be sufficient notice to all the holders of such shares.

76. Service and delivery of notice

Any notice shall be deemed to have been served at the time when the same would be delivered in the ordinary course of transmission and, in proving such service, it shall be sufficient to prove that the notice was properly addressed and prepaid, if posted, and the time when it was posted, delivered to the courier or to the cable company or transmitted by telex, facsimile or other method as the case may be.

**SEAL OF THE COMPANY**

77. The seal

(1) The Seal shall only be used by the authority of the Directors or of a committee of the Directors authorised by the Directors in that behalf; and, until otherwise determined by the Directors, the Seal shall be affixed in the presence of a Director or the Secretary or an assistant secretary or some other person authorised for this purpose by the Directors or the committee of Directors.

(2) Notwithstanding the foregoing the Seal may without further authority be affixed by way of authentication to any document required to be filed with the Registrar of Companies in the Cayman Islands, and may be so affixed by any Director, Secretary or assistant secretary of the Company or any other person or institution having authority to file the document as aforesaid.

(3) The Company may have one or more duplicate Seals, as permitted by the Law; and, if the Directors think fit, a duplicate Seal may bear on its face the name of the country, territory, district or place where it is to be used.

**WINDING-UP**

78. Winding-up/distribution by liquidator

(1) The Company may be voluntarily wound-up by a special resolution of Members.

(2) If the Company shall be wound up the liquidator may, with the sanction of a special resolution, divide amongst the Members in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he or she deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Members as the liquidator shall think fit, but so that no Member shall be compelled to accept any shares or other securities or assets whereon there is any liability.

## ALTERATION OF ARTICLES

79. Alteration of Articles

Subject to the Law, the Company may from time to time by special resolution alter or amend these Articles in whole or in part.

Dated the 13th day of September, 2002

Codan Trust Company (Cayman) Limited, a Cayman Islands Company of George Town, Grand Cayman

_____
Neil T. Cox

and

_____
Neil T. Cox

_____
Theresa L. Pearson
Witness to the above signatures:

Address: Century Yard, Cricket Square, George Town, Grand Cayman
Occupation: Secretary

I, _____ Registrar of Companies in and for the Cayman Islands DO HEREBY CERTIFY that this is a true and correct copy of the Articles of Association of **IC MEDIA INTERNATIONAL CORPORATION** duly registered on the 13th day of September, 2002

_____
Registrar of Companies

SCHEDULE - FORM A

IC MEDIA INTERNATIONAL CORPORATION

PROXY

I _____
of _____
the holder of _____ share in the above-named Company hereby appoint _____ or failing him/her _____ or failing him/her _____ as my proxy to vote on my behalf at the general meeting of the Company to be held on the day of , 20 , and at any adjournment thereof.

Dated this _____ day of _____, 20__

* GIVEN under the seal of the company

* Signed by the above-named

_____

_____
Witness

* Delete as applicable.

SCHEDULE - FORM B

IC MEDIA INTERNATIONAL CORPORATION

NOTICE OF LIABILITY TO FORFEITURE FOR NON PAYMENT OF CALL

You have failed to pay the call of [amount of call] made on the _____ day of _____, 20__ last, in respect of the [number] share(s) [numbers in figures] standing in your name in the Register of Members of the Company, on the _____ day of _____, 20__ last, the day appointed for payment of such call. You are hereby notified that unless you pay such call together with interest thereon at the rate of _____ per annum computed from the said _____ day of _____, 20__ last, on or before the _____ day of _____, 20__ next at the place of business of the said Company the share(s) will be liable to be forfeited.

Dated this _____ day of _____, 20__

_____

[Signature of Secretary]
By order of the Board

SCHEDULE - FORM C

IC MEDIA INTERNATIONAL CORPORATION

TRANSFER OF A SHARE OR SHARES

FOR VALUE RECEIVED _____
[amount] _____
[transferor] hereby sell assign and transfer unto _____ [transferee] of _____
_____ [address] __ _____
_____ [number of shares] shares of _____ [name of Company].

Dated _____

_____
(Transferor)

In the presence of:

_____
(Witness)

_____
(Transferee)

In the presence of:

_____
(Witness)

SCHEDULE - FORM D

IC MEDIA INTERNATIONAL CORPORATION

TRANSFER BY A PERSON BECOMING ENTITLED ON DEATH/BANKRUPTCY
OF A MEMBER

I/We having become entitled in consequence of the [death/bankruptcy] of [name of the deceased Member] to [number] share(s) numbered [number in figures] standing in the register of members of [Company] in the name of the said [name of deceased Member] instead of being registered myself/ourselves elect to have [name of transferee] (the "Transferee") registered as a transferee of such share(s) and I/we do hereby accordingly transfer the said share(s) to the Transferee to hold the same unto the Transferee his or her executors administrators and assigns subject to the conditions on which the same were held at the time of the execution thereof; and the Transferee does hereby agree to take the said share(s) subject to the same conditions.

WITNESS our hands this _____ day of ____, 20__

Signed by the above-named )
[person or persons entitled] )
in the presence of: )

Signed by the above-named )
[transferee] )
in the presence of: )

**Exhibit 3.26**

TERRITORY OF THE BRITISH VIRGIN ISLANDS

THE INTERNATIONAL BUSINESS COMPANIES ACT
(Cap. 291)

MEMORANDUM OF ASSOCIATION
OF
IC Media Holding Company Limited

NAME

1. The name of the Company is IC Media Holding Company Limited.

REGISTERED OFFICE

2. The Registered Office of the Company will be at Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands.

REGISTERED AGENT

3. The Registered Agent of the Company will be HWR Services Limited of P.O. Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands.

GENERAL OBJECTS AND POWERS

4. (1) The object of the Company is to engage in any act or activity that is not prohibited under any law for the time being in force in the British Virgin Islands.

(2) The Company may not

(a) carry on business with persons resident in the British Virgin Islands;

(b) own an interest in real property situate in the British Virgin Islands, other than a lease referred to in paragraph (e) of subclause (3);

(c) carry on banking or trust business unless it is licensed to do so under the Banks and Trust Companies Act, 1990;

(d) carry on business as an insurance or reinsurance company, insurance agent or insurance broker,

unless it is licensed under an enactment authorizing it to carry on that business;

(e) carry on the business of company management, unless it is licensed under the Company Management Act, 1990; or

(f) carry on the business of providing the registered office or the registered agent for companies incorporated in the British Virgin Islands.

(3) For purposes of paragraph (a) of subclause (2), the Company shall not be treated as carrying on business with persons resident in the British Virgin Islands if

(a) it makes or maintains deposits with a person carrying on banking business within the British Virgin Islands;

(b) it makes or maintains professional contact with solicitors, barristers, accountants, bookkeepers, trust companies, administration companies, investment advisers or other similar persons carrying on business within the British Virgin Islands;

(c) it prepares or maintains books and records within the British Virgin Islands;

(d) it holds, within the British Virgin Islands, meetings of its directors or members;

(e) it holds a lease of property for use as an office from which to communicate with members or where books and records of the Company are prepared or maintained;

(f) it holds shares, debt obligations or other securities in a company incorporated under the International Business Companies Act or under the Companies Act; or

(g) shares, debt obligations or other securities in the Company are owned by any person resident in the British Virgin Islands or by any company incorporated under the International Business Companies Act or under the Companies Act.

(4) The Company shall have all such powers as are permitted by law for the time being in force in the British Virgin Islands, irrespective of corporate benefit, to perform all acts and engage in all activities necessary or conducive to the conduct, promotion or attainment of the object of the Company.

CURRENCY

5. Shares in the Company shall be issued in the currency of the United States of America.

AUTHORIZED CAPITAL

6. The authorized capital of the Company is US$50,000.00.

CLASSES, NUMBER AND PAR VALUE OF SHARES

7. The authorized capital is made up of one class and one series of shares divided into 5,000,000 shares of US$0.01 par value.

DESIGNATIONS, POWERS, PREFERENCES, ETC. OF SHARES

8. All shares shall

(a) have one vote each;

(b) be subject to redemption, purchase or acquisition by the Company for fair value; and

(c) have the same rights with regard to dividends and distributions upon liquidation of the Company.

VARIATION OF CLASS RIGHTS

9. If at any time the authorized capital is divided into different classes or series of shares, the rights attached to any class or series (unless otherwise provided by the terms of issue of the shares of that class or series) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or series and of the holders of not less than three-fourths of the issued shares of any other class or series of shares which may be affected by such variation.

RIGHTS NOT VARIED BY THE ISSUE OF SHARES PARI PASSU

10. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

REGISTERED SHARES

11. Shares in the Company may only be issued as registered shares and may not be exchanged for shares issued to bearer.

AMENDMENT OF MEMORANDUM AND ARTICLES OF ASSOCIATION

12. The Company may amend its Memorandum of Association and Articles of Association by a resolution of members or by a resolution of directors.

DEFINITIONS

13. The meanings of words in this Memorandum of Association are as defined in the Articles of Association.

We, HWR SERVICES LIMITED of Craigmuir Chambers, Road Town, Tortola, British Virgin Islands for the purpose of incorporating an International Business Company under the laws of the British Virgin Islands hereby subscribe our name to this Memorandum of Association the 4th day of December, 2002 in the presence of:

| Witness | Subscriber |
| --- | --- |
| Simone I. Syfox<br>Craigmuir Chambers<br>Road Town, Tortola | Andrew B. Swapp<br>Authorized Signatory<br>HWR Services Limited |

**Exhibit 3.27**

TERRITORY OF THE BRITISH VIRGIN ISLANDS

THE INTERNATIONAL BUSINESS COMPANIES ACT
(CAP 291)

ARTICLES OF ASSOCIATION
OF
IC Media Holding Company Limited

PRELIMINARY

1. In these Articles, if not inconsistent with the subject or context, the words and expressions standing in the first column of the following table shall bear the meanings set opposite them respectively in the second column thereof.

| Words | Meaning |
|---|---|
| capital | The sum of the aggregate par value of all outstanding shares with par value of the Company and shares with par value held by the Company as treasury shares plus<br>(a) the aggregate of the amounts designated as capital of all outstanding shares without par value of the Company and shares without par value held by the Company as treasury shares, and<br>(b) the amounts as are from time to time transferred from surplus to capital by a resolution of directors. |
| member | A person who holds shares in the Company. |
| person | An individual, a corporation, a trust, the estate of a deceased individual, a partnership or an unincorporated association of persons. |
| resolution of directors | (a) A resolution approved at a duly convened and constituted meeting of directors of the Company or of a committee of directors of the Company by the affirmative vote of a simple majority of the directors present at the meeting who voted and did not abstain; or |

(b) a resolution consented to in writing by all directors or of all members of the committee, as the case may be;

except that where a director is given more than one vote, he shall be counted by the number of votes he casts for the purpose of establishing a majority.

resolution of members

(a) A resolution approved at a duly convened and constituted meeting of the members of the Company by the affirmative vote of

(i) a simple majority of the votes of the shares entitled to vote thereon which were present at the meeting and were voted and not abstained, or

(ii) a simple majority of the votes of each class or series of shares which were present at the meeting and entitled to vote thereon as a class or series and were voted and not abstained and of a simple majority of the votes of the remaining shares entitled to vote thereon which were present at the meeting and were voted and not abstained; or

(b) a resolution consented to in writing by

(i) an absolute majority of the votes of shares entitled to vote thereon, or

(ii) an absolute majority of the votes of each class or series of shares entitled to vote thereon as a class or series and of an absolute majority of the votes of the remaining shares entitled to vote thereon;

| | |
|---|---|
| securities | Shares and debt obligations of every kind, and options, warrants and rights to acquire shares, or debt obligations. |
| surplus | The excess, if any, at the time of the determination of the total assets of the Company over the aggregate of its total liabilities, as shown in its books of account, plus the Company's capital. |
| the Act | The International Business Companies Act (Cap 291) including any modification, extension, re-enactment or renewal thereof and any regulations made thereunder. |
| the Memorandum | The Memorandum of Association of the Company as originally framed or as from time to time amended. |
| the Seal | Any Seal which has been duly adopted as the Seal of the Company. |
| these Articles | These Articles of Association as originally framed or as from time to time amended. |
| treasury shares | Shares in the Company that were previously issued but were repurchased, redeemed or otherwise acquired by the Company and not cancelled. |

2. "Written" or any term of like import includes words typewritten, printed, painted, engraved, lithographed, photographed or represented or reproduced by any mode of reproducing words in a visible form, including telex, facsimile, telegram, cable or other form of writing produced by electronic communication.

3. Save as aforesaid any words or expressions defined in the Act shall bear the same meaning in these Articles.

4. Whenever the singular or plural number, or the masculine, feminine or neuter gender is used in these Articles, it shall equally, where the context admits, include the others.

5. A reference in these Articles to voting in relation to shares shall be construed as a reference to voting by members holding the shares except that it is the votes allocated to the shares that shall be counted and not the number of members who actually voted and a reference to

shares being present at a meeting shall be given a corresponding construction.

6. A reference to money in these Articles is, unless otherwise stated, a reference to the currency in which shares in the Company shall be issued according to the provisions of the Memorandum.

REGISTERED SHARES

7. Every member holding registered shares in the Company shall be entitled to a certificate signed by a director or officer of the Company and under the Seal specifying the share or shares held by him and the signature of the director or officer and the Seal may be facsimiles.

8. Any member receiving a share certificate for registered shares shall indemnify and hold the Company and its directors and officers harmless from any loss or liability which it or they may incur by reason of any wrongful or fraudulent use or representation made by any person by virtue of the possession thereof. If a share certificate for registered shares is worn out or lost it may be renewed on production of the worn out certificate or on satisfactory proof of its loss together with such indemnity as may be required by a resolution of directors.

9. If several persons are registered as joint holders of any shares, any one of such persons may give an effectual receipt for any dividend payable in respect of such shares.

SHARES, AUTHORIZED CAPITAL, CAPITAL AND SURPLUS

10. Subject to the provisions of these Articles and any resolution of members, the unissued shares of the Company shall be at the disposal of the directors who may, without limiting or affecting any rights previously conferred on the holders of any existing shares or class or series of shares, offer, allot, grant options over or otherwise dispose of shares to such persons, at such times and upon such terms and conditions as the Company may by resolution of directors determine.

11. No share in the Company may be issued until the consideration in respect thereof is fully paid, and when issued the share is for all purposes fully paid and non-assessable save that a share issued for a promissory note or other written obligation for payment of a debt may be issued subject to forfeiture in the manner prescribed in these Articles.

12. Shares in the Company shall be issued for money, services rendered, personal property, an estate in real property, a promissory note or other binding obligation to contribute money or property or any combination of the foregoing as shall be determined by a resolution of directors.

13. Shares in the Company may be issued for such amount of consideration as the directors may from time to time by resolution of directors determine, except that in the case of shares with par value, the amount shall not be less than the par value, and in the absence of fraud the decision of the directors as to the value of the consideration received by the Company in respect of the issue is conclusive unless a question of law is involved. The consideration in respect of the shares constitutes capital to the extent of the par value and the excess constitutes surplus.

14. A share issued by the Company upon conversion of, or in exchange for, another share or a debt obligation or other security in the Company, shall be treated for all purposes as having been issued for money equal to the consideration received or deemed to have been received by the Company in respect of the other share, debt obligation or security.

15. Treasury shares may be disposed of by the Company on such terms and conditions (not otherwise inconsistent with these Articles) as the Company may by resolution of directors determine.

16. The Company may issue fractions of a share and a fractional share shall have the same corresponding fractional liabilities, limitations, preferences, privileges, qualifications, restrictions, rights and other attributes of a whole share of the same class or series of shares.

17. Upon the issue by the Company of a share without par value, if an amount is stated in the Memorandum to be authorized capital represented by such shares then each share shall be issued for no less than the appropriate proportion of such amount which shall constitute capital, otherwise the consideration in respect of the share constitutes capital to the extent designated by the directors and the excess constitutes surplus, except that the directors must designate as capital an amount of the consideration that is at least equal to the amount that the share is entitled to as a preference, if any, in the assets of the Company upon liquidation of the Company.

18. The Company may purchase, redeem or otherwise acquire and hold its own shares but only out of surplus or in exchange for newly issued shares of equal value.

19. Subject to provisions to the contrary in

    (a) the Memorandum or these Articles;

    (b) the designations, powers, preferences, rights, qualifications, limitations and restrictions with which the shares were issued; or

    (c) the subscription agreement for the issue of the shares, the Company may not purchase, redeem or otherwise acquire its own shares without the consent of members whose shares are to be purchased, redeemed or otherwise acquired.

20. No purchase, redemption or other acquisition of shares shall be made unless the directors determine that immediately after the purchase, redemption or other acquisition the Company will be able to satisfy its liabilities as they become due in the ordinary course of its business and the realizable value of the assets of the Company will not be less than the sum of its total liabilities, other than deferred taxes, as shown in the books of account, and its capital and, in the absence of fraud, the decision of the directors as to the realizable value of the assets of the Company is conclusive, unless a question of law is involved.

21. A determination by the directors under the preceding Regulation is not required where shares are purchased, redeemed or otherwise acquired

    (a) pursuant to a right of a member to have his shares redeemed or to have his shares exchanged for money or other property of the Company;

    (b) by virtue of a transfer of capital pursuant to Regulation 49;

    (c) by virtue of the provisions of Section 83 of the Act; or

    (d) pursuant to an order of the Court.

22. Shares that the Company purchases, redeems or otherwise acquires pursuant to the preceding Regulation may be cancelled or held as treasury shares except to the extent that such shares are in excess of 80 percent of the issued shares of the Company in which case they shall be cancelled but they shall be available for reissue.

23. Where shares in the Company are held by the Company as treasury shares or are held by another company of which the Company holds, directly or indirectly, shares having more than 50 percent of the votes in the election of directors of the other company, such shares of the Company are not entitled to vote or to have dividends paid thereon and shall not be treated as outstanding for any purpose except for purposes of determining the capital of the Company.

24. The Company may purchase, redeem or otherwise acquire its shares at a price lower than the fair value if permitted by, and then only in accordance with, the terms of

    (a) the Memorandum or these Articles; or

    (b) a written agreement for the subscription for the shares to be purchased, redeemed or otherwise acquired.

25. The Company may by a resolution of directors include in the computation of surplus for any purpose the unrealized

appreciation of the assets of the Company, and, in the absence of fraud, the decision of the directors as to the value of the assets is conclusive, unless a question of law is involved.

MORTGAGES AND CHARGES OF REGISTERED SHARES

26. Members may mortgage or charge their registered shares in the Company and upon satisfactory evidence thereof the Company shall give effect to the terms of any valid mortgage or charge except insofar as it may conflict with any requirements herein contained for consent to the transfer of shares.

27. In the case of the mortgage or charge of registered shares there may be entered in the share register of the Company at the request of the registered holder of such shares

    (a) a statement that the shares are mortgaged or charged;

    (b) the name of the mortgagee or chargee; and

    (c) the date on which the aforesaid particulars are entered in the share register.

28. Where particulars of a mortgage or charge are registered, such particulars shall be cancelled

    (a) with the consent of the named mortgagee or chargee or anyone authorized to act on his behalf; or

    (b) upon evidence satisfactory to the directors of the discharge of the liability secured by the mortgage or charge and the issue of such indemnities as the directors shall consider necessary or desirable.

29. Whilst particulars of a mortgage or charge are registered, no transfer of any share comprised therein shall be effected without the written consent of the named mortgagee or chargee or anyone authorized to act on his behalf.

FORFEITURE

30. When shares issued for a promissory note or other written obligation for payment of a debt have been issued subject to forfeiture, the following provisions shall apply.

31. Written notice specifying a date for payment to be made and the shares in respect of which payment is to be made shall be served on the member who defaults in making payment pursuant to a promissory note or other written obligations to pay a debt.

32. The written notice specifying a date for payment shall

    (a) name a further date not earlier than the expiration of 14 days from the date of service of the notice on or

before which payment required by the notice is to be made; and

(b) contain a statement that in the event of non-payment at or before the time named in the notice the shares, or any of them, in respect of which payment is not made will be liable to be forfeited.

33. Where a written notice has been issued and the requirements have not been complied with within the prescribed time, the directors may at any time before tender of payment forfeit and cancel the shares to which the notice relates.

34. The Company is under no obligation to refund any moneys to the member whose shares have been forfeited and cancelled pursuant to these provisions. Upon forfeiture and cancellation of the shares the member is discharged from any further obligation to the Company with respect to the shares forfeited and cancelled.

LIEN

35. The Company shall have a first and paramount lien on every share issued for a promissory note or for any other binding obligation to contribute money or property or any combination thereof to the Company, and the Company shall also have a first and paramount lien on every share standing registered in the name of a member, whether singly or jointly with any other person or persons, for all the debts and liabilities of such member or his estate to the Company, whether the same shall have been incurred before or after notice to the Company of any interest of any person other than such member, and whether the time for the payment or discharge of the same shall have actually arrived or not, and notwithstanding that the same are joint debts or liabilities of such member or his estate and any other person, whether a member of the Company or not. The Company's lien on a share shall extend to all dividends payable thereon. The directors may at any time either generally, or in any particular case, waive any lien that has arisen or declare any share to be wholly or in part exempt from the provisions of this Regulation.

36. In the absence of express provisions regarding sale in the promissory note or other binding obligation to contribute money or property, the Company may sell, in such manner as the directors may by resolution of directors determine, any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of twenty-one days after a notice in writing, stating and demanding payment of the sum presently payable and giving notice of the intention to sell in default of such payment, has been served on the holder for the time being of the share.

37. The net proceeds of the sale by the Company of any shares on which it has a lien shall be applied in or towards payment of discharge of the promissory note or other binding

obligation to contribute money or property or any combination thereof in respect of which the lien exists so far as the same is presently payable and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the share prior to the sale) be paid to the holder of the share immediately before such sale. For giving effect to any such sale the directors may authorize some person to transfer the share sold to the purchaser thereof. The purchaser shall be registered as the holder of the share and he shall not be bound to see to the application of the purchase money, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the sale.

TRANSFER OF SHARES

38. Subject to any limitations in the Memorandum, registered shares in the Company may be transferred by a written instrument of transfer signed by the transferor and containing the name and address of the transferee, but in the absence of such written instrument of transfer the directors may accept such evidence of a transfer of shares as they consider appropriate.

39. The Company shall not be required to treat a transferee of a registered share in the Company as a member until the transferee's name has been entered in the share register.

40. Subject to any limitations in the Memorandum, the Company must on the application of the transferor or transferee of a registered share in the Company enter in the share register the name of the transferee of the share save that the registration of transfers may be suspended and the share register closed at such times and for such periods as the Company may from time to time by resolution of directors determine provided always that such registration shall not be suspended and the share register closed for more than 60 days in any period of 12 months.

TRANSMISSION OF SHARES

41. The executor or administrator of a deceased member, the guardian of an incompetent member or the trustee of a bankrupt member shall be the only person recognized by the Company as having any title to his share but they shall not be entitled to exercise any rights as a member of the Company until they have proceeded as set forth in the next following three Regulations.

42. The production to the Company of any document which is evidence of probate of the will, or letters of administration of the estate, or confirmation as executor, of a deceased member or of the appointment of a guardian of an incompetent member or the trustee of a bankrupt member shall be accepted by the Company even if the deceased, incompetent or bankrupt member is domiciled outside the British Virgin Islands if the document evidencing the grant of probate or letters of administration, confirmation as

executor, appointment as guardian or trustee in bankruptcy is issued by a foreign court which had competent jurisdiction in the matter. For the purpose of establishing whether or not a foreign court had competent jurisdiction in such a matter the directors may obtain appropriate legal advice. The directors may also require an indemnity to be given by the executor, administrator, guardian or trustee in bankruptcy.

43. Any person becoming entitled by operation of law or otherwise to a share or shares in consequence of the death, incompetence or bankruptcy of any member may be registered as a member upon such evidence being produced as may reasonably be required by the directors. An application by any such person to be registered as a member shall for all purposes be deemed to be a transfer of shares of the deceased, incompetent or bankrupt member and the directors shall treat it as such.

44. Any person who has become entitled to a share or shares in consequence of the death, incompetence or bankruptcy of any member may, instead of being registered himself, request in writing that some person to be named by him be registered as the transferee of such share or shares and such request shall likewise be treated as if it were a transfer.

45. What amounts to incompetence on the part of a person is a matter to be determined by the court having regard to all the relevant evidence and the circumstances of the case.

## REDUCTION OR INCREASE IN AUTHORIZED CAPITAL OR CAPITAL

46. The Company may by a resolution of directors and resolution of members amend the Memorandum to increase or reduce its authorized capital and in connection therewith the Company may in respect of any unissued shares increase or reduce the number of such shares, increase or reduce the par value of any such shares or effect any combination of the foregoing.

47. The Company may amend the Memorandum to

(a) divide the shares, including issued shares, of a class or series into a larger number of shares of the same class or series; or

(b) combine the shares, including issued shares, of a class or series into a smaller number of shares of the same class or series,

provided, however, that where shares are divided or combined under (a) or (b) of this Regulation, the aggregate par value of the new shares must be equal to the aggregate par value of the original shares.

48. The capital of the Company may by a resolution of directors be increased by transferring an amount of the surplus of the Company to capital.

49. Subject to the provisions of the two next succeeding Regulations, the capital of the Company may by resolution of directors be reduced by transferring an amount of the capital of the Company to surplus.

50. No reduction of capital shall be effected that reduces the capital of the Company to an amount that immediately after the reduction is less than the aggregate par value of all outstanding shares with par value and all shares with par value held by the Company as treasury shares and the aggregate of the amounts designated as capital of all outstanding shares without par value and all shares without par value held by the Company as treasury shares that are entitled to a preference, if any, in the assets of the Company upon liquidation of the Company.

51. No reduction of capital shall be effected unless the directors determine that immediately after the reduction the Company will be able to satisfy its liabilities as they become due in the ordinary course of its business and that the realizable assets of the Company will not be less than its total liabilities, other than deferred taxes, as shown in the books of the Company and its remaining capital, and, in the absence of fraud, the decision of the directors as to the realizable value of the assets of the Company is conclusive, unless a question of law is involved.

MEETINGS AND CONSENTS OF MEMBERS

52. The directors of the Company may convene meetings of the members of the Company at such times and in such manner and places within or outside the British Virgin Islands as the directors consider necessary or desirable.

53. Upon the written request of members holding 10 percent or more of the outstanding voting shares in the Company the directors shall convene a meeting of members.

54. The directors shall give not less than 7 days notice of meetings of members to those persons whose names on the date the notice is given appear as members in the share register of the Company and are entitled to vote at the meeting.

55. The directors may fix the date notice is given of a meeting of members as the record date for determining those shares that are entitled to vote at the meeting.

56. A meeting of members may be called on short notice:

(a) if members holding not less than 90 percent of the total number of shares entitled to vote on all matters to be considered at the meeting, or 90 percent of the votes of each class or series of shares where members are entitled to vote thereon as a class or series together with not less than a 90 percent majority of the remaining votes, have agreed to short notice of the meeting, or

(b) if all members holding shares entitled to vote on all or any matters to be considered at the meeting have waived notice of the meeting and for this purpose presence at the meeting shall be deemed to constitute waiver.

57. The inadvertent failure of the directors to give notice of a meeting to a member, or the fact that a member has not received notice, does not invalidate the meeting.

58. A member may be represented at a meeting of members by a proxy who may speak and vote on behalf of the member.

59. The instrument appointing a proxy shall be produced at the place appointed for the meeting before the time for holding the meeting at which the person named in such instrument proposes to vote.

60. An instrument appointing a proxy shall be in substantially the following form or such other form as the Chairman of the meeting shall accept as properly evidencing the wishes of the member appointing the proxy.

(Name of Company)

I/We _____ being a member of the above Company with _____ shares HEREBY APPOINT _____ of _____ or failing him _____ of _____ to be my/our proxy to vote for me/us at the meeting of members to be held on the day of _____ and at any adjournment thereof.

(Any restrictions on voting to be inserted here.)

Signed this __ day of ____

_____
Member

61. The following shall apply in respect of joint ownership of shares:

(a) if two or more persons hold shares jointly each of them may be present in person or by proxy at a meeting of members and may speak as a member;

(b) if only one of the joint owners is present in person or by proxy he may vote on behalf of all joint owners, and

(c) if two or more of the joint owners are present in person or by proxy they must vote as one.

62. A member shall be deemed to be present at a meeting of members if he participates by telephone or other electronic means and all members participating in the meeting are able to hear each other.

63. A meeting of members is duly constituted if, at the commencement of the meeting, there are present in person or by proxy not less than 50 percent of the votes of the shares or class or series of shares entitled to vote on resolutions of members to be considered at the meeting. If a quorum be present, notwithstanding the fact that such quorum may be represented by only one person then such person may resolve any matter and a certificate signed by such person accompanied where such person be a proxy by a copy of the proxy form shall constitute a valid resolution of members.

64. If within two hours from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of members, shall be dissolved; in any other case it shall stand adjourned to the next business day at the same time and place or to such other time and place as the directors may determine, and if at the adjourned meeting there are present within one hour from the time appointed for the meeting in person or by proxy not less than one third of the votes of the shares or each class or series of shares entitled to vote on the resolutions to be considered by the meeting, those present shall constitute a quorum but otherwise the meeting shall be dissolved.

65. At every meeting of members, the Chairman of the Board of Directors shall preside as chairman of the meeting. If there is no Chairman of the Board of Directors or if the Chairman of the Board of Directors is not present at the meeting, the members present shall choose some one of their number to be the chairman. If the members are unable to choose a chairman for any reason, then the person representing the greatest number of voting shares present in person or by prescribed form of proxy at the meeting shall preside as chairman failing which the oldest individual member or representative of a member present shall take the chair.

66. The chairman may, with the consent of the meeting, adjourn any meeting from time to time, and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

67. At any meeting of the members the chairman shall be responsible for deciding in such manner as he shall consider appropriate whether any resolution has been carried or not and the result of his decision shall be announced to the meeting and recorded in the minutes thereof. If the chairman shall have any doubt as to the outcome of any resolution put to the vote, he shall cause a poll to be taken of all votes cast upon such resolution, but if the chairman shall fail to take a poll then any member present in person or by proxy who disputes the announcement by the chairman of the result of any vote may immediately following such announcement demand that a poll be taken and the chairman shall thereupon cause a poll to be taken. If a poll is taken at any meeting, the result thereof shall be

duly recorded in the minutes of that meeting by the chairman.

68. Any person other than an individual shall be regarded as one member and subject to the specific provisions hereinafter contained for the appointment of representatives of such persons the right of any individual to speak for or represent such member shall be determined by the law of the jurisdiction where, and by the documents by which, the person is constituted or derives its existence. In case of doubt, the directors may in good faith seek legal advice from any qualified person and unless and until a court of competent jurisdiction shall otherwise rule, the directors may rely and act upon such advice without incurring any liability to any member.

69. Any person other than an individual which is a member of the Company may by resolution of its directors or other governing body authorize such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company, and the person so authorized shall be entitled to exercise the same powers on behalf of the person which he represents as that person could exercise if it were an individual member of the Company.

70. The chairman of any meeting at which a vote is cast by proxy or on behalf of any person other than an individual may call for a notarially certified copy of such proxy or authority which shall be produced within 7 days of being so requested or the votes cast by such proxy or on behalf of such person shall be disregarded.

71. Directors of the Company may attend and speak at any meeting of members of the Company and at any separate meeting of the holders of any class or series of shares in the Company.

72. An action that may be taken by the members at a meeting may also be taken by a resolution of members consented to in writing or by telex, telegram, cable, facsimile or other written electronic communication, without the need for any notice, but if any resolution of members is adopted otherwise than by the unanimous written consent of all members, a copy of such resolution shall forthwith be sent to all members not consenting to such resolution. The consent may be in the form of counterparts, each counterpart being signed by one or more members.

## DIRECTORS

73. The first directors of the Company shall be appointed by the subscribers to the Memorandum; and thereafter, the directors shall be elected by the members for such term as the members determine.

74. The minimum number of directors shall be one and the maximum number shall be 7.

75. Each director shall hold office for the term, if any, fixed by resolution of members or until his earlier death, resignation or removal.

76. A director may be removed from office, with or without cause, by a resolution of members or, with cause, by a resolution of directors.

77. A director may resign his office by giving written notice of his resignation to the Company and the resignation shall have effect from the date the notice is received by the Company or from such later date as may be specified in the notice.

78. The directors may at any time appoint any person to be a director either to fill a vacancy or as an addition to the existing directors. A vacancy occurs through the death, resignation or removal of a director, but a vacancy or vacancies shall not be deemed to exist where one or more directors shall resign after having appointed his or their successor or successors.

79. The Company may determine by resolution of directors to keep a register of directors containing

    (a) the names and addresses of the persons who are directors of the Company;

    (b) the date on which each person whose name is entered in the register was appointed as a director of the Company; and

    (c) the date on which each person named as a director ceased to be a director of the Company.

80. If the directors determine to maintain a register of directors, a copy thereof shall be kept at the registered office of the Company and the Company may determine by resolution of directors to register a copy of the register with the Registrar of Companies.

81. With the prior or subsequent approval by a resolution of members, the directors may, by a resolution of directors, fix the emoluments of directors with respect to services to be rendered in any capacity to the Company.

82. A director shall not require a share qualification and may be an individual or a company.

POWERS OF DIRECTORS

83. The business and affairs of the Company shall be managed by the directors who may pay all expenses incurred preliminary to and in connection with the formation and registration of the Company and may exercise all such powers of the Company as are not by the Act or by the Memorandum or these Articles required to be exercised by the members of the Company, subject to any delegation of such powers as may be

authorized by these Articles and to such requirements as may be prescribed by a resolution of members; but no requirement made by a resolution of members shall prevail if it be inconsistent with these Articles nor shall such requirement invalidate any prior act of the directors which would have been valid if such requirement had not been made.

84. The directors may, by a resolution of directors, appoint any person, including a person who is a director, to be an officer or agent of the Company. The resolution of directors appointing an agent may authorize the agent to appoint one or more substitutes or delegates to exercise some or all of the powers conferred on the agent by the Company.

85. Every officer or agent of the Company has such powers and authority of the directors, including the power and authority to affix the Seal, as are set forth in these Articles or in the resolution of directors appointing the officer or agent, except that no officer or agent has any power or authority with respect to the matters requiring a resolution of directors under the Act.

86. Any director which is a body corporate may appoint any person its duly authorized representative for the purpose of representing it at meetings of the Board of Directors or with respect to unanimous written consents.

87. The continuing directors may act notwithstanding any vacancy in their body, save that if their number is reduced to their knowledge below the number fixed by or pursuant to these Articles as the necessary quorum for a meeting of directors, the continuing directors or director may act only for the purpose of appointing directors to fill any vacancy that has arisen or for summoning a meeting of members.

88. The directors may by resolution of directors exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings and property or any part thereof, to issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of the Company or of any third party.

89. All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for moneys paid to the Company, shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as shall from time to time be determined by resolution of directors.

90. The Company may determine by resolution of directors to maintain at its registered office a register of mortgages, charges and other encumbrances in which there shall be entered the following particulars regarding each mortgage, charge and other encumbrance:

    (a) the sum secured;

(b) the assets secured;

(c) the name and address of the mortgagee, chargee or other encumbrancer;

(d) the date of creation of the mortgage, charge or other encumbrance; and

(e) the date on which the particulars specified above in respect of the mortgage, charge or other encumbrance are entered in the register.

91. The Company may further determine by a resolution of directors to register a copy of the register of mortgages, charges or other encumbrances with the Registrar of Companies.

PROCEEDINGS OF DIRECTORS

92. The directors of the Company or any committee thereof may meet at such times and in such manner and places within or outside the British Virgin Islands as the directors may determine to be necessary or desirable.

93. A director shall be deemed to be present at a meeting of directors if he participates by telephone or other electronic means and all directors participating in the meeting are able to hear each other.

94. A director shall be given not less than 3 days notice of meetings of directors, but a meeting of directors held without 3 days notice having been given to all directors shall be valid if all the directors entitled to vote at the meeting who do not attend, waive notice of the meeting and for this purpose, the presence of a director at a meeting shall constitute waiver on his part. The inadvertent failure to give notice of a meeting to a director, or the fact that a director has not received the notice, does not invalidate the meeting.

95. A director may by a written instrument appoint an alternate who need not be a director and an alternate is entitled to attend meetings in the absence of the director who appointed him and to vote or consent in place of the director.

96. A meeting of directors is duly constituted for all purposes if at the commencement of the meeting there are present in person or by alternate not less than one-half of the total number of directors, unless there are only 2 directors in which case the quorum shall be 2.

97. If the Company shall have only one director the provisions herein contained for meetings of the directors shall not apply but such sole director shall have full power to represent and act for the Company in all matters as are not by the Act or the Memorandum or these Articles required to be exercised by the members of the Company and in lieu of minutes of a meeting shall record in writing and sign a note

or memorandum of all matters requiring a resolution of directors. Such a note or memorandum shall constitute sufficient evidence of such resolution for all purposes.

98. At every meeting of the directors the Chairman of the Board of Directors shall preside as chairman of the meeting. If there is no Chairman of the Board of Directors or if the Chairman of the Board of Directors is not present at the meeting the Vice-Chairman of the Board of Directors shall preside. If there is no Vice-Chairman of the Board of Directors or if the Vice-Chairman of the Board of Directors is not present at the meeting the directors present shall choose some one of their number to be chairman of the meeting.

99. An action that may be taken by the directors or a committee of directors at a meeting may also be taken by a resolution of directors or a committee of directors consented to in writing or by telex, telegram, cable, facsimile or other written electronic communication by all directors or all members of the committee as the case may be, without the need for any notice. The consent may be in the form of counterparts, each counterpart being signed by one or more directors.

100. The directors shall cause the following corporate records to be kept:

    (a) minutes of all meetings of directors, members, committees of directors, committees of officers and committees of members;

    (b) copies of all resolutions consented to by directors, members, committees of directors, committees of officers and committees of members; and

    (c) such other accounts and records as the directors by resolution of directors consider necessary or desirable in order to reflect the financial position of the Company.

101. The books, records and minutes shall be kept at the registered office of the Company, its principal place of business or at such other place as the directors determine.

102. The directors may, by resolution of directors, designate one or more committees, each consisting of one or more directors.

103. Each committee of directors has such powers and authorities of the directors, including the power and authority to affix the Seal, as are set forth in the resolution of directors establishing the committee, except that no committee has any power or authority to amend the Memorandum or these Articles, to appoint directors or fix their emoluments, or to appoint officers or agents of the Company.

104. The meetings and proceedings of each committee of directors consisting of 2 or more directors shall be governed mutatis mutandis by the provisions of these Articles regulating the proceedings of directors so far as the same are not superseded by any provisions in the resolution establishing the committee.

OFFICERS

105. The Company may by resolution of directors appoint officers of the Company at such times as shall be considered necessary or expedient. Such officers may consist of a Chairman of the Board of Directors, a Vice-Chairman of the Board of Directors, a President and one or more Vice-Presidents, Secretaries and Treasurers and such other officers as may from time to time be deemed desirable. Any number of offices may be held by the same person.

106. The officers shall perform such duties as shall be prescribed at the time of their appointment subject to any modification in such duties as may be prescribed thereafter by resolution of directors or resolution of members, but in the absence of any specific allocation of duties it shall be the responsibility of the Chairman of the Board of Directors to preside at meetings of directors and members, the Vice-Chairman to act in the absence of the Chairman, the President to manage the day to day affairs of the Company, the Vice-Presidents to act in order of seniority in the absence of the President but otherwise to perform such duties as may be delegated to them by the President, the Secretaries to maintain the share register, minute books and records (other than financial records) of the Company and to ensure compliance with all procedural requirements imposed on the Company by applicable law, and the Treasurer to be responsible for the financial affairs of the Company.

107. The emoluments of all officers shall be fixed by resolution of directors.

108. The officers of the Company shall hold office until their successors are duly elected and qualified, but any officer elected or appointed by the directors may be removed at any time, with or without cause, by resolution of directors. Any vacancy occurring in any office of the Company may be filled by resolution of directors.

CONFLICT OF INTERESTS

109. No agreement or transaction between the Company and one or more of its directors or any person in which any director has a financial interest or to whom any director is related, including as a director of that other person, is void or voidable for this reason only or by reason only that the director is present at the meeting of directors or at the meeting of the committee of directors that approves the agreement or transaction or that the vote or consent of the director is counted for that purpose if the material facts of the interest of each director in the agreement or

transaction and his interest in or relationship to any other party to the agreement or transaction are disclosed in good faith or are known by the other directors.

110. A director who has an interest in any particular business to be considered at a meeting of directors or members may be counted for purposes of determining whether the meeting is duly constituted.

INDEMNIFICATION

111. Subject to the limitations hereinafter provided the Company may indemnify against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred in connection with legal, administrative or investigative proceedings any person who

(a) is or was a party or is threatened to be made a party to any threatened, pending or completed proceedings, whether civil, criminal, administrative or investigative, by reason of the fact that the person is or was a director, an officer or a liquidator of the Company; or

(b) is or was, at the request of the Company, serving as a director, officer or liquidator of, or in any other capacity is or was acting for, another company or a partnership, joint venture, trust or other enterprise.

112. The Company may only indemnify a person if the person acted honestly and in good faith with a view to the best interests of the Company and, in the case of criminal proceedings, the person had no reasonable cause to believe that his conduct was unlawful.

113. The decision of the directors as to whether the person acted honestly and in good faith and with a view to the best interests of the Company and as to whether the person had no reasonable cause to believe that his conduct was unlawful is, in the absence of fraud, sufficient for the purposes of these Articles, unless a question of law is involved.

114. The termination of any proceedings by any judgment, order, settlement, conviction or the entering of a nolle prosequi does not, by itself, create a presumption that the person did not act honestly and in good faith and with a view to the best interests of the Company or that the person had reasonable cause to believe that his conduct was unlawful.

115. If a person to be indemnified has been successful in defence of any proceedings referred to above the person is entitled to be indemnified against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred by the person in connection with the proceedings.

116. The Company may purchase and maintain insurance in relation to any person who is or was a director, an officer or a

liquidator of the Company, or who at the request of the Company is or was serving as a director, an officer or a liquidator of, or in any other capacity is or was acting for, another company or a partnership, joint venture, trust or other enterprise, against any liability asserted against the person and incurred by the person in that capacity, whether or not the Company has or would have had the power to indemnify the person against the liability as provided in these Articles.

SEAL

117. The Company may have more than one Seal and references herein to the Seal shall be references to every Seal which shall have been duly adopted by resolution of directors. The directors shall provide for the safe custody of the Seal and for an imprint thereof to be kept at the Registered Office. Except as otherwise expressly provided herein the Seal when affixed to any written instrument shall be witnessed and attested to by the signature of a director or any other person so authorized from time to time by resolution of directors. Such authorization may be before or after the Seal is affixed, may be general or specific and may refer to any number of sealings. The Directors may provide for a facsimile of the Seal and of the signature of any director or authorized person which may be reproduced by printing or other means on any instrument and it shall have the same force and validity as if the Seal had been affixed to such instrument and the same had been signed as hereinbefore described.

DIVIDENDS

118. The Company may by a resolution of directors declare and pay dividends in money, shares, or other property, but dividends shall only be declared and paid out of surplus. In the event that dividends are paid in specie the directors shall have responsibility for establishing and recording in the resolution of directors authorizing the dividends, a fair and proper value for the assets to be so distributed.

119. The directors may from time to time pay to the members such interim dividends as appear to the directors to be justified by the profits of the Company.

120. The directors may, before declaring any dividend, set aside out of the profits of the Company such sum as they think proper as a reserve fund, and may invest the sum so set aside as a reserve fund upon such securities as they may select.

121. No dividend shall be declared and paid unless the directors determine that immediately after the payment of the dividend the Company will be able to satisfy its liabilities as they become due in the ordinary course of its business and the realizable value of the assets of the Company will not be less than the sum of its total liabilities, other than deferred taxes, as shown in its books of account, and its

capital. In the absence of fraud, the decision of the directors as to the realizable value of the assets of the Company is conclusive, unless a question of law is involved.

122. Notice of any dividend that may have been declared shall be given to each member in manner hereinafter mentioned and all dividends unclaimed for 3 years after having been declared may be forfeited by resolution of directors for the benefit of the Company.

123. No dividend shall bear interest as against the Company and no dividend shall be paid on treasury shares or shares held by another company of which the Company holds, directly or indirectly, shares having more than 50 percent of the vote in electing directors.

124. A share issued as a dividend by the Company shall be treated for all purposes as having been issued for money equal to the surplus that is transferred to capital upon the issue of the share.

125. In the case of a dividend of authorized but unissued shares with par value, an amount equal to the aggregate par value of the shares shall be transferred from surplus to capital at the time of the distribution.

126. In the case of a dividend of authorized but unissued shares without par value, the amount designated by the directors shall be transferred from surplus to capital at the time of the distribution, except that the directors must designate as capital an amount that is at least equal to the amount that the shares are entitled to as a preference, if any, in the assets of the Company upon liquidation of the Company.

127. A division of the issued and outstanding shares of a class or series of shares into a larger number of shares of the same class or series having a proportionately smaller par value does not constitute a dividend of shares.

## ACCOUNTS AND AUDIT

128. The Company may by resolution of members call for the directors to prepare periodically a profit and loss account and a balance sheet. The profit and loss account and balance sheet shall be drawn up so as to give respectively a true and fair view of the profit and loss of the Company for the financial period and a true and fair view of the state of affairs of the Company as at the end of the financial period.

129. The Company may by resolution of members call for the accounts to be examined by auditors.

130. The first auditors shall be appointed by resolution of directors; subsequent auditors shall be appointed by a resolution of members.

131. The auditors may be members of the Company but no director or other officer shall be eligible to be an auditor of the Company during his continuance in office.

132. The remuneration of the auditors of the Company

(a) in the case of auditors appointed by the directors, may be fixed by resolution of directors; and

(b) subject to the foregoing, shall be fixed by resolution of members or in such manner as the Company may by resolution of members determine.

133. The auditors shall examine each profit and loss account and balance sheet required to be served on every member of the Company or laid before a meeting of the members of the Company and shall state in a written report whether or not

(a) in their opinion the profit and loss account and balance sheet give a true and fair view respectively of the profit and loss for the period covered by the accounts, and of the state of affairs of the Company at the end of that period; and

(b) all the information and explanations required by the auditors have been obtained.

134. The report of the auditors shall be annexed to the accounts and shall be read at the meeting of members at which the accounts are laid before the Company or shall be served on the members.

135. Every auditor of the Company shall have a right of access at all times to the books of account and vouchers of the Company, and shall be entitled to require from the directors and officers of the Company such information and explanations as he thinks necessary for the performance of the duties of the auditors.

136. The auditors of the Company shall be entitled to receive notice of, and to attend any meetings of members of the Company at which the Company's profit and loss account and balance sheet are to be presented.

## NOTICES

137. Any notice, information or written statement to be given by the Company to members may be served in the case of members holding registered shares in any way by which it can reasonably be expected to reach each member or by mail addressed to each member at the address shown in the share register.

138. Any summons, notice, order, document, process, information or written statement to be served on the Company may be served by leaving it, or by sending it by registered mail addressed to the Company, at its registered office, or by

leaving it with, or by sending it by registered mail to, the registered agent of the Company.

139. Service of any summons, notice, order, document, process, information or written statement to be served on the Company may be proved by showing that the summons, notice, order, document, process, information or written statement was delivered to the registered office or the registered agent of the Company or that it was mailed in such time as to admit to its being delivered to the registered office or the registered agent of the Company in the normal course of delivery within the period prescribed for service and was correctly addressed and the postage was prepaid.

## PENSION AND SUPERANNUATION FUNDS

140. The directors may establish and maintain or procure the establishment and maintenance of any non-contributory or contributory pension or superannuation funds for the benefit of, and give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company or any company which is a subsidiary of the Company or is allied to or associated with the Company or with any such subsidiary, or who are or were at any time directors or officers of the Company or of any such other company as aforesaid or who hold or held any salaried employment or office in the Company or such other company, or any persons in whose welfare the Company or any such other company as aforesaid is or has been at any time interested, and to the wives, widows, families and dependents of any such person, and may make payments for or towards the insurance of any such persons as aforesaid, and may do any of the matters aforesaid either alone or in conjunction with any such other company as aforesaid. Subject always to the proposal being approved by resolution of members, a director holding any such employment or office shall be entitled to participate in and retain for his own benefit any such donation, gratuity, pension allowance or emolument.

## ARBITRATION

141. Whenever any difference arises between the Company on the one hand and any of the members or their executors, administrators or assigns on the other hand, touching the true intent and construction or the incidence or consequences of these Articles or of the Act, touching anything done or executed, omitted or suffered in pursuance of the Act or touching any breach or alleged breach or otherwise relating to the premises or to these Articles, or to any Act or Ordinance affecting the Company or to any of the affairs of the Company such difference shall, unless the parties agree to refer the same to a single arbitrator, be referred to 2 arbitrators one to be chosen by each of the parties to the difference and the arbitrators shall before entering on the reference appoint an umpire.

142. If either party to the reference makes default in appointing an arbitrator either originally or by way of substitution (in the event that an appointed arbitrator shall die, be incapable of acting or refuse to act) for 10 days after the other party has given him notice to appoint the same, such other party may appoint an arbitrator to act in the place of the arbitrator of the defaulting party.

VOLUNTARY WINDING UP AND DISSOLUTION

143. The Company may voluntarily commence to wind up and dissolve by a resolution of members but if the Company has never issued shares it may voluntarily commence to wind up and dissolve by resolution of director.

CONTINUATION

144. The Company may by resolution of members or by a resolution passed unanimously by all directors of the Company continue as a company incorporated under the laws of a jurisdiction outside the British Virgin Islands in the manner provided under those laws.

We, HWR SERVICES LIMITED, of Craigmuir Chambers, Road Town, Tortola, British Virgin Islands for the purpose of incorporating an International Business Company under the laws of the British Virgin Islands hereby subscribe our name to these Articles of Association the 4th day of December, 2002 in the presence of:

| Witness | Subscriber |
| --- | --- |
| Simone I. Syfox<br>Craigmuir Chambers<br>Road Town, Tortola | Andrew B. Swapp<br>Authorized Signatory<br>HWR Services Limited |

**Exhibit 3.28**

**(Unofficial Translation of AOI of IC Media Technology Corporation)**

**Articles of Incorporation**

**Of**

**Kuang Jie Enterprise Corporation**

**Section I General Provisions**

Article 1 The Company shall be incorporated as a company limited by shares under the Company Law and its name shall be "Kuang Jie Enterprise Corporation".

Article 2 The scope of business of the Company shall be as follows:

1. F119010 Wholesale of electronic materials;
2. F118010 Wholesale of information software
3. CC01050 Manufacturing of information storage and process equipment
4. F113010 Wholesale of Machinery
5. F113020 Wholesale of electronic appliance
6. F113050 Wholesale of office machinery equipment
7. I301010 Information software services
8. I301020 Information process services
9. I301030 Electrical information supply services
10. F219010 Retailing of electrical materials
11. F218010 Retailing of information software
12. F401010 International trade business
13. F213010 Retailing of electric appliance
14. F213030 Retailing of office machinery equipment
15. F213080 Retailing of machinery and devices

16. I501010 Designing of product appearance

Any other activities which are not forbidden or restricted by laws (excluding activities subject to prior approval).

Article 3 The Company may act as a guarantor for business operations; the Company shall not loan to any persons or legal entities.

Article 4 When the Company becomes a shareholder of limited liability in other companies, the total amount of its investment may not be subject to the restriction as provided in Article 13 of the Company Law.

Article 5 The Company shall have its head office in Taipei City and, if necessary, may set up branches in and out of this country upon a resolution of its Board of Directors.

Article 6 Public notices of the Company shall be made in accordance with Article 28 of the Company Law.

**Section II Shares**

Article 7 The total capital amount of the Company shall be NT $199,900,000 divided into 19,990,000 shares, at a par value of NT $10 per share. The Company shall issue all of the amount of the total capital.

Article 8 The share certificate of the Company shall be all name-bearing share certificates and shall be affixed with the seals or by signature of, three directors of the Company, and issued after duly authentication pursuant to the law.

Article 9 The stock affairs of the Company shall be processed pursuant to the Company Law and other relevant laws.

**Section III Shareholders' Meeting**

Article 10 When the Company is organized by a single juristic person shareholder, the functional duties and power of the shareholders' meeting of the Company shall be exercised by its board of directors, to which the provisions governing the shareholders' meeting as set out in the Company Law shall not apply.

**Section IV Directors and Supervisor**

Article 11 The Company shall have three (3) directors and one (1) supervisor to be

appointed by the juristic person shareholder at any time. Remunerations for all directors and supervisor shall be decided by the juristic person shareholder.

Article 12 The Board of Directors shall be organized by directors. The Chairman shall be elected by a majority of directors present at a meeting attended by more than two thirds of directors and shall externally represent the Company.

Article 13 Meetings of the Board of Directors shall be convened by the Chairman. In calling a meeting of the Board of Directors, a notice setting forth therein the subject(s) to be discussed at the meeting shall be given to each director and supervisor seven (7) days before the date of the meeting. However, in the case of emergency, the meeting may be convened at any time.

Article 14 Meetings of the Board of Directors may be held in and out of this country, and proceeded via visual communication network. The directors taking part in such a visual communication meeting shall be deemed to have attended the meeting in person. In case a director is unable to attend a meeting of the Board of Directors, he/she may issue proxy by a written proxy form for another director to present on his/her behalf.

Article 15 In case the Chairman is on leave or absent or can not exercise his power and authority for any cause, he/she may issue proxy pursuant to Article 208 of the Company Law.

**Section V Managers**

Article 16 The Company may have one (1) general manager and several deputy general managers and managers, whose appointments, discharge, and remunerations shall be subject to Article 29 of the Company Law.

**Section VI Accounting**

Article 17 The fiscal year of the Company is from the 1 day of January to the 31 day of December each year. The final settlement of account shall be made at the close of each fiscal year.

Article 18 The Board of Directors shall prepare following statements and records at the close of each fiscal year for the Company and forward the same to the supervisor for his/her auditing: (1) Business Report; (2) Financial Statements; and (3) Proposal of Distribution of Earnings or Making Up of Loss.

Article 19 If there are surplus earnings after making the final settlement of account, the Company shall subsequently pay taxes, make up loss for preceding years and set aside 10% for legal reserve, except such legal reserve amounts to that provided in the Company Law. The Board of Directors shall propose a plan for allocating the remaining amount of such surplus earnings and pass a resolution. The percentage of the remaining amount distributed as employees' bonus shall be 10%.

**Section V Additional Rules**

Article 14 In regard to all matters not provided for in these Articles of Incorporation, the Company Law shall govern.

Article 15 These Article of Incorporation were enacted on September 3, 1999 and amended on February 10, 2000 for the first time, on April 5, 2000 for the second time, on August 3, 2000 for the third time, on February 12, 2003 for the fourth time, on September 16, 2003 for the fifth time.

**Exhibit 4.1**

MAGNACHIP SEMICONDUCTOR S.A.

AND

MAGNACHIP SEMICONDUCTOR FINANCE COMPANY

as Issuers,

AND

EACH OF THE GUARANTORS PARTY HERETO

FLOATING RATE SECOND PRIORITY SENIOR SECURED NOTES DUE 2011

AND

6 7/8% SECOND PRIORITY SENIOR SECURED NOTES DUE 2011

---

INDENTURE

Dated as of December 23, 2004

---

THE BANK OF NEW YORK

Trustee

---

[US BANK]
(solely with respect to Article 13 hereof)

Collateral Trustee

---

CROSS-REFERENCE TABLE*

| *Trust Indenture Act Section* | *Indenture Section* |
|---|---|
| 310(a)(1) | 7.10 |
| (a)(2) | 7.10 |
| (a)(3) | N.A. |
| (a)(4) | N.A. |
| (a)(5) | 7.10 |
| (b) | 7.10 |
| (c) | N.A. |
| 311(a) | 7.11 |
| (b) | 7.11 |
| (c) | N.A. |
| 312(a) | 2.05 |
| (b) | 12.03 |
| (c) | 12.03 |
| 313(a) | 7.06 |
| (b)(1) | 10.03 |
| (b)(2) | 7.06; 7.07 |
| (c) | 7.06; 10.03;14.02 |
| (d) | 7.06 |
| 314(a) | 4.03;12.02; 14.05 |
| (b) | 10.02 |
| (c)(1) | 12.04 |
| (c)(2) | 12.04 |
| (c)(3) | N.A. |
| (d) | 10.03; 10.04; 10.05 |
| (e) | 12.05 |
| (f) | N.A. |
| 315(a) | 7.01 |
| (b) | 7.05; 14.02 |
| (c) | 7.01 |
| (d) | 7.01 |
| (e) | 6.11 |
| 316(a) (last sentence) | 2.09 |
| (a)(1)(A) | 6.05 |
| (a)(1)(B) | 6.04 |
| (a)(2) | N.A. |
| (b) | 6.07 |
| (c) | 2.12 |
| 317(a)(1) | 6.08 |
| (a)(2) | 6.09 |
| (b) | 2.04 |
| 318(a) | 12.01 |
| (b) | N.A. |
| (c) | 14.01 |

N.A. means not applicable.

* This Cross Reference Table is not part of the Indenture.

TABLE OF CONTENTS

EXHIBITS

INDENTURE dated as of December 23, 2004 among MAGNACHIP SEMICONDUCTOR S.A., a Luxembourg public limited liability company (*societe anonyme*) ("*MagnaChip*"), MAGNACHIP SEMICONDUCTOR FINANCE COMPANY, a Delaware corporation ("*Finance Company,*" and together with MagnaChip, the "*Issuers*"), the Guarantors (as defined), THE BANK OF NEW YORK, as trustee (the "*Trustee*"), and US BANK, as collateral trustee (the "*Collateral Trustee*"). For avoidance of doubt, the Collateral Trustee is a party to this Indenture solely with respect to Article 13 hereof.

The Issuers, the Guarantors and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders (as defined) of the Issuers' Floating Rate Second Priority Senior Secured Notes due 2011 (the "*Floating Rate Notes*") and 6 7/8% Second Priority Senior Secured Notes due 2011 (the "*Fixed Rate Notes,*" and together with the Floating Rate Notes, the "*Notes*"):

**ARTICLE 1.**
DEFINITIONS AND INCORPORATION
BY REFERENCE

Section 1.01 *Definitions.*

*"144A Global Note"* means the Fixed Rate 144A Global Note or the Floating Rate 144A Global Note, as the case may be.

*"Acquired Debt"* means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person; *provided* that Indebtedness of such Person that is redeemed, defeased, retired or otherwise repaid at the time, or immediately upon consummation, of the transaction by which such other Person is merged with or into or became a Restricted Subsidiary of such Person shall not be Acquired Debt; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person; provided that the amount of such Indebtedness shall be deemed to be the lesser of the value of such asset and the amount of the obligation so secured.

*"Acquisition"* means the purchase of the System IC division from Hynix Semiconductor Inc.

*"Additional Notes"* means Fixed Rate Additional Notes or Floating Rate Additional Notes, as the case may be.

*"Advisory Agreements"* means the advisory agreements dated as of October 6, 2004, by and between US LLC, MagnaChip and each of (i) Francisco Partners Management, LLC, (ii) CVC Management LLC and (iii) CVC Capital Partners Asia Limited, as each may be amended, supplemented, modified, renewed, extended or replaced from time to time.

*"Affiliate"* of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; *provided* that beneficial ownership of 10% or more of the Voting Stock of a Person will be deemed to be control. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

*"Agent"* means any Registrar or Paying Agent.

*"Applicable Procedures"* means, with respect to any transfer or exchange of or for beneficial interests in any Global Note, the rules and procedures of the Depositary, Euroclear and Clearstream that apply to such transfer or exchange.

"*Asset Sale*" means:

(1) the sale, lease, conveyance or other disposition of any assets or rights; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of MagnaChip and its Restricted Subsidiaries taken as a whole will be governed by the provisions of Section 4.15 hereof and/or the provisions of Section 5.01 hereof and not by the provisions of Section 4.10 hereof; and

(2) the issuance or sale of Equity Interests in any of MagnaChip's Subsidiaries, other than directors' qualifying shares or shares required by applicable law to be held by a Person other than MagnaChip or a Restricted Subsidiary.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than $2.5 million;

(2) a transfer of assets between or among MagnaChip and its Restricted Subsidiaries (including to a Person that becomes a Restricted Subsidiary upon such transfer);

(3) an issuance of Equity Interests by a Restricted Subsidiary of MagnaChip to MagnaChip or to a Restricted Subsidiary of MagnaChip;

(4) the sale, lease, conveyance or other disposition of products, inventory, services or accounts receivable in the ordinary course of business and any sale or other disposition of damaged, worn-out, uneconomical, surplus or obsolete assets in the ordinary course of business;

(5) the sale or other disposition of cash or Cash Equivalents;

(6) a Restricted Payment that does not violate Section 4.07 hereof or a Permitted Investment;

(7) Permitted Liens; and

(8) grants of licenses in intellectual property on terms customary for the semiconductor industry.

Notwithstanding the foregoing, the aggregate value of (i) all Permitted Investments in Restricted Subsidiaries that are not Guarantors (the value of which is measured at the time of such Permitted Investments) and (ii) all transfers of assets to Restricted Subsidiaries that are not Guarantors (the value of which is measured at the time of such transfer of assets), shall not exceed an amount equal to 33 1/3% of the Total Assets of MagnaChip and its Restricted Subsidiaries.

*"Bankruptcy Law"* means Title 11, U.S. Code or any similar foreign, federal or state law for the relief of debtors.

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act. The terms "Beneficially Owns" and "Beneficially Owned" have a corresponding meaning.

*"Board of Directors"* means:

(1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the Board of Directors of the general partner of the partnership;

(3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

*"Broker-Dealer"* means a broker or dealer registered under the Exchange Act.

*"Business Day"* means any day other than a Legal Holiday.

*"Capital Lease Obligation"* means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with GAAP, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

*"Capital Stock"* means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

*"Cash Equivalents"* means:

(1) United States dollars, Korean Won, Pound Sterling, Hong Kong dollars, New Taiwan dollars, Euros and Japanese yen;

(2) securities issued or directly and fully guaranteed or insured by the United States government, Korean government, EU member states with a sovereign credit rating of A or better, the Japanese government, the Taiwan government, the Hong Kong government, or any agency or instrumentality of any such government (*provided* that the full faith and credit of any such government is pledged in support of those securities) having maturities of not more than one year from the date of acquisition;

(3) United States dollar denominated and Korean Won denominated certificates of deposit, eurodollar time deposits and other similar instruments in the United States, Hong Kong, Taiwan and Japan with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding one year and overnight bank deposits, in each case, with any lender party to the Senior Credit Agreement or with any domestic commercial bank having capital and surplus in excess of $500.0 million and a Thomson Bank Watch Rating of "B" or better or a comparable rating by a comparable rating agency in the relevant jurisdiction if a Moody's or S&P rating is unavailable;

(4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (3) above;

(5) commercial paper having one of the two highest ratings obtainable from Moody's or one of the three highest ratings attainable from S&P or a comparable rating by a comparable rating agency in the relevant jurisdiction if a Moody's or S&P rating is unavailable and, in each case, maturing within one year after the date of acquisition; and

(6) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (5) of this definition.

*"Casualty Event"* means any taking under power of eminent domain or similar proceeding and any insured loss, in each case relating to property or other assets that constituted Collateral.

*"Change of Control"* means the occurrence of any of the following:

(1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of US LLC and its Subsidiaries taken as a whole to any "person" (as that term is used in Section 13(d) of the Exchange Act) other than a Principal or a Related Party of a Principal;

(2) the adoption of a plan relating to the liquidation or dissolution of MagnaChip;

(3) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any "person" (as defined above), other than the Principals and their Related Parties, becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of MagnaChip, measured by voting power rather than number of shares; or

(4) after an initial public offering of MagnaChip or any direct or indirect parent of MagnaChip, the first day on which a majority of the members of the Board of Directors of such public company are not Continuing Directors.

*"Class"* means (1) in the case of Parity Lien Debt, every Series of Parity Lien Debt, taken together, and (2) in the case of Priority Lien Debt, every Series of Priority Lien Debt, taken together.

*"Clearstream"* means Clearstream Banking, S.A.

*"Collateral"* means all properties and assets at any time owned or acquired by MagnaChip or any of the other Pledgors, except:

(1) Excluded Assets;

(2) any properties and assets as to which Liens are required to be released pursuant to the Intercreditor Agreement; and

(3) any properties and assets that no longer secure the Notes or any Obligations in respect thereof pursuant to the Intercreditor Agreement,

*provided* that, in the case of clauses (2) and (3), if such Liens are required to be released as a result of the sale, transfer or other disposition of any properties or assets of MagnaChip or any other Pledgor, such assets or properties will cease to be excluded from the Collateral if MagnaChip or any other Pledgor thereafter acquires or reacquires such assets or properties.

*"Collateral Trustee"* means US Bank, in its capacity as collateral trustee for the Priority Lien Collateral Agent and the Parity Lien Collateral Agent with respect to the guarantees of the Secured Obligations issued to such collateral trustee by MagnaChip Semiconductor, Ltd. (Korea) and the various liens on Collateral owned by MagnaChip Semiconductor, Ltd. to secure such guarantees, together with its successors in such capacity.

*"Consolidated Cash Flow"* means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period *plus*, without duplication:

(1) an amount equal to any extraordinary loss *plus* any net loss realized by such Person or any of its Restricted Subsidiaries in connection with an Asset Sale, to the extent such losses were deducted in computing such Consolidated Net Income; *plus*

(2) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; *plus*

(3) the Fixed Charges of such Person and its Restricted Subsidiaries for such period, to the extent that such Fixed Charges were deducted in computing such Consolidated Net Income; *plus*

(4) depreciation, amortization (including amortization of intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash expenses (excluding any such non-cash expense to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period) of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Net Income; *plus*

(5) other expenses incurred in connection with the Acquisition on or prior to the Issue Date; *minus*

(6) non-cash items increasing such Consolidated Net Income for such period, other than the accrual of revenue in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with GAAP.

Notwithstanding the preceding, the provision for taxes based on the income or profits of, and the depreciation and amortization and other non-cash expenses of, a Restricted Subsidiary of MagnaChip will be added to Consolidated Net Income to compute Consolidated Cash Flow of MagnaChip only to the extent that a corresponding amount would be permitted at the date of determination to be dividended to MagnaChip by such Restricted Subsidiary without prior governmental approval (that has not been obtained), and without direct or indirect restriction pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to that Restricted Subsidiary or its stockholders.

*"Consolidated Net Income"* means, with respect to any specified Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP; *provided* that:

(1) the Net Income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary of the Person;

(2) the Net Income of any Restricted Subsidiary will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders, except to the extent that any dividend or similar distribution is actually and lawfully made and not otherwise included in Consolidated Net Income of such Person;

(3) the cumulative effect of a change in accounting principles will be excluded;

(4) any expenses associated with the Acquisition and the transactions contemplated thereby will be excluded;

(5) any transaction gains and losses due to fluctuations in currency values and the related tax effect will be excluded; and

(6) notwithstanding clause (1) above, the Net Income of any Unrestricted Subsidiary will be excluded, whether or not distributed to the specified Person or one of its Subsidiaries.

*"Continuing Directors"* means, as of any date of determination, any member of the Board of Directors of such Person who:

(1) was a member of such Board of Directors on the Issue Date;

(2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election; or

(3) was elected to the Board of Directors under the Securityholders' Agreement.

*"Corporate Trust Office of the Trustee"* means the office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office as of the date of this instrument is located at 101 Barclay Street, 8W, New York, New York 10286; Attention: Corporate Trust Division - Corporate Finance Unit, or such other address as the Trustee may designate from time to time by notice to the Holders and the Issuers.

*"Credit Agreement Agent"* means, at any time, the Person serving at such time as the "Agent" or "Administrative Agent" under the Senior Credit Agreement or any other representative then most recently designated in accordance with the applicable provisions of the Senior Credit Agreement, together with its successors in such capacity.

*"Credit Facilities"* means, one or more debt facilities (including, without limitation, the Senior Credit Agreement) or commercial paper facilities, in each case, with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time.

*"Custodian"* means the Trustee, as custodian with respect to the Notes in global form, or any successor entity thereto.

*"Default"* means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

*"Definitive Note"* means the Fixed Rate Definitive Note or the Floating Rate Definitive Note, as the case may be.

*"Depositary"* means, with respect to the Notes issuable or issued in whole or in part in global form, the Person specified in Section 2.03 hereof as the Depositary with respect to the Notes, and any and all successors thereto appointed as depositary hereunder and having become such pursuant to the applicable provision of this Indenture.

*"Disqualified Stock"* means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require MagnaChip to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that MagnaChip may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with Section

4.07 hereof. The amount of Disqualified Stock deemed to be outstanding at any time for purposes of this Indenture will be the maximum amount that MagnaChip and its Restricted Subsidiaries may become obligated to pay upon the maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock, exclusive of accrued dividends.

*"equally and ratably"* means, in reference to sharing of Liens or proceeds thereof as between holders of Secured Obligations within the same Class, that such Liens or proceeds:

(1) will be allocated and distributed first to the Secured Debt Representative for each outstanding Series of Secured Debt within that Class, for the account of the holders of such Series of Secured Debt, ratably in proportion to the principal of, and interest and premium (if any) and reimbursement obligations (contingent or otherwise) with respect to letters of credit, if any, outstanding (whether or not drawings have been made under such letters of credit) on each outstanding Series of Secured Debt within that Class when the allocation or distribution is made, and thereafter

(2) will be allocated and distributed (if any remain after payment in full of all of the principal of, and interest and premium (if any) and reimbursement obligations (contingent or otherwise) with respect to letters of credit, if any, outstanding (whether or not drawings have been made on such letters of credit) on all outstanding Secured Obligations within that Class) to the Secured Debt Representative for each outstanding Series of Secured Obligations within that Class, for the account of the holders of any remaining Secured Obligations within that Class, ratably in proportion to the aggregate unpaid amount of such remaining Secured Obligations within that Class due and demanded (with written notice to the applicable Secured Debt Representative, the Priority Lien Collateral Agent and the Parity Lien Collateral Agent) prior to the date such distribution is made.

*"Equity Interests"* means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

*"Euroclear"* means Euroclear Bank, S.A./N.V., as operator of the Euroclear system.

*"Exchange Act"* means the Securities Exchange Act of 1934, as amended.

*"Exchange Notes"* means the Notes issued in the Exchange Offer pursuant to Section 2.06(f) hereof.

*"Exchange Offer"* has the meaning set forth in the Registration Rights Agreement.

*"Exchange Offer Registration Statement"* has the meaning set forth in the Registration Rights Agreement.

*"Excluded Assets"* means each of the following:

(1) all "securities," including membership interests, convertible preferred equity certificates, preferred equity certificates, units of contribution, stock, shares, and the like of MagnaChip and any of MagnaChip's "affiliates" (as the terms "securities" and "affiliates" are used in Rule 3-16 of Regulation S-X under the Securities Act);

(2) assets as to which the Priority Lien Collateral Agent does not obtain a Lien; and

(3) assets that are described as excluded assets in the Security Documents that secure the Parity Lien Obligations.

*"Existing Indebtedness"* means Indebtedness of US LLC and its Subsidiaries (other than Indebtedness under the Senior Credit Agreement) in existence on the Issue Date, until such amounts are repaid.

*"Fair Market Value"* means the value that would be paid by a willing buyer to an unaffiliated willing seller, determined in good faith by the Board of Directors of MagnaChip (unless otherwise provided in this indenture).

*"Fixed Charge Coverage Ratio"* means with respect to any specified Person and its Restricted Subsidiaries for any period, the ratio of the Consolidated Cash Flow of such Person and its Restricted Subsidiaries for such period to the Fixed Charges of such Person and its Restricted Subsidiaries for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, Guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "*Calculation Date*"), then the Fixed Charge Coverage Ratio will be calculated giving pro forma effect to such incurrence, assumption, Guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Restricted Subsidiaries, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date will be given pro forma effect (in accordance with Regulation S-X under the Securities Act) as if they had occurred on the first day of the four-quarter reference period.

(2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date or that becomes a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date or would cease to be a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period; and

(6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months).

*"Fixed Charges"* means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortization of original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations in respect of interest rates; *plus*

(2) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period; *plus*

(3) any interest on Indebtedness of another Person that is guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries, whether or not such Guarantee or Lien is called upon; *plus*

(4) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of such Person or any of its Restricted Subsidiaries, other than dividends on Equity Interests payable solely in Equity Interests of MagnaChip (other than Disqualified Stock) or to MagnaChip or a Restricted Subsidiary of MagnaChip, *times* (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, determined on a consolidated basis in accordance with GAAP.

*"Fixed Rate 144A Global Note"* means a Global Note substantially in the form of Exhibit B1 hereto bearing the Global Note Legend and the Private Placement Legend and deposited with or on behalf of, and registered in the name of, the Depositary or its nominee that will be issued in a denomination equal to the outstanding principal amount of the Floating Rate Notes, sold in reliance on Rule 144A.

*"Fixed Rate Additional Notes"* means additional Fixed Rate Notes (other than the Initial Notes) issued under this Indenture in accordance with Sections 2.02 and 4.09 hereof, as part of the same series as the Initial Notes.

*"Fixed Rate Definitive Note"* means a certificated Note registered in the name of the Holder thereof and issued in accordance with Section 2.06 hereof, substantially in the form of Exhibit B1 hereto except that such Fixed Rate Note shall not bear the Global Note Legend and shall not have the "Schedule of Exchanges of Interests in the Global Note" attached thereto.

*"Fixed Rate IAI Global Note"* means a Global Note substantially in the form of Exhibit B1 hereto bearing the Global Note Legend and the Private Placement Legend and deposited with or on behalf of and registered in the name of the Depositary or its nominee that will be issued in a denomination equal to the outstanding principal amount of the Fixed Rate Notes sold to Institutional Accredited Investors.

*"Fixed Rate Regulation S Global Note"* means a Fixed Rate Regulation S Temporary Global Note or Fixed Rate Regulation S Permanent Global Note, as appropriate.

*"Fixed Rate Regulation S Permanent Global Note"* means a permanent Global Note in the form of Exhibit B1 hereto bearing the Global Note Legend and the Private Placement Legend and deposited with or on behalf of and registered in the name of the Depositary or its nominee, issued in a denomination equal to the outstanding principal amount of the Regulation S Temporary Global Note upon expiration of the Restricted Period.

"*Fixed Rate Regulation S Temporary Global Note"* means a temporary Global Note in the form of Exhibit B2 hereto deposited with or on behalf of and registered in the name of the Depositary or its nominee, issued in a denomination equal to the outstanding principal amount of the Notes initially sold in reliance on Rule 903 of Regulation S.

*"Fixed Rate Restricted Definitive Note"* means a Fixed Rate Definitive Note bearing the Private Placement Legend.

*"Fixed Rate Restricted Global Note"* means a Fixed Rate Global Note bearing the Private Placement Legend.

"*Fixed Rate Second Priority Notes Applicable Premium*" means the greater of:

(1) 1.0% of the principal amount of the note; or

(2) the excess of:

(a) the present value at such redemption date of (i) the redemption price of the note at December 15, 2008, (such redemption price being set forth in the table appearing in Section 3.07 hereof) *plus* (ii) all required interest payments due on the note through December 15, 2008 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date *plus* 50 basis points; over

(b) the principal amount of the note, if greater.

*"Fixed Rate Unrestricted Definitive Note"* means a Fixed Rate Definitive Note that does not bear and is not required to bear the Private Placement Legend.

*"Fixed Rate Unrestricted Global Note"* means a Fixed Rate Global Note that does not bear and is not required to bear the Private Placement Legend.

*"Floating Rate 144A Global Note"* means a Global Note substantially in the form of Exhibit A1 hereto bearing the Global Note Legend and the Private Placement Legend and deposited with or on behalf of, and registered in the name of, the Depositary or its nominee that will be issued in a denomination equal to the outstanding principal amount of the Floating Rate Notes, sold in reliance on Rule 144A.

*"Floating Rate Additional Notes"* means additional Floating Rate Notes (other than the Initial Notes) issued under this Indenture in accordance with Sections 2.02 and 4.09 hereof, as part of the same series as the Initial Notes.

*"Floating Rate Definitive Note"* means a certificated Note registered in the name of the Holder thereof and issued in accordance with Section 2.06 hereof, substantially in the form of Exhibit A1 hereto except that such Floating Rate Note shall not bear the Global Note Legend and shall not have the "Schedule of Exchanges of Interests in the Global Note" attached thereto.

*"Floating Rate IAI Global Note"* means a Global Note substantially in the form of Exhibit A1 hereto bearing the Global Note Legend and the Private Placement Legend and deposited with or on behalf of and registered in the name of the Depositary or its nominee that will be issued in a denomination equal to the outstanding principal amount of the Floating Rate Notes sold to Institutional Accredited Investors.

*"Floating Rate Regulation S Global Note"* means a Floating Rate Regulation S Temporary Global Note or Floating Rate Regulation S Permanent Global Note, as appropriate.

*"Floating Rate Regulation S Permanent Global Note"* means a permanent Global Note in the form of Exhibit A1 hereto bearing the Global Note Legend and the Private Placement Legend and deposited with or on behalf of and registered in the name of the Depositary or its nominee, issued in a denomination equal to the outstanding principal amount of the Regulation S Temporary Global Note upon expiration of the Restricted Period.

"*Floating Rate Regulation S Temporary Global Note"* means a temporary Global Note in the form of Exhibit A2 hereto deposited with or on behalf of and registered in the name of the Depositary or its nominee, issued in a denomination equal to the outstanding principal amount of the Notes initially sold in reliance on Rule 903 of Regulation S.

*"Floating Rate Restricted Definitive Note"* means a Fixed Rate Definitive Note bearing the Private Placement Legend.

*"Floating Rate Restricted Global Note"* means a Fixed Rate Global Note bearing the Private Placement Legend.

"Floating Rate Second Priority Notes Applicable Premium" means the greater of:

(1) 1.0% of the principal amount of the note; or

(2) the excess of:

(a) the present value at such redemption date of (i) the redemption price of the note at December 15, 2005, (such redemption price being set forth in the table appearing in Section 3.07 hereof) *plus* (ii) all required interest payments due on the note through December 15, 2005, assuming that the LIBOR Rate in effect on the date of the redemption notice would be the LIBOR Rate in effect through December 15, 2005 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the LIBOR Rate as of such redemption date *plus* 50 basis points; over

(b) the principal amount of the note, if greater.

*"Floating Rate Unrestricted Definitive Note"* means a Floating Rate Definitive Note that does not bear and is not required to bear the Private Placement Legend.

*"Floating Rate Unrestricted Global Note"* means a Floating Rate Global Note that does not bear and is not required to bear the Private Placement Legend

*"GAAP"* means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect on the Issue Date.

*"Global Note Legend"* means the legend set forth in Section 2.06(g)(2) hereof, which is required to be placed on all Global Notes issued under this Indenture.

*"Global Notes"* means, individually and collectively, each of the Restricted Global Notes and the Unrestricted Global Notes deposited with or on behalf of and registered in the name of the Depository or its nominee, substantially in the form of Exhibit A1 and B1 hereto and that bears the Global Note Legend and that has the "Schedule of Exchanges of Interests in the Global Note" attached thereto, issued in accordance with Section 2.01, 2.06(b)(3), 2.06(b)(4), 2.06(d)(2) or 2.06(f) hereof.

*"Government Securities"* means securities that are

(1) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged, or

(2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America,

which, in either case, are not callable or redeemable at the option of the issuers thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act), as custodian with respect to any such Government Securities or a specific payment of principal of or interest on any such Government Securities held by such custodian for the account of the holder of such depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Securities or the specific payment of principal of or interest on the Government Securities evidenced by such depository receipt.

"*Governmental Authority*" shall mean the government of the United States of America or any other nation, or of any political subdivision thereof, whether state, provincial or local, and any agency, authority, instrumentality, regulatory body, court central bank or other entity exercising executive, legislative, judicial taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

*"Guarantee"* means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

*"Guarantors"* means each of the Non-Korean Guarantors and the Korean Guarantor.

*"Hedging Obligations"* means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(2) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices,

in each case, in reasonable relation to the business of MagnaChip and the Restricted Subsidiaries, and not for speculative purposes.

*"Holder"* means a Person in whose name a Note is registered.

*"Hynix Agreements"* means each of the following as the same may be amended, restated, supplemented, modified, renewed, extended or replaced from time to time:

(1) Business Transfer Agreement dated as of June 12, 2004 by and between Hynix and MagnaChip Korea;

(2) First Amendment to Business Transfer Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea;

(3) General Services Supply Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea;

(4) each of the Overseas Sales Services Agreements dated as of October 6, 2004 by and between a Subsidiary of Hynix and a Subsidiary of MagnaChip;

(5) R&D Equipment Utilization Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea;

(6) IT & FA Service Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea;

(7) Wafer Foundry Service Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea;

(8) Mask Production and Supply Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea;

(9) each of the Building Lease Agreements dated as of October 6, 2004 by and between Hynix and MagnaChip Korea;

(10) Trademark License Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea; and

(11) Intellectual Property Licensing Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea.

*"IAI Global Note"* means the Fixed Rate IAI Global Note or the Floating Rate IAI Global Note, as the case may be.

*"Immaterial Subsidiary"* means, as of any date, any Restricted Subsidiary whose total assets, as of that date, are less than $250,000 and whose total revenues for the most recent 12-month period do not exceed $250,000; *provided* that a Restricted Subsidiary will not be considered to be an Immaterial Subsidiary if it, directly or indirectly, guarantees or otherwise provides direct credit support for any Indebtedness of MagnaChip; *provided*, *further*, that the revenues and total assets of all such subsidiaries shall not exceed $2.5 million in the aggregate.

*"Indebtedness"* means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent:

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);

(3) in respect of banker's acceptances;

(4) representing Capital Lease Obligations;

(5) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed; or

(6) representing any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person and the amount of such obligation being deemed to be the lesser of the value of such asset and the amount of the obligation so secured) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person.

*"Indenture"* means this Indenture, as amended or supplemented from time to time.

*"Indirect Participant"* means a Person who holds a beneficial interest in a Global Note through a Participant.

*"Initial Notes"* means the first $500,000,000 aggregate principal amount of Notes issued under this Indenture on the date hereof.

*"Initial Purchasers"* means UBS Securities LLC, Seoul Branch, UBS Securities LLC, Citigroup Global Market Inc., Goldman, Sachs & Co., J.P. Morgan Securities Inc., and Deutsche Bank Securities LLC.

*"Institutional Accredited Investor"* means an institution that is an "accredited investor" as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act, who are not also QIBs.

*"insolvency or liquidation proceeding"* means:

(1) any case commenced by or against MagnaChip or any other Pledgor under Title 11, U.S. Code or any similar federal, state or foreign law for the relief of debtors, any other proceeding for the reorganization, recapitalization or adjustment or marshalling of the assets or liabilities of MagnaChip or any other Pledgor, any receivership or assignment for the benefit of creditors relating to MagnaChip or any other Pledgor or any similar case or proceeding relative to MagnaChip or any other Pledgor or its creditors, as such, in each case whether or not voluntary;

(2) any liquidation, dissolution, marshalling of assets or liabilities or other winding up of or relating to MagnaChip or any other Pledgor, in each case whether or not voluntary and whether or not involving bankruptcy or insolvency; or

(3) any other proceeding of any type or nature in which substantially all claims of creditors of MagnaChip or any other Pledgor are determined and any payment or distribution is or may be made on account of such claims.

*"Intercreditor Agreement"* means the Intercreditor Agreement, dated as of the date of the Issue Date, among the Pledgors, the Priority Lien Credit Agreement Agent, the Priority Lien Collateral Agent, the Trustee and the Parity Lien Collateral Agent, as amended, supplemented or otherwise modified from time to time.

*"Investments"* means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations), advances or capital contributions (excluding (A) advances to customers in the ordinary course of business that are recorded as accounts receivable on the consolidated balance sheet of such Person and (B) commission, travel, moving and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. If MagnaChip or any Subsidiary of MagnaChip sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of MagnaChip such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of MagnaChip, MagnaChip will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of MagnaChip's Investments in such Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of Section 4.07 hereof. The acquisition by MagnaChip or any Subsidiary of MagnaChip of a Person that holds an Investment in a third Person will be deemed to be an Investment by MagnaChip or such Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of Section 4.07 hereof. Except as otherwise provided in this Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value.

*"Issue Date"* means the date of this Indenture.

"*Korean Guarantor*" means each of:

(1) MagnaChip Semiconductor, Ltd. (Korea); and

(2) any other Subsidiary of MagnaChip organized under the laws of the Republic of Korea that executes a Note Guarantee in accordance with the provisions of this Indenture

and their respective successors and assigns, in each case, until the Note Guarantee of such Person has been released in accordance with the provisions of this Indenture.

*"Legal Holiday"* means a Saturday, a Sunday or a day on which banking institutions in The City of New York, Seoul, Korea or at a place of payment of any payment due in respect of any Notes are authorized by law, regulation or executive order to remain closed. If a payment date is a Legal Holiday, payment may be made on the next succeeding day that is not a Legal Holiday, and no interest shall accrue on such payment for the intervening period.

*"Letter of Transmittal"* means the letter of transmittal to be prepared by the Issuers and sent to all Holders of the Notes for use by such Holders in connection with the Exchange Offer.

*"LIBOR Rate"* means, for each quarterly period during which any Floating Rate Note is outstanding subsequent to the initial quarterly period, the rate determined by MagnaChip (notice of such rate to be sent to the Trustee by MagnaChip on the date of determination thereof) equal to the applicable British Bankers' Association LIBOR rate for deposits in U.S. dollars for a period of three months as reported by any generally recognized financial information service as of 11:00 a.m. (London time) two business days prior to the first day of such quarterly period; *provided that,* if no such British Bankers' Association LIBOR rate is available to MagnaChip, the LIBOR Rate for the relevant quarterly period shall instead be the rate at which UBS Securities LLC or one of its affiliate banks offers to place deposits in U.S. dollars with first-class banks in the London interbank market for a period of three months at approximately 11:00 a.m. (London time) two business days prior to the first day of such quarterly period, in amounts equal to $1.0 million. Notwithstanding the foregoing, the LIBOR Rate for the initial quarterly period shall be 2.51%.

*"Lien"* means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

*"Lien Sharing and Priority Confirmation"* means:

(1) as to any Series of Parity Lien Debt, the written agreement of the holders of such Series of Parity Lien Debt, as set forth in this Indenture, credit agreement or other agreement governing such Series of Parity Lien Debt, for the enforceable benefit of all holders of each existing and future Series of Priority Lien Debt, each existing and future Priority Lien Representative and each existing and future holder of Permitted Prior Liens:

(a) that all Parity Lien Obligations will be and are secured equally and ratably by all Parity Liens at any time granted by MagnaChip or any other Pledgor to secure any Obligations in respect of such Series of Parity Lien Debt, whether or not upon property otherwise constituting collateral for such Series of Parity Lien Debt, and that all such Parity Liens will be enforceable by the Parity Lien Collateral Agent for the benefit of all holders of Parity Lien Obligations equally and ratably;

(b) that the holders of Obligations in respect of such Series of Parity Lien Debt are bound by the provisions of the Intercreditor Agreement, including the provisions relating to the ranking of Parity Liens and the order of application of proceeds from the enforcement of Parity Liens; and

(c) consenting to and directing the Parity Lien Collateral Agent to perform its obligations under the Intercreditor Agreement and the other Security Documents; and

(2) as to any Series of Priority Lien Debt, the written agreement of the holders of such Series of Priority Lien Debt, as set forth in the credit agreement or other agreement governing such Series of Priority Lien Debt, for the enforceable benefit of all holders of each existing and future Series of Parity Lien Debt, each existing and future Parity Lien Representative and each existing and future holder of Permitted Prior Liens:

(a) that all Priority Lien Obligations will be and are secured equally and ratably by all Priority Liens at any time granted by MagnaChip or any other Pledgor to secure any Obligations in respect of such Series of Priority Lien Debt, whether or not upon property otherwise constituting collateral for such Series of Priority Lien Debt, and that all such Priority Liens will be enforceable for the benefit of all holders of Priority Lien Obligations equally and ratably;

(b) that the holders of Obligations in respect of such Series of Priority Lien Debt are bound by the provisions of the Intercreditor Agreement, including the provisions relating to the ranking of Priority Liens and the order of application of proceeds from enforcement of Priority Liens; and

(c) consenting to and directing the Priority Lien Collateral Agent to perform its obligations under the Intercreditor Agreement and the other Security Documents.

*"Liquidated Damages"* means all liquidated damages then owing pursuant to the Registration Rights Agreement.

*"Moody's"* means Moody's Investors Service, Inc.

*"Net Income"* means, with respect to any specified Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however:

(1) any gain (or loss), together with any related provision for taxes on such gain (or loss), realized in connection with: (a) any Asset Sale; or (b) the disposition of any securities by such Person or any of its Restricted Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Restricted Subsidiaries; and

(2) any extraordinary gain (or loss), together with any related provision for taxes on such extraordinary gain (or loss).

*"Net Proceeds"* means the aggregate cash proceeds received by MagnaChip or any of its Restricted Subsidiaries in respect of any Casualty Event or Asset Sale (including, without limitation, any

cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, and any repayment of Indebtedness that was permitted to be secured by the assets sold or lost in such Asset Sale or Casualty Event, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements, and any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with GAAP.

*"Non-Korean Guarantor"* means each of:

(1) MagnaChip Semiconductor LLC (USA), MagnaChip Semiconductor, Inc. (USA), MagnaChip Semiconductor B.V. (Netherlands), MagnaChip Semiconductor SA Holdings LLC (USA), MagnaChip Semiconductor Ltd. (UK), MagnaChip Semiconductor Inc. (Japan), MagnaChip Semiconductor Ltd. (Hong Kong) and MagnaChip Semiconductor Ltd. (Taiwan); and

(2) any other Subsidiary of MagnaChip that executes a Note Guarantee in accordance with the provisions of this Indenture, other than a Korean Guarantor,

and their respective successors and assigns, in each case, until the Note Guarantee of such Person has been released in accordance with the provisions of this Indenture.

"*Non-Recourse Debt*" means Indebtedness:

(1) as to which neither MagnaChip nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender;

(2) no default with respect to which (including any rights that the holders of the Indebtedness may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness of MagnaChip or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment of the Indebtedness to be accelerated or payable prior to its Stated Maturity; and

(3) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of MagnaChip or any of its Restricted Subsidiaries.

*"Note Documents"* means this Indenture, the Notes and the Security Documents.

*"Non-U.S. Person"* means a Person who is not a U.S. Person.

*"Note Guarantee"* means the Guarantee by each Guarantor of MagnaChip's obligations under this Indenture and the Notes, executed pursuant to the provisions of this Indenture.

*"Notes"* has the meaning assigned to it in the preamble to this Indenture. The Initial Notes and the Additional Notes shall be treated as a single class for all purposes under this Indenture, and unless the context otherwise requires, all references to the Notes shall include the Initial Notes and any Additional Notes.

*"Obligations"* means any principal (including reimbursement obligations with respect to letters of credit whether or not drawn), interest (including, with respect to the provisions of the Intercreditor Agreement, to the extent legally permitted, all interest accrued thereon after the commencement of any insolvency or liquidation proceeding at the rate, including any applicable post-default rate, specified in the Priority Lien Documents, even if such interest is not enforceable, allowable or allowed as a claim in such proceeding), premium, if any, fees, indemnifications, reimbursements, expenses and other liabilities payable under the documentation governing any Indebtedness.

*"Officer"* means, with respect to any Person, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Controller, the Secretary, any Vice-President, any Director, any Manager, any Managing Director, or any Person authorized by any of the foregoing as set forth in an Officers' Certificate.

*"Officers' Certificate"* means a certificate signed on behalf of MagnaChip by two Officers of MagnaChip, one of whom must be the principal executive officer, the principal financial officer, the treasurer or the principal accounting officer of MagnaChip, that meets the requirements of Section 14.05 hereof and is delivered to the Trustee.

*"Opinion of Counsel"* means an opinion from legal counsel who is reasonably acceptable to the Trustee, that meets the requirements of Section 14.05 hereof. The counsel may be an employee of or counsel to MagnaChip or any Restricted Subsidiary of MagnaChip.

*"Parity Lien"* means a Lien granted by a Parity Lien Security Document to a Parity Lien Representative at any time, upon any property of MagnaChip or any other Pledgor to secure Parity Lien Obligations.

*"Parity Lien Collateral Agent"* means The Bank of New York, in its capacity as collateral agent for the Trustee and the holders of Notes or other Parity Lien Obligations under the Security Documents, together with its successors in such capacity.

"Parity Lien Debt" means:

(1) the Notes issued on the Issue Date (including any related Exchange Notes); and

(2) any other Indebtedness of MagnaChip (including Additional Notes) that is secured equally and ratably with the Notes by a Parity Lien that was permitted to be incurred and so secured under each applicable Secured Debt Document; *provided* that:

(a) the net proceeds are used to refund, refinance, replace, defease, discharge or otherwise acquire or retire Priority Lien Debt or other Parity Lien Debt; or

(b) on the date of incurrence of such Indebtedness, after giving pro forma effect to the incurrence thereof and the application of the proceeds therefrom, the Secured Leverage Ratio would not be greater than 2.75 to 1.0;

*provided, further,* in the case of any Indebtedness referred to in clause (2) of this definition:

(a) on or before the date on which such Indebtedness is incurred by MagnaChip, such Indebtedness is designated by MagnaChip, in an Officers' Certificate delivered to each Parity Lien Representative and Collateral Trustee and the Parity Lien Collateral Agent, as "Parity Lien Debt" for the purposes of this Indenture and the Intercreditor Agreement, *provided* that no Series of Secured Debt may be designated as both Parity Lien Debt and Priority Lien Debt;

(b) such Indebtedness is governed by an indenture, credit agreement or other agreement that includes a Lien Sharing and Priority Confirmation; and

(c) all requirements set forth in the Intercreditor Agreement as to the confirmation, grant or perfection of the Parity Lien Collateral Agent Liens to secure such Indebtedness or Obligations in respect thereof are satisfied (and the satisfaction of such requirements and the other provisions of this clause (c) will be conclusively established if MagnaChip delivers to the Parity Lien Collateral Agent an Officers' Certificate stating that such requirements and other provisions have been satisfied and that such Indebtedness is "Parity Lien Debt").

*"Parity Lien Documents"* means, collectively, the Note Documents, this Indenture, credit agreement or other agreement governing each other Series of Parity Lien Debt and the Security Documents (other than any Security Documents that do not secure Parity Lien Obligations).

*"Parity Lien Obligations"* means Parity Lien Debt and all other Obligations in respect thereof.

*"Parity Lien Representative"* means:

(1) in the case of the Notes, the Trustee;

(2) in the case of any other Series of Parity Debt, the trustee, agent or representative of the holders of such Series of Parity Lien Debt who maintains the transfer register for such Series of Parity Lien Debt and (a) is appointed as a Parity Lien Representative (for purposes related to the administration of the Security Documents) pursuant to this Indenture, credit agreement or other agreement governing such Series of Parity Lien Debt, together with its successors in such capacity, and (b) has become a party to the Intercreditor Agreement by executing a joinder in the form required under the Intercreditor Agreement.

*"Participant"* means, with respect to the Depositary, Euroclear or Clearstream, a Person who has an account with the Depositary, Euroclear or Clearstream, respectively (and, with respect to DTC, shall include Euroclear and Clearstream).

*"Permitted Business"* means the businesses of MagnaChip, its direct and indirect parents, and their respective subsidiaries as of the Issue Date and any other business ancillary or supplementary to the semiconductor business.

*"Permitted Investments"* means:

(1) any Investment in MagnaChip or in a Restricted Subsidiary of MagnaChip;

(2) any Investment in Cash Equivalents;

(3) any Investment by MagnaChip or any Restricted Subsidiary of MagnaChip in a Person, if as a result of such Investment:

(a) such Person becomes a Restricted Subsidiary of MagnaChip; or

(b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, MagnaChip or a Restricted Subsidiary of MagnaChip;

(4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with Section 4.10 hereof;

(5) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of MagnaChip or any of its direct or indirect parents;

(6) any Investments received in compromise or resolution of (A) obligations that were incurred in the ordinary course of business of MagnaChip or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (B) litigation, arbitration or other disputes with Persons who are not Affiliates;

(7) Investments represented by Hedging Obligations;

(8) loans or advances to employees, directors, officers or consultants made in the ordinary course of business of MagnaChip or any Restricted Subsidiary of MagnaChip in an aggregate principal amount not to exceed $5.0 million at any one time outstanding;

(9) repurchases of the Notes;

(10) (A) advances to customers in the ordinary course of business that are recorded as accounts receivable on the consolidated balance sheet of such Person and (B) payroll, travel and similar advances to cover matters that are expected at the time of the advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(11) receivables owing to MagnaChip or any Restricted Subsidiary of MagnaChip if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided, however*, that such trade terms may include the concessionaire trade terms as MagnaChip or the Restricted Subsidiary deems reasonable under the circumstances;

(12) Investments in existence on the Issue Date;

(13) Investments in any Person to the extent such Investments consist of prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and other similar deposits made in the ordinary course of business by MagnaChip or any Restricted Subsidiary;

(14) Investment in any Person where such Investment was acquired by MagnaChip or any of the Restricted Subsidiaries (A) in exchange for any other Investment or accounts receivable held by MagnaChip or any such Restricted Subsidiary in connection with or as a result of a bankruptcy, workout, reorganization or recapitalization of the issuer of such other Investment or accounts receivable or (B) as a result of a foreclosure by MagnaChip or any of the Restricted Subsidiaries with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;

(15) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (15) that are at the time outstanding that does not exceed the greater of (A) $50.0 million and (B) 5.0% of Total Assets (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value). Provided that any cash return on capital in any such Permitted Investment (including through any dividend, distribution, repayment, redemption, payment of interest or other transfer) made pursuant to this clause (15) will reduce the amount of any such Permitted Investment for purposes of calculating the amount of Permitted Investments under this clause (15) and will be excluded from clauses (3)(A), (D) and (E) of the first paragraph of Section 4.07(a); provided, that the total reduction may not exceed the amount of the original investment.

Notwithstanding the foregoing, an Investment in a Restricted Subsidiary that is not a Guarantor will not be deemed a Permitted Investment if the aggregate value of (i) all Permitted Investments in Restricted Subsidiaries that are not Guarantors (the value of which is measured at the time of such Permitted Investments) and (ii) all transfers of assets to Restricted Subsidiaries that are not Guarantors (the value of which is measured at the time of such transfers of assets) exceeds an amount equal to 33 1/3% of the Total Assets of MagnaChip and its Restricted Subsidiaries.

*"Permitted Liens"* means:

(1) Liens held by the Collateral Trustee or the Priority Lien Collateral Agent securing (A) Priority Lien Debt in an aggregate principal amount not exceeding the Priority Lien Cap and (B) all related Priority Lien Obligations and (C) Hedging Obligations related thereto with parties to the Senior Credit Agreement;

(2) Liens held by the Collateral Trustee or the Parity Lien Collateral Agent equally and ratably securing the Notes to be issued on the Issue Date and all future Parity Lien Debt and other Parity Lien Obligations and Hedging Obligations related thereto with parties to the Senior Credit Agreement;

(3) Liens in favor of MagnaChip or the Guarantors;

(4) Liens on property of a Person existing at the time such Person is merged with or into or consolidated with MagnaChip or any Subsidiary of MagnaChip; *provided* that such Liens were in existence prior to the contemplation of such merger or consolidation and do not extend to any assets other than those of the Person merged into or consolidated with MagnaChip or the Subsidiary;

(5) Liens on property (including Capital Stock) existing at the time of acquisition of the property by MagnaChip or any Subsidiary of MagnaChip; *provided* that such Liens were in existence prior to, such acquisition, and not incurred in contemplation of, such acquisition;

(6) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business;

(7) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by Section 4.09(b)(5) hereof covering only the assets acquired with or financed by such Indebtedness;

(8) Liens existing on the Issue Date;

(9) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor;

(10) Liens imposed by law, such as carriers', warehousemen's, landlord's and mechanics' Liens, in each case, incurred in the ordinary course of business;

(11) pledges or deposits by a Person under worker's compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent, in each case incurred in the ordinary course of business;

(12) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(13) Liens created for the benefit of (or to secure) the Notes (or the Note Guarantees);

(14) attachment or judgment Liens not giving rise to an Event of Default;

(15) Liens arising solely by virtue of any statutory or common law provision relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; *provided, however*, that (A) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by MagnaChip or any of its Restricted Subsidiaries in excess of those set forth by regulations promulgated by the Federal Reserve Board and (B) such deposit account is not intended by MagnaChip or any Restricted Subsidiary to provide collateral to the depository institution;

(16) Liens securing Hedging Obligations so long as such Hedging Obligations relate to Indebtedness that is permitted to be incurred under this Indenture;

(17) Liens arising from the filing of Uniform Commercial Code financing statements regarding leases;

(18) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under this Indenture; *provided, however,* that:

(a) the new Lien shall be limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (*plus* improvements and accessions to, such property or proceeds or distributions thereof); and

(b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;

(19) Leases or subleases granted to others that do not materially interfere with the ordinary course of business of MagnaChip and its Restricted Subsidiaries or materially impair the value of Collateral;

(20) Liens on deposits, in an aggregate amount not to exceed $250,000 at any one time outstanding, made in the ordinary course of business to secure liability to insurance carriers;

(21) Liens under licensing agreements for use of intellectual property entered into in the ordinary course of business;

(22) Customary liens on deposits required in connection with the purchase of property, plant, equipment, inventory and other assets;

(23) Liens to secure all loans which may not be prepaid prior to one year following the date such loan is made under the Senior Credit Facility between MagnaChip Semiconductor, Ltd. (Korea) and certain institutional lenders with the Korean Exchange Bank, as agent, and liens on deposits made in order to secure the payment of such debt when prepayment is permitted;

(24) Liens to secure Indebtedness permitted by Section 4.09(b)(2) and (17) hereof, provided, that with respect to such Section 4.09(b)(17), such Liens cover only the assets owned by the Subsidiary incurring such Indebtedness;

(25) Liens incurred or deposits made in the ordinary course of business in connection with worker's compensation, unemployment insurance and other types of social security;

(26) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by MagnaChip or any of the Restricted Subsidiaries in the ordinary course of business; and

(27) Liens incurred in the ordinary course of business of MagnaChip or any Restricted Subsidiary of MagnaChip with respect to obligations that do not exceed $5.0 million at any one time outstanding.

*"Permitted Prior Liens"* means:

(1) Liens described in clause (1) of the definition of "Permitted Liens;"

(2) Liens described in clauses (4), (5), (6), (7), (8) (11), (16), (18) (provided that the original Lien was a Permitted Prior Lien), (19), (20), (21), (22), (23), (24), (25) and (26) of the definition of "Permitted Liens;" and

(3) Permitted Liens that arise by operation of law and are not voluntarily granted, to the extent entitled by law to priority over the Liens created by the Security Documents.

*"Permitted Refinancing Indebtedness"* means any Indebtedness of MagnaChip or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, extend, defease or discharge other Indebtedness of MagnaChip or any of its Restricted Subsidiaries (other than intercompany Indebtedness); *provided* that:

(1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness renewed, refunded, refinanced, replaced, extended, defeased or discharged (*plus* all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being renewed, refunded, refinanced, replaced, extended, defeased or discharged;

(3) if the Indebtedness being renewed, refunded, refinanced, replaced, extended, defeased or discharged is subordinated in right of payment to the notes, such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and is subordinated in right of payment to, the Notes on terms at least as favorable to the holders of Notes as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, extended, defeased or discharged; and

(4) such Indebtedness is incurred either by MagnaChip or by the Restricted Subsidiary who is the obligor on the Indebtedness being renewed under Section 951 of the code, refunded, refinanced, replaced, extended, defeased or discharged.

*"Permitted Tax Payments"* means, for so long as US LLC is treated as a partnership for U.S. federal income tax purposes, payments in respect of tax liabilities of US LLC's investors arising from direct or indirect ownership of US LLC's equity interests under Section 951 of the Code. Permitted Tax Payments shall be calculated by reference to the amount of US LLC's and its Subsidiaries' income determined to be an amount required to be included in income under section 951 of the Code times 35%. A nationally recognized accounting firm chosen by US LLC shall determine the amount of Permitted Tax Payments.

*"Person"* means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

*"Pledgors"* means US LLC, MagnaChip, the Guarantors and any other Person (if any) that provides collateral security for any Secured Debt Obligations.

*"Principals"* means

(1) (A) Francisco Partners, L.P. ("FP"), any FP fund or co-investment partnership, (B) any general partner of any FP fund or co-investment partnership (collectively, an "*FP Partner*"), and any corporation, partnership or other entity that is an Affiliate of any FP Partner (collectively "*FP Affiliates*"), (C) any managing director, general partner, director, officer or employee of an FP fund, any FP Partner or any FP Affiliate, or any spouse, lineal descendant, sibling, parent, heir, executor, administrator, testamentary trustee, legatee or beneficiary of any of the foregoing persons described in this clause (1)(A) (collectively, "*FP Associates*") and (D) any trust, the beneficiaries of which, any charitable trust, the grantor of

which, or any corporation, limited liability company or partnership, the stockholders, members or general or limited partners of which include only FP, FP Partners, FP Affiliates, FP Associates, their spouses or their lineal descendants;

(2) (A) Citigroup Venture Capital Equity Partners, L.P. ("CVC"), CVC/SSB Employee Fund, L.P., CVC Executive Fund LLC, Natasha Foundation, Citicorp Venture Capital Ltd., any CVC fund or co-investment partnership, Citigroup, any affiliate of Citigroup or any general partner of any CVC fund or co-investment partnership (collectively, a "CVC Partner"), and any corporation, partnership or other entity that is an Affiliate of Citigroup or any CVC Partner (collectively "*CVC Affiliates*"), (B) any managing director, general partner, director, officer or employee of any CVC fund, any CVC Partner or any CVC Affiliate, or any spouse, lineal descendant, sibling, parent, heir, executor, administrator, testamentary trustee, legatee or beneficiary of any of the foregoing persons described in this clause (B) (collectively, "*CVC Associates*") and (C) any trust, the beneficiaries of which, any charitable trust, the grantor of which, or any corporation, limited liability company or partnership, the stockholders, members or general or limited partners of which include only CVC, CVC Partners, CVC Affiliates, CVC Associates, their spouses or their lineal descendants;

(3) (A) CVC Capital Partners Asia II Limited ("CVC Asia Pacific"), CVC Capital Partners Asia Pacific LP, Asia Investors LLC, any CVC Asia Pacific fund or co-investment partnership, or any general partner of any CVC Asia Pacific fund or co-investment partnership (collectively, a "*CVC Asia Pacific Partner*"), and any corporation, partnership or other entity that is an Affiliate of any CVC Asia Pacific Partner (collectively "*CVC Asia Pacific Affiliates*"), (B) any managing director, general partner, director, officer or employee of any CVC Asia Pacific fund, any CVC Asia Pacific Partner or any CVC Asia Pacific Affiliate, or any spouse, lineal descendant, sibling, parent, heir, executor, administrator, testamentary trustee, legatee or beneficiary of any of the foregoing persons described in this clause (B) (collectively, "*CVC Asia Pacific Associates*") and (C) any trust, the beneficiaries of which, any charitable trust, the grantor of which, or any corporation, limited liability company or partnership, the stockholders, members or general or limited partners of which include only CVC Asia Pacific, CVC Asia Pacific Partners, CVC Asia Pacific Affiliates, CVC Asia Pacific Associates, their spouses or their lineal descendants; and

(4) officers and directors of US LLC or its Subsidiaries on the Issue Date.

Except for a Principal specifically identified by name, in determining whether Voting Stock is owned by a Principal, only Voting Stock acquired by a Principal in its described capacity shall be treated as "beneficially owned" by such Principal.

*"Priority Lien"* means a Lien granted by a Priority Lien Security Document to the Collateral Trustee or the Priority Lien Collateral Agent, at any time, upon any property of MagnaChip or any other Pledgor to secure Priority Lien Obligations.

*"Priority Lien Cap"* means, as of any date, the principal amount outstanding under the Senior Credit Agreement and/or the Indebtedness outstanding under any other Credit Facility, in an aggregate principal amount not to exceed the sum of the amount provided by clauses (1) and (2) of the definition of Permitted Debt, as of any date, *plus* the amount provided by clause (15) of the definition of Permitted Debt, *less* the amount of Parity Lien Debt incurred after the Issue Date the net proceeds of which are used to repay Priority Lien Debt. For purposes of this definition, all letters of credit will be valued at the face amount thereof, whether or not drawn and all Hedging Obligations will be valued at zero.

*"Priority Lien Collateral Agent"* means UBS AG, Stamford Branch, in its capacity as collateral agent under the Priority Lien Security Documents, together with its successors in such capacity.

*"Priority Lien Debt" means:*

(1) Indebtedness of MagnaChip under the Senior Credit Agreement that was permitted to be incurred and secured under each applicable Secured Debt Document (or as to which the lenders under the Senior Credit Agreement obtained an Officers' Certificate at the time of incurrence to the effect that such Indebtedness was permitted to be incurred and secured by all applicable Secured Debt Documents);

(2) Indebtedness of MagnaChip under any other Credit Facility that is secured equally and ratably with the Senior Credit Agreement by a Priority Lien that was permitted to be incurred and so secured under each applicable Secured Debt Document; *provided*, in the case of any Indebtedness referred to in this clause (2), that:

(a) on or before the date on which such Indebtedness is incurred by MagnaChip, such Indebtedness is designated by MagnaChip, in an Officers' Certificate delivered to each Priority Lien Representative and each Parity Lien Representative, as "Priority Lien Debt" for the purposes of the Secured Debt Documents; *provided*, that no Series of Secured Debt may be designated as both Parity Lien Debt and Priority Lien Debt;

(b) such Indebtedness is governed by a credit agreement or other agreement that includes a Lien Sharing and Priority Confirmation; and

(c) all requirements set forth in the Intercreditor Agreement as to the confirmation, grant or perfection of the Collateral Trustee and Priority Lien Collateral Agent's Lien to secure such Indebtedness or Obligations in respect thereof are satisfied (and the satisfaction of such requirements and the other provisions of this clause (c) will be conclusively established if MagnaChip delivers to the Collateral Agent an Officers' Certificate stating that such requirements and other provisions have been satisfied and that such Indebtedness is "Priority Lien Debt"); and

(3) Hedging Obligations of MagnaChip incurred to hedge or manage interest rate, currency or commodity price-risk; *provided* that:

(a) such Hedging Obligations are secured by a Priority Lien on all of the assets and properties that secure Indebtedness under the Credit Facility in respect of which such Hedging Obligations are incurred; and

(b) such Priority Lien is senior to or on a parity with the Priority Liens securing Indebtedness under the Credit Facility in respect of which such Hedging Obligations are incurred.

*"Priority Lien Documents"* means the Senior Credit Agreement and any other Credit Facility pursuant to which any Priority Lien Debt is incurred and the Security Documents (other than any Security Documents that do not secure Priority Lien Obligations).

*"Priority Lien Obligations"* means the Priority Lien Debt and all other Obligations in respect of Priority Lien Debt.

*"Priority Lien Representative"* means (1) the Senior Credit Agreement Agent or (2) in the case of any other Series of Priority Lien Debt, the trustee, agent or representative of the holders of such Series of Priority Lien Debt who maintains the transfer register for such Series of Priority Lien Debt and is appointed as a representative of the Priority Debt (for purposes related to the administration of the Security Documents) pursuant to the credit agreement or other agreement governing such Series of Priority Lien Debt.

*"Priority Lien Security Documents"* means the Intercreditor Agreement, each Lien Sharing and Priority Confirmation, and all security agreements, pledge agreements, collateral assignments, mortgages, deeds of trust, collateral agency agreements, control agreements or other grants or transfers for security executed and delivered by MagnaChip or any other Pledgor creating (or purporting to create) a Priority Lien upon collateral in favor of the Priority Lien Collateral Agent or Collateral Trustee, in each case, as amended, modified, renewed, restated or replaced, in whole or in part, from time to time, in accordance with its terms.

*"Private Placement Legend"* means the legend set forth in Section 2.06(g)(1) hereof to be placed on all Notes issued under this Indenture except where otherwise permitted by the provisions of this Indenture.

*"Public Equity Offering"* means an offer and sale of Capital Stock (other than Disqualified Stock) of MagnaChip or any of its direct or indirect parents pursuant to a registration statement that has been declared effective by the SEC pursuant to the Securities Act (other than a registration statement on Form S-8 or otherwise relating to equity securities issuable under any employee benefit plan of MagnaChip).

*"QIB"* means a "qualified institutional buyer" as defined in Rule 144A.

*"Registration Rights Agreement"* means the Registration Rights Agreement, dated as of December 23, 2004, among the Issuers, the Guarantors and the other parties named on the signature pages thereof, as such agreement may be amended, modified or supplemented from time to time and, with respect to any Additional Notes, one or more registration rights agreements among the Issuers, the Guarantors and the other parties thereto, as such agreement(s) may be amended, modified or supplemented from time to time, relating to rights given by the Issuers to the purchasers of Additional Notes to register such Additional Notes under the Securities Act.

*"Regulation S"* means Regulation S promulgated under the Securities Act.

*"Regulation S Global Note"* means, collectively, the Fixed Rate Regulation S Global Note and the Floating Rate Regulation S Global Note.

*"Regulation S Permanent Global Note"* means the Fixed Rate Regulation S Permanent Global Note or the Floating Rate Regulation S Permanent Global, as the case may be.

*"Regulation S Temporary Global Note"* means the Fixed Rate Regulation S Temporary Global Notes or the Floating Rate Regulation S Temporary Global Note, as the case may be.

*"Related Party"* means:

(1) any controlling stockholder, 80% (or more) owned Subsidiary, or immediate family member (in the case of an individual) of any Principal; or

(2) any trust, corporation, partnership, limited liability company or other entity, the beneficiaries, stockholders, partners, members, owners or Persons beneficially holding an 80% or more controlling interest of which consist of any one or more Principals and/or such other Persons referred to in the immediately preceding clause (1).

"*Requirements of Law*" means, collectively, any and all requirements of any Government Authority including any and all laws, judgments, orders, decrees, ordinances, rules, regulations, statutes of case law.

*"Responsible Officer,"* when used with respect to the Trustee, means any officer within the Corporate Trust Division - Corporate Finance Unit of the Trustee (or any successor unit or department of the Trustee) located at the Corporate Trust Office of the Trustee who has direct responsibility for the administration of this Indenture and, for the purposes of Section 7.01(c)(2) and Section 7.05 (for the purposes of Section 315(b) of the TIA), shall also include any officer of the Trustee to whom any corporate trust matter is referred because of his knowledge of and familiarity with the particular subject.

*"Restricted Definitive Note"* means a Definitive Note bearing the Private Placement Legend.

*"Restricted Global Note"* means a Global Note bearing the Private Placement Legend.

*"Restricted Investment"* means an Investment other than a Permitted Investment.

*"Restricted Period"* means the 40-day distribution compliance period as defined in Regulation S.

*"Restricted Subsidiary*" of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary; *provided*, that each of US LLC, MagnaChip Semiconductor SA Holdings LLC (USA) and MagnaChip Semiconductor, Inc. (USA) shall be deemed to be a Restricted Subsidiary of MagnaChip.

*"Rule 144"* means Rule 144 promulgated under the Securities Act.

*"Rule 144A"* means Rule 144A promulgated under the Securities Act.

*"Rule 903"* means Rule 903 promulgated under the Securities Act.

*"Rule 904"* means Rule 904 promulgated under the Securities Act.

*"S&P"* means Standard & Poor's Ratings Group.

*"Sale of Collateral"* means any Asset Sale involving a sale or other disposition of Collateral.

*"SEC"* means the Securities and Exchange Commission.

*"Secured Debt"* means Parity Lien Debt and Priority Lien Debt.

*"Secured Debt Documents"* means the Parity Lien Documents and the Priority Lien Documents.

*"Secured Debt Representative"* means each Parity Lien Representative and each Priority Lien Representative.

*"Secured Leverage Ratio"* means, on any date, the ratio of:

(1) the aggregate principal amount of Secured Debt outstanding on such date *plus* all Indebtedness of Restricted Subsidiaries of MagnaChip that are not Guarantors outstanding on such date (and, for this purpose, letters of credit will be deemed to have a principal amount equal to the face amount thereof, whether or not drawn), to:

(2) the aggregate amount of MagnaChip's Consolidated Cash Flow for the most recent four-quarter period for which financial information is available.

In addition, for purposes of calculating the Secured Leverage Ratio:

(1) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations or acquisitions of assets, or any Person or any of its Restricted Subsidiaries acquired by merger, consolidation or the acquisition of all or substantially all of its assets by the specified Person or any of its Restricted Subsidiaries, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the date on which the event for which the calculation of the Secured Leverage Ratio is made (the "*Leverage Calculation Date*") will be given pro forma effect in accordance with Regulation S-X under the Securities Act as if they had occurred on the first day of the four-quarter reference period;

(2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Leverage Calculation Date will be excluded;

(3) any Person that is a Restricted Subsidiary on the Leverage Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period; and

(4) any Person that is not a Restricted Subsidiary on the Leverage Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period.

*"Secured Obligations"* means Parity Lien Obligations and Priority Lien Obligations.

*"Securities Act"* means the Securities Act of 1933, as amended.

*"Security Documents"* means the Intercreditor Agreement, each Lien Sharing and Priority Confirmation, and all security agreements, pledge agreements, collateral assignments, mortgages, deeds of trust, collateral agency agreements, control agreements or other grants or transfers for security executed and delivered by MagnaChip or any other Pledgor creating (or purporting to create) a Lien upon Collateral in favor of the Collateral Trustee, the Priority Lien Collateral Agent or the Parity Lien Collateral Agent, in each case, as amended, modified, renewed, restated or replaced, in whole or in part, from time to time, in accordance with its terms and the provisions of the Intercreditor Agreement.

*"Securityholders' Agreement"* means the Amended and Restated Securityholders' Agreement dated as of October 6, 2004 by and among US LLC and the other parties thereto, as the same may be amended, restated, supplemented, modified or replaced from time to time.

*"Senior Credit Agreement"* means that certain Credit Agreement, to be dated as of December 23, 2004, by and among MagnaChip and the lenders thereto, providing for up to $100.0 million of revolving

credit borrowings, including any related notes, Guarantees, collateral documents, instruments and agreements executed in connection therewith, and, in each case, as amended, restated, modified, extended, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time.

*"Senior Subordinated Notes"* means the Issuers 8% senior subordinated notes due 2014.

*"Series of Parity Lien Debt"* means, each series of the Notes and each other issue or series of Parity Lien Debt for which a single transfer register is maintained.

*"Series of Priority Lien Debt"* means severally, the Indebtedness outstanding under the Senior Credit Agreement and any other Credit Facility that constitutes Priority Lien Debt.

*"Series of Secured Debt"* means each Series of Parity Lien Debt and each Series of Priority Lien Debt.

*"Shelf Registration Statement"* means the Shelf Registration Statement as defined in the Registration Rights Agreement.

*"Significant Subsidiary"* means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Issue Date.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Issue Date, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

*"Subordinated Note Indenture"* means the indenture, dated as of December 23, 2004 among the Issuers, the Non-Korean Guarantors and the trustee thereunder governing the Senior Subordinated Notes.

*"Subordinated Obligations"* means any Indebtedness of MagnaChip, whether outstanding on the Issue Date or thereafter incurred, which is subordinate or junior in right of payment to, in the case of the Issuers, the Notes or, in the case of any Subsidiary Guarantor, its Guarantee, under a written agreement to that effect.

*"Subsidiary"* means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

*"Tax"* means any tax, duty, levy, impost, assessment or other governmental charge (including penalties and interest related thereto).

*"Taxes"* and "*Taxation*" shall be construed to have corresponding meanings to Tax.

*"TIA"* means the Trust Indenture Act of 1939 (15 U.S.C. §§ 77aaa-77bbbb), as in effect on the date on which this Indenture is qualified under the TIA.

*"Total Assets"* means the total amount of all assets of a Person, determined on a consolidated basis in accordance with GAAP as shown on such Person's most recent consolidated balance sheet prepared in accordance with GAAP.

*"Treasury Rate"* means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to December 15, 2011; *provided, however*, that if the period from the redemption date to December 15, 2011, is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

*"Trustee"* means The Bank of New York until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means the successor serving hereunder.

*"Unrestricted Definitive Note"* means an Unrestricted Fixed Rate Definitive Note or a Unrestricted Floating Rate Definitive Note, as the case may be.

*"Unrestricted Global Note"* means an Unrestricted Fixed Rate Global Note or a Unrestricted Floating Rate Global Note, as the case may be.

"*Unrestricted Subsidiary*" means any Subsidiary of US LLC (other than the Issuers or any successor to them) that is designated by the Board of Directors of MagnaChip as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors, but only to the extent that such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) except as permitted by Section 4.11 hereof, on the date of such designation, is not party to any agreement, contract, arrangement or understanding with MagnaChip or any Restricted Subsidiary of MagnaChip unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to MagnaChip or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of MagnaChip;

(3) is a Person with respect to which neither MagnaChip nor any of its Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and

(4) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of MagnaChip or any of its Restricted Subsidiaries.

*"US LLC"* refers to MagnaChip Semiconductor LLC (USA), the direct parent company of MagnaChip, and any successor thereto.

*"U.S. Person"* means a U.S. Person as defined in Rule 902(k) promulgated under the Securities Act.

*"Voting Stock"* of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

*"Weighted Average Life to Maturity"* means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; *by*

(2) the then outstanding principal amount of such Indebtedness.

"*Wholly-Owned Restricted Subsidiary*" of any specified Person means a Subsidiary of such Person all of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) will at the time be owned by such Person or by one or more Wholly-Owned Restricted Subsidiaries of such Person.

Section 1.02 *Other Definitions.*

| Term | Defined in Section |
|---|---|
| *"Affiliate Transaction"* | 4.11 |
| *"Asset Sale Offer"* | 3.09 |
| *"Authentication Order"* | 2.02 |
| *"Change of Control Offer"* | 4.15 |
| *"Change of Control Payment"* | 4.15 |
| *"Change of Control Payment Date"* | 4.15 |
| *"Covenant Defeasance"* | 8.03 |
| *"DTC"* | 2.03 |
| *"Event of Default"* | 6.01 |
| *"Excess Proceeds"* | 4.10 |
| *"incur"* | 4.09 |
| *"Legal Defeasance"* | 8.02 |
| *"Offer Amount"* | 3.09 |
| *"Offer Period"* | 3.09 |
| *"Paying Agent"* | 2.03 |
| *"Permitted Debt"* | 4.09 |
| *"Payment Default"* | 6.01 |
| *"Purchase Date"* | 3.09 |
| *"Redemption Date"* | 3.10 |
| *"Registrar"* | 2.03 |
| *"Restricted Payments"* | 4.07 |

Section 1.03 *Incorporation by Reference of Trust Indenture Act.*

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture.

The following TIA terms used in this Indenture have the following meanings:

*"indenture securities"* means the Notes;

*"indenture security Holder"* means a Holder of a Note;

*"indenture to be qualified"* means this Indenture;

*"indenture trustee"* or "institutional trustee" means the Trustee; and

*"obligor"* on the Notes and the Note Guarantees means the Issuers and the Guarantors, respectively, and any successor obligor upon the Notes and the Note Guarantees, respectively.

All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule under the TIA have the meanings so assigned to them.

Section 1.04 *Rules of Construction.*

Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) words in the singular include the plural, and in the plural include the singular;

(5) "will" shall be interpreted to express a command;

(6) provisions apply to successive events and transactions; and

(7) references to sections of or rules under the Securities Act will be deemed to include substitute, replacement of successor sections or rules adopted by the SEC from time to time.

**ARTICLE 2.**
THE NOTES

Section 2.01 *Form and Dating.*

(a) *General*. The Floating Rate Notes and Trustee's certificate of authentication will be substantially in the form of Exhibit A hereto. The Fixed Rate Notes and the Trustee's certificate of authentication will be in the form of Exhibit B hereto. The Notes may have notations, legends or endorsements required by law, stock exchange rule or usage. The Issuer shall reasonably approve the form of the Notes and any notation, legend or endorsement on them. Each Note will be dated the date of its authentication. The Notes shall be in denominations of $1,000 and integral multiples thereof.

The terms and provisions contained in the Notes will constitute, and are hereby expressly made, a part of this Indenture and the Issuers, the Guarantors and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby. However, to the extent any provision of any Note conflicts with the express provisions of this Indenture, the provisions of this Indenture shall govern and be controlling.

(b) *Global Notes*. Floating Rate Notes issued in global form will be substantially in the form of Exhibits A1 or A2 hereto (including the Global Note Legend thereon and the "Schedule of Exchanges of Interests in the Global Note" attached thereto). Fixed Rate Notes issued in global form will be substantially in the form of Exhibits B1 or B2 hereto (including the Global Note Legend thereon and the "Schedule of Exchanges of Interests in the Global Note" attached thereto). Floating Rate Notes and Fixed Rate Notes issued in definitive form will be substantially in the form of Exhibit A1 and Exhibit B1, respectively, hereto (but each without the Global Note Legend thereon and without the "Schedule of Exchanges of Interests in the Global Note" attached thereto). Each Floating Rate Global Note and each Fixed Rate Global Note will represent such of the outstanding Floating Rate Notes and Fixed Rate Notes, respectively, as will be specified therein and each shall provide that it represents the aggregate principal amount of outstanding Floating Rate Notes or Fixed Rate Notes, respectively, from time to time endorsed thereon and that the aggregate principal amount of outstanding Floating Rate Notes and Fixed Rate Notes, respectively, represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges and redemptions. Any endorsement of a Fixed Rate Global Note or a Floating Rate Global Note to reflect the amount of any increase or decrease in the aggregate principal amount of outstanding Fixed Rate Notes or Floating Rate Notes, respectively, represented thereby will be made by the Trustee or the Custodian, at the direction of the Trustee, in accordance with instructions given by the Holder thereof as required by Section 2.06 hereof.

(c) *Temporary Global Notes.* Notes offered and sold in reliance on Regulation S will be issued initially in the form of the Regulation S Temporary Global Notes, which will be deposited on behalf of the purchasers of the Notes represented thereby with the Trustee, at its New York Corporate Trust Office, as custodian for the Depositary, and registered in the name of the Depositary or the nominee of the Depositary for the accounts of designated agents holding on behalf of Euroclear or Clearstream, duly executed by the Issuers and authenticated by the Trustee as hereinafter provided. The Restricted Period with respect to each of the Fixed Rate Regulation S Temporary Global Notes and the Floating Rate Regulation S Temporary Global Notes will be terminated upon the receipt by the Trustee of:

(1) a written certificate from the Depositary, together with copies of certificates from Euroclear and Clearstream certifying that they have received certification of non-United States beneficial ownership of 100% of the aggregate principal amount of the relevant Regulation S Temporary Global Note (except to the extent of any beneficial owners thereof who acquired an interest therein during the Restricted Period pursuant to another exemption from registration under the Securities Act and who will take delivery of a beneficial ownership interest in a 144A Global Note or an IAI Global Note bearing a Private Placement Legend, all as contemplated by Section 2.06(b) hereof); and

(2) an Officers' Certificate from the Issuers.

Following the termination of the Restricted Period, beneficial interests in the Fixed Rate Regulation S Temporary Global Note and the Floating Rate Regulations S Temporary Global Note will be exchanged for beneficial interests in the Fixed Rate Regulation S Permanent Global Note and the

Floating Rate Regulation S Permanent Global Note, respectively, pursuant to the Applicable Procedures. Simultaneously with the authentication of any Regulation S Permanent Global Note, the Trustee will cancel the relevant Regulation S Temporary Global Note. The aggregate principal amount of the Fixed Rate Regulation S Temporary Global Note and the Regulation S Permanent Global Note and the Floating Rate Regulation S Temporary Global Note and the Floating Rate Regulation S Permanent Global Note may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depositary or its nominee, as the case may be, in connection with transfers of interest as hereinafter provided.

(d) *Euroclear and Clearstream Procedures Applicable*. The provisions of the "Operating Procedures of the Euroclear System" and "Terms and Conditions Governing Use of Euroclear" and the "General Terms and Conditions of Clearstream Banking" and "Customer Handbook" of Clearstream will be applicable to transfers of beneficial interests in the Regulation S Temporary Global Notes and the Regulation S Permanent Global Notes that are held by Participants through Euroclear or Clearstream.

Section 2.02 *Execution and Authentication.*

At least one Officer must sign the Notes for the Issuers by manual or facsimile signature.

If an Officer whose signature is on a Note no longer holds that office at the time a Note is authenticated, the Note will nevertheless be valid.

A Note will not be valid until authenticated by the manual signature of the Trustee. The signature will be conclusive evidence that the Note has been authenticated under this Indenture.

The Trustee will, upon receipt of a written order of the Issuers signed by one Officer of each Issuer (an "*Authentication Order*"), authenticate Notes for original issue that may be validly issued under this Indenture, including any Additional Notes from time to time as permitted under this Indenture. The aggregate principal amount of Notes outstanding at any time may not exceed the aggregate principal amount of Notes authorized for issuance by the Issuers pursuant to one or more Authentication Orders, except as provided in Section 2.07 hereof.

The Trustee may appoint an authenticating agent acceptable to the Issuers to authenticate Notes. An authenticating agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with Holders or an Affiliate of the Issuers.

Section 2.03 *Registrar and Paying Agent.*

The Issuers will maintain or cause to be maintained an office or agency where Notes may be presented for registration of transfer or for exchange ("*Registrar*") and an office or agency where Notes may be presented for payment ("*Paying Agent*"). The Registrar will keep a register of the Notes and of their transfer and exchange. The Issuers may appoint one or more co-registrars and one or more additional paying agents. The term "Registrar" includes any co-registrar and the term "Paying Agent" includes any additional paying agent. The Issuers may change any Paying Agent or Registrar without notice to any Holder. The Issuers will notify the Trustee in writing of the name and address of any Agent not a party to this Indenture. If the Issuers fail to appoint or maintain another entity as Registrar or Paying Agent, the Trustee shall act as such. The Issuers or any of their Subsidiaries may act as Paying Agent or Registrar.

The Issuers initially appoint The Depository Trust Company (*"DTC"*) to act as Depositary with respect to the Global Notes.

The Issuers initially appoints the Trustee to act as the Registrar and Paying Agent and to act as Custodian with respect to the Global Notes.

Section 2.04 *Paying Agent to Hold Money in Trust.*

The Issuers will require each Paying Agent other than the Trustee to agree in writing that the Paying Agent will hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal, premium or Liquidated Damages, if any, or interest on the Notes, and will notify the Trustee of any default by the Issuers in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Issuers at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Issuers, MagnaChip Semiconductor LLC or a Subsidiary) will have no further liability for the money. If the Issuers, MagnaChip Semiconductor LLC or a Subsidiary acts as Paying Agent, it will segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent. Upon any bankruptcy or reorganization proceedings relating to the Issuers, the Trustee will serve as Paying Agent for the Notes.

Section 2.05 *Holder Lists.*

The Trustee will preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of all Holders and shall otherwise comply with TIA § 312(a). If the Trustee is not the Registrar, the Issuers will furnish to the Trustee at least seven Business Days before each interest payment date and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of the Holders of Notes and the Issuers shall otherwise comply with TIA § 312(a).

Section 2.06 *Transfer and Exchange.*

(a) *Transfer and Exchange of Global Notes*. A Global Note may not be transferred except as a whole by the Depositary to a nominee of the Depositary, by a nominee of the Depositary to the Depositary or to another nominee of the Depositary, or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary. All Global Notes will be exchanged by the Issuers for Definitive Notes if:

(1) the Issuers deliver to the Trustee notice from the Depositary that it is unwilling or unable to continue to act as Depositary or that it is no longer a clearing agency registered under the Exchange Act and, in either case, a successor Depositary is not appointed by the Issuers within 120 days after the date of such notice from the Depositary;

(2) the Issuers in their sole discretion determine that the Global Notes (in whole but not in part) should be exchanged for Definitive Notes and delivers a written notice to such effect to the Trustee; *provided* that in no event shall the Regulation S Temporary Global Note be exchanged by the Issuers for Definitive Notes prior to (A) the expiration of the Restricted Period and (B) the receipt by the Registrar of any certificates required pursuant to Rule 903(b)(3)(ii)(B) under the Securities Act; or

(3) there has occurred and is continuing a Default or Event of Default with respect to the Notes.

Upon the occurrence of either of the preceding events in (1), (2) or (3) above, Definitive Notes shall be issued in such names as the Depositary shall instruct the Trustee. Global Notes also may be exchanged or replaced, in whole or in part, as provided in Sections 2.07 and 2.10 hereof. Every Note authenticated and delivered in exchange for, or in lieu of, a Global Note or any portion thereof, pursuant to this Section 2.06 or Section 2.07 or 2.10 hereof, shall be authenticated and delivered in the form of, and shall be, a Global Note. A Global Note may not be exchanged for another Note other than as provided in this Section 2.06(a), however, beneficial interests in a Global Note may be transferred and exchanged as provided in Section 2.06(b), (c) or (f) hereof.

(b) *Transfer and Exchange of Beneficial Interests in the Global Notes*. The transfer and exchange of beneficial interests in the Global Notes will be effected through the Depositary, in accordance with the provisions of this Indenture and the Applicable Procedures. Beneficial interests in the Restricted Global Notes will be subject to restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act. Transfers of beneficial interests in the Global Notes also will require compliance with either subparagraph (1) or (2) below, as applicable, as well as one or more of the other following subparagraphs, as applicable:

(1) *Transfer of Beneficial Interests in the Same Global Note*. Beneficial interests in any Restricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Restricted Global Note in accordance with the transfer restrictions set forth in the Private Placement Legend; *provided, however*, that prior to the expiration of the Restricted Period, transfers of beneficial interests in the Regulation S Temporary Global Note may not be made to a U.S. Person or for the account or benefit of a U.S. Person (other than an Initial Purchaser). Beneficial interests in any Unrestricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note. No written orders or instructions shall be required to be delivered to the Registrar to effect the transfers described in this Section 2.06(b)(1).

(2) *All Other Transfers and Exchanges of Beneficial Interests in Global Notes.* In connection with all transfers and exchanges of beneficial interests that are not subject to Section 2.06(b)(1) above, the transferor of such beneficial interest must deliver to the Registrar either:

(A) both:

(i) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to credit or cause to be credited a beneficial interest in another Global Note in an amount equal to the beneficial interest to be transferred or exchanged; and

(ii) instructions given in accordance with the Applicable Procedures containing information regarding the Participant account to be credited with such increase; or

(B) both:

(i) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to cause to be issued a Definitive Note in an amount equal to the beneficial interest to be transferred or exchanged; and

(ii) instructions given by the Depositary to the Registrar containing information regarding the Person in whose name such Definitive Note shall be registered to effect the transfer or exchange referred to in (1) above;

; *provided* that in no event shall Definitive Notes be issued upon the transfer or exchange of beneficial interests in the Regulation S Temporary Global Note prior to (A) the expiration of the Restricted Period and (B) the receipt by the Registrar of any certificates required pursuant to Rule 903 or Rule 904 under the Securities Act.

Upon consummation of an Exchange Offer by the Issuers in accordance with Section 2.06(f) hereof, the requirements of this Section 2.06(b)(2) shall be deemed to have been satisfied upon receipt by the Registrar of the instructions contained in the Letter of Transmittal delivered by the Holder of such beneficial interests in the Restricted Global Notes. Upon satisfaction of all of the requirements for transfer or exchange of beneficial interests in Global Notes contained in this Indenture and the Notes or otherwise applicable under the Securities Act, the Trustee shall adjust the principal amount of the relevant Global Note(s) pursuant to Section 2.06(h) hereof.

(3) *Transfer of Beneficial Interests to Another Restricted Global Note.* A beneficial interest in any Restricted Global Note may be transferred to a Person who takes delivery thereof in the form of a beneficial interest in another Restricted Global Note if the transfer complies with the requirements of Section 2.06(b)(2) above and the Registrar receives the following:

(A) if the transferee will take delivery in the form of a beneficial interest in the 144A Global Note, then the transferor must deliver a certificate in the form of Exhibit C hereto, including the certifications in item (1) thereof;

(B) if the transferee will take delivery in the form of a beneficial interest in the Regulation S Temporary Global Note or the Regulation S Permanent Global Note, then the transferor must deliver a certificate in the form of Exhibit C hereto, including the certifications in item (2) thereof; and

(C) if the transferee will take delivery in the form of a beneficial interest in the IAI Global Note, then the transferor must deliver a certificate in the form of Exhibit C hereto, including the certifications, certificates and Opinion of Counsel required by item (3) thereof, if applicable.

(4) *Transfer and Exchange of Beneficial Interests in a Restricted Global Note for Beneficial Interests in an Unrestricted Global Note*. A beneficial interest in any Restricted Global Note may be exchanged by any holder thereof for a beneficial interest in an Unrestricted Global Note or transferred to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note if the exchange or transfer complies with the requirements of Section 2.06(b)(2) above and:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the holder of the beneficial interest to be transferred, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (i) a Broker-Dealer, (ii) a Person participating in the distribution of the Exchange Notes or (iii) a Person who is an affiliate (as defined in Rule 144) of either Issuer;

(B) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(i) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit D hereto, including the certifications in item (1)(a) thereof; or

(ii) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

If any such transfer is effected pursuant to subparagraph (B) or (D) above at a time when an Unrestricted Global Note has not yet been issued, the Issuers shall issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the aggregate principal amount of beneficial interests transferred pursuant to subparagraph (B) or (D) above.

Beneficial interests in an Unrestricted Global Note cannot be exchanged for, or transferred to Persons who take delivery thereof in the form of, a beneficial interest in a Restricted Global Note.

(c) *Transfer or Exchange of Beneficial Interests for Definitive Notes.*

(1) *Beneficial Interests in Restricted Global Notes to Restricted Definitive Notes.* If any holder of a beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Restricted Definitive Note, then, upon receipt by the Registrar of the following documentation:

(A) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Definitive Note, a certificate from such holder in the form of Exhibit D hereto, including the certifications in item (2)(a) thereof;

(B) if such beneficial interest is being transferred to a QIB in accordance with Rule 144A, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(C) if such beneficial interest is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;

(D) if such beneficial interest is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate to the effect set forth in Exhibit C hereto, including the certifications in item (3)(a) thereof;

(E) if such beneficial interest is being transferred to an Institutional Accredited Investor in reliance on an exemption from the registration requirements of the Securities Act other than those listed in subparagraphs (B) through (D) above, a certificate to the effect set forth in Exhibit C hereto, including the certifications, certificates and Opinion of Counsel required by item (3) thereof, if applicable;

(F) if such beneficial interest is being transferred to an Issuer or any of its Subsidiaries, a certificate to the effect set forth in Exhibit C hereto, including the certifications in item (3)(b) thereof; or

(G) if such beneficial interest is being transferred pursuant to an effective registration statement under the Securities Act, a certificate to the effect set forth in Exhibit C hereto, including the certifications in item (3)(c) thereof,

the Trustee shall cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.06(h) hereof, and the Issuers shall execute and the Trustee shall authenticate and deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.06(c) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Registrar through instructions from the Depositary and the Participant or Indirect Participant. The Trustee shall deliver such Definitive Notes to the Persons in whose names such Notes are so registered. Any Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.06(c)(1) shall bear the Private Placement Legend and shall be subject to all restrictions on transfer contained therein.

(2) *Beneficial Interests in Regulation S Temporary Global Note to Definitive Notes.* Notwithstanding Sections 2.06(c)(1)(A) and (C) hereof, a beneficial interest in the Regulation S Temporary Global Note may not be exchanged for a Definitive Note or transferred to a Person who takes delivery thereof in the form of a Definitive Note prior to (A) the expiration of the Restricted Period and (B) the receipt by the Registrar of any certificates required pursuant to Rule 903(b)(3)(ii)(B) under the Securities Act, except in the case of a transfer pursuant to an exemption from the registration requirements of the Securities Act other than Rule 903 or Rule 904.

(3) *Beneficial Interests in Restricted Global Notes to Unrestricted Definitive Notes.* A holder of a beneficial interest in a Restricted Global Note may exchange such beneficial interest for an Unrestricted Definitive Note or may transfer such beneficial interest to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note only if:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the holder of such beneficial

interest, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (i) a Broker-Dealer, (ii) a Person participating in the distribution of the Exchange Notes or (iii) a Person who is an affiliate (as defined in Rule 144) of either Issuer;

(B) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(i) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for an Unrestricted Definitive Note, a certificate from such holder in the form of Exhibit D hereto, including the certifications in item (1)(b) thereof; or

(ii) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(4) *Beneficial Interests in Unrestricted Global Notes to Unrestricted Definitive Notes.* If any holder of a beneficial interest in an Unrestricted Global Note proposes to exchange such beneficial interest for a Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Definitive Note, then, upon satisfaction of the conditions set forth in Section 2.06(b)(2) hereof, the Trustee will cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.06(h) hereof, and the Issuers will execute and the Trustee will authenticate and deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(4) will be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest requests through instructions to the Registrar from or through the Depositary and the Participant or Indirect Participant. The Trustee will deliver such Definitive Notes to the Persons in whose names such Notes are so registered. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(4) will not bear the Private Placement Legend.

Transfers and exchanges of Global Notes for Definitive Notes pursuant to this Section 2.06(c) shall be made if, and only if, such transfer or exchange is permitted pursuant to Section 2.06(a) hereof.

(d) *Transfer and Exchange of Definitive Notes for Beneficial Interests.*

(1) *Restricted Definitive Notes to Beneficial Interests in Restricted Global Notes.* If any Holder of a Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note or to transfer such Restricted Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in a Restricted Global Note, then, upon receipt by the Registrar of the following documentation:

(A) if the Holder of such Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note, a certificate from such Holder in the form of Exhibit D hereto, including the certifications in item (2)(b) thereof;

(B) if such Restricted Definitive Note is being transferred to a QIB in accordance with Rule 144A, a certificate to the effect set forth in Exhibit C hereto, including the certifications in item (1) thereof;

(C) if such Restricted Definitive Note is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate to the effect set forth in Exhibit C hereto, including the certifications in item (2) thereof;

(D) if such Restricted Definitive Note is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(a) thereof;

(E) if such Restricted Definitive Note is being transferred to an Institutional Accredited Investor in reliance on an exemption from the registration requirements of the Securities Act other than those listed in subparagraphs (B) through (D) above, a certificate to the effect set forth in Exhibit C hereto, including the certifications, certificates and Opinion of Counsel required by item (3) thereof, if applicable;

(F) if such Restricted Definitive Note is being transferred to Issuer or any of its Subsidiaries, a certificate to the effect set forth in Exhibit C hereto, including the certifications in item (3)(b) thereof; or

(G) if such Restricted Definitive Note is being transferred pursuant to an effective registration statement under the Securities Act, a certificate to the effect set forth in Exhibit C hereto, including the certifications in item (3)(c) thereof,

the Trustee will cancel the Restricted Definitive Note, increase or cause to be increased the aggregate principal amount of, in the case of clause (A) above, the appropriate Restricted Global Note, in the case of clause (B) above, the 144A Global Note, in the case of clause (C) above, the Regulation S Global Note, and in all other cases, the IAI Global Note.

(2) *Restricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes.* A Holder of a Restricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note or transfer such Restricted Definitive Note to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note only if:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the Holder, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of

Transmittal that it is not (i) a Broker-Dealer, (ii) a Person participating in the distribution of the Exchange Notes or (iii) a Person who is an affiliate (as defined in Rule 144) of the Issuers;

(B) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(i) if the Holder of such Definitive Notes proposes to exchange such Notes for a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit D hereto, including the certifications in item (1)(c) thereof; or

(ii) if the Holder of such Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

Upon satisfaction of the conditions of any of the subparagraphs in this Section 2.06(d)(2), the Trustee will cancel the Definitive Notes and increase or cause to be increased the aggregate principal amount of the Unrestricted Global Note.

(3) *Unrestricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes.* A Holder of an Unrestricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note or transfer such Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note at any time. Upon receipt of a request for such an exchange or transfer, the Trustee will cancel the applicable Unrestricted Definitive Note and increase or cause to be increased the aggregate principal amount of one of the Unrestricted Global Notes.

If any such exchange or transfer from a Definitive Note to a beneficial interest is effected pursuant to subparagraphs (2)(B), (2)(D) or (3) above at a time when an Unrestricted Global Note has not yet been issued, the Issuers will issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee will authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the principal amount of Definitive Notes so transferred.

(e) *Transfer and Exchange of Definitive Notes for Definitive Notes.* Upon request by a Holder of Definitive Notes and such Holder's compliance with the provisions of this Section 2.06(e), the Registrar will register the transfer or exchange of Definitive Notes. Prior to such registration of transfer

or exchange, the requesting Holder must present or surrender to the Registrar the Definitive Notes duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Registrar duly executed by such Holder or by its attorney, duly authorized in writing. In addition, the requesting Holder must provide any additional certifications, documents and information, as applicable, required pursuant to the following provisions of this Section 2.06(e).

(1) *Restricted Definitive Notes to Restricted Definitive Notes.* Any Restricted Definitive Note may be transferred to and registered in the name of Persons who take delivery thereof in the form of a Restricted Definitive Note if the Registrar receives the following:

(A) if the transfer will be made pursuant to Rule 144A, then the transferor must deliver a certificate in the form of Exhibit C hereto, including the certifications in item (1) thereof;

(B) if the transfer will be made pursuant to Rule 903 or Rule 904, then the transferor must deliver a certificate in the form of Exhibit C hereto, including the certifications in item (2) thereof; and

(C) if the transfer will be made pursuant to any other exemption from the registration requirements of the Securities Act, then the transferor must deliver a certificate in the form of Exhibit C hereto, including the certifications, certificates and Opinion of Counsel required by item (3) thereof, if applicable.

(2) *Restricted Definitive Notes to Unrestricted Definitive Notes.* Any Restricted Definitive Note may be exchanged by the Holder thereof for an Unrestricted Definitive Note or transferred to a Person or Persons who take delivery thereof in the form of an Unrestricted Definitive Note if:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the Holder, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (i) a Broker-Dealer, (ii) a Person participating in the distribution of the Exchange Notes or (iii) a Person who is an affiliate (as defined in Rule 144) of the Issuers;

(B) any such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) any such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(i) if the Holder of such Restricted Definitive Notes proposes to exchange such Notes for an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit D hereto, including the certifications in item (1)(d) thereof; or

(ii) if the Holder of such Restricted Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar so requests, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(3) *Unrestricted Definitive Notes to Unrestricted Definitive Notes.* A Holder of Unrestricted Definitive Notes may transfer such Notes to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note. Upon receipt of a request to register such a transfer, the Registrar shall register the Unrestricted Definitive Notes pursuant to the instructions from the Holder thereof.

(f) *Exchange Offer.* Upon the occurrence of the Exchange Offer in accordance with the Registration Rights Agreement, the Issuers will issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee will authenticate:

(1) one or more Unrestricted Global Notes in an aggregate principal amount equal to the principal amount of the beneficial interests in the Restricted Global Notes accepted for exchange in the Exchange Offer by Persons that certify in the applicable Letters of Transmittal that (A) they are not Broker-Dealers, (B) they are not participating in a distribution of the Exchange Notes and (C) they are not affiliates (as defined in Rule 144) of the Issuers; and

(2) Unrestricted Definitive Notes in an aggregate principal amount equal to the principal amount of the Restricted Definitive Notes accepted for exchange in the Exchange Offer by Persons that certify in the applicable Letters of Transmittal that (A) they are not Broker-Dealers, (B) they are not participating in a distribution of the Exchange Notes and (C) they are not affiliates (as defined in Rule 144) of the Issuers.

Concurrently with the issuance of such Notes, the Trustee will cause the aggregate principal amount of the applicable Restricted Global Notes to be reduced accordingly, and the Issuers will execute and the Trustee will authenticate and deliver to the Persons designated by the Holders of Definitive Notes so accepted Unrestricted Definitive Notes in the appropriate principal amount.

(g) *Legends.* The following legends will appear on the face of all Global Notes and Definitive Notes issued under this Indenture unless specifically stated otherwise in the applicable provisions of this Indenture.

(1) *Private Placement Legend*.

(A) Except as permitted by subparagraph (B) below, each Global Note and each Definitive Note (and all Notes issued in exchange therefor or substitution thereof) shall bear the legend in substantially the following form:

"THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE

HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (A "QIB"), (B) IT IS NOT A U.S. PERSON, IS NOT ACQUIRING THIS NOTE FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT OR (C) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT) (AN "IAI"), (2) AGREES THAT IT WILL NOT, WITHIN THE TIME PERIOD REFERRED TO UNDER RULE 144(k) (TAKING INTO ACCOUNT THE PROVISIONS OF RULE 144(d) UNDER THE SECURITIES ACT, IF APPLICABLE) UNDER THE SECURITIES ACT AS IN EFFECT ON THE DATE OF THE TRANSFER OF THIS NOTE, RESELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE ISSUERS OR ANY SUBSIDIARY THEREOF, (B) TO A PERSON WHOM THE HOLDER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (D) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (E) TO AN IAI THAT, PRIOR TO SUCH TRANSFER, FURNISHES TO THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE REGISTRATION OF TRANSFER OF THIS NOTE (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM THE TRUSTEE) AND, IF SUCH TRANSFER IS IN RESPECT OF AN AGGREGATE PRINCIPAL AMOUNT OF NOTES AT THE TIME OF TRANSFER OF LESS THAN $250,000, AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUERS THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT OR (F) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND, IN EACH CASE, IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS NOTE OR ANY INTEREST HEREIN WITHIN THE TIME PERIOD REFERRED TO ABOVE, THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS CERTIFICATE TO THE TRUSTEE. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE IN VIOLATION OF THE FOREGOING RESTRICTIONS."

(B) Notwithstanding the foregoing, any Global Note or Definitive Note issued pursuant to subparagraphs (b)(4), (c)(3), (c)(4), (d)(2), (d)(3), (e)(2), (e)(3) or (f) of this Section 2.06 (and all Notes issued in exchange therefor or substitution thereof) will not bear the Private Placement Legend.

(2) *Global Note Legend*. Each Global Note will bear a legend in substantially the following form:

"THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (1) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.06 OF THE INDENTURE, (2) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO

SECTION 2.06(a) OF THE INDENTURE, (3) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (4) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE ISSUERS.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) ("DTC"), TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN."

(3) *Regulation S Temporary Global Note Legend.* The Regulation S Temporary Global Note will bear a Legend in substantially the following form:

"THE RIGHTS ATTACHING TO THIS REGULATION S TEMPORARY GLOBAL NOTE, AND THE CONDITIONS AND PROCEDURES GOVERNING ITS EXCHANGE FOR CERTIFICATED NOTES, ARE AS SPECIFIED IN THE INDENTURE (AS DEFINED HEREIN). NEITHER THE HOLDER NOR THE BENEFICIAL OWNERS OF THIS REGULATION S TEMPORARY GLOBAL NOTE SHALL BE ENTITLED TO RECEIVE PAYMENT OF INTEREST HEREON."

(h) *Cancellation and/or Adjustment of Global Notes.* At such time as all beneficial interests in a particular Global Note have been exchanged for Definitive Notes or a particular Global Note has been redeemed, repurchased or canceled in whole and not in part, each such Global Note will be returned to or retained and canceled by the Trustee in accordance with Section 2.11 hereof. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note or for Definitive Notes, the principal amount of Notes represented by such Global Note will be reduced accordingly and an endorsement will be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note, such other Global Note will be increased accordingly and an endorsement will be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such increase.

(i) *General Provisions Relating to Transfers and Exchanges.*

(1) To permit registrations of transfers and exchanges, the Issuers will execute and the Trustee will authenticate Global Notes and Definitive Notes upon receipt of an Authentication Order in accordance with Section 2.02 hereof or at the Registrar's request.

(2) No service charge will be made to a Holder of a beneficial interest in a Global Note or to a Holder of a Definitive Note for any registration of transfer or exchange, but the

Issuers may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchange or transfer pursuant to Sections 2.10, 3.06, 3.09, 4.10, 4.15 and 9.05 hereof).

(3) The Registrar will not be required to register the transfer of or exchange of any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part.

(4) All Global Notes and Definitive Notes issued upon any registration of transfer or exchange of Global Notes or Definitive Notes will be the valid obligations of the Issuers, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Global Notes or Definitive Notes surrendered upon such registration of transfer or exchange.

(5) Neither the Registrar nor the Issuers will be required:

(A) to issue, to register the transfer of or to exchange any Notes during a period beginning at the opening of business 15 days before the day of any selection of Notes for redemption under Section 3.02 hereof and ending at the close of business on the day of selection;

(B) to register the transfer of or to exchange any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part; or

(C) to register the transfer of or to exchange a Note between a record date and the next succeeding interest payment date.

(6) Prior to due presentment for the registration of a transfer of any Note, the Trustee, any Agent and the Issuers may deem and treat the Person in whose name any Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Notes and for all other purposes, and none of the Trustee, any Agent or the Issuers shall be affected by notice to the contrary.

(7) The Trustee will authenticate Global Notes and Definitive Notes in accordance with the provisions of Section 2.02 hereof.

(8) All certifications, certificates and Opinions of Counsel required to be submitted to the Registrar pursuant to this Section 2.06 to effect a registration of transfer or exchange may be submitted by facsimile.

(9) None of the Trustee or any Agent shall have any responsibility or obligation to any beneficial owner in a Global Note, a member of, or a participant in the Depository or other Person with respect to the accuracy of the records of the Depository or its nominee or of any participant or member thereof, with respect to any ownership interest in the Notes or with respect to the delivery to any participant, member, beneficial owner or other Person (other than the Depository) of any notice (including any notice of redemption) or the payment of any amount, under or with respect to such Notes. All notices and communications to be given to the Holders and all payments to be made to Holders under the Notes shall be given or made only to or upon the order of the registered Holders (which shall be the Depository or its nominee in the case of Global Notes). The rights of beneficial owners in the Global Notes shall be exercised only through the Depository subject to the applicable rules and procedures

of the Depository. The Trustee, any Paying Agent and the Registrar may rely and shall be fully protected in relying upon information furnished by the Depository with respect to its members, participants and any beneficial owners. The Trustee, each Paying Agent and the Registrar shall be entitled to deal with any depositary (including the Depository), and any nominee thereof, that is the Holder of any Global Note for all purposes of this Indenture relating to such Global Note (including the payment of principal, premium, if any, and interest and additional amounts, if any, and the giving of instructions or directions by or to the owner or holder of a beneficial ownership interest in such Global Note) as the sole Holder of such Global Note and shall have no obligations to the beneficial owners thereof. None of the Trustee, any Paying Agent or the Registrar shall have any responsibility or liability for any acts or omissions of any such depositary with respect to such Global Note, for the records of any such depositary, including records in respect of beneficial ownership interests in respect of any such Global Note, for any transactions between such depositary and any participant in such depositary or between or among any such depositary, any such participant and/or any holder or owner of a beneficial interest in such Global Note or for any transfers of beneficial interests in any such Global Note.

The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Note (including any transfers between or among Depository participants, members or beneficial owners in the Global Notes) other than to make any required delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

Section 2.07 *Replacement Notes.*

If any mutilated Note is surrendered to the Trustee or the Issuers and the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, the Issuers will issue and the Trustee, upon receipt of an Authentication Order, will authenticate a replacement Note if the Trustee's requirements are met. If required by the Trustee or the Issuers, an indemnity bond must be supplied by the Holder that is sufficient in the judgment of the Trustee and the Issuers to protect the Issuers, the Trustee, any Agent and any authenticating agent from any loss that any of them may suffer if a Note is replaced. The Issuers may charge for its expenses in replacing a Note, including reasonable fees and expenses of counsel and of the Trustee and its counsel.

Every replacement Note is an additional obligation of the Issuers and will be entitled to all of the benefits of this Indenture equally and proportionately with all other Notes duly issued hereunder.

Section 2.08 *Outstanding Notes.*

The Notes outstanding at any time are all the Notes authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation, those reductions in the interest in a Global Note effected by the Trustee in accordance with the provisions hereof, and those described in this Section 2.08 as not outstanding. Except as set forth in Section 2.09 hereof, a Note does not cease to be outstanding because the Issuers or an Affiliate of the Issuers holds the Note; however, Notes held by an Issuer or a Subsidiary of an Issuer shall not be deemed to be outstanding for purposes of Section 3.07(a) hereof.

If a Note is replaced pursuant to Section 2.07 hereof, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Note is held by a protected purchaser.

If the principal amount of any Note is considered paid under Section 4.01 hereof, it ceases to be outstanding and interest on it ceases to accrue.

If the Paying Agent (other than MagnaChip or any of its Subsidiaries or MagnaChip Semiconductor LLC or an Affiliate of any thereof) holds, on a redemption date or maturity date, money sufficient to pay Notes payable on that date, then on and after that date such Notes will be deemed to be no longer outstanding and will cease to accrue interest.

Section 2.09 *Treasury Notes.*

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Issuers or any Guarantor, or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuers or any Guarantor, will be considered as though not outstanding, except that for the purposes of determining whether the Trustee will be protected in relying on any such direction, waiver or consent, only Notes that the Trustee knows are so owned will be so disregarded.

Section 2.10 *Temporary Notes.*

Until certificates representing Notes are ready for delivery, the Issuers may prepare and the Trustee, upon receipt of an Authentication Order, will authenticate temporary Notes. Temporary Notes will be substantially in the form of certificated Notes but may have variations that the Issuers considers appropriate for temporary Notes and as may be reasonably acceptable to the Trustee. Without unreasonable delay, the Issuers will prepare and the Trustee will authenticate definitive Notes in exchange for temporary Notes.

Holders of temporary Notes will be entitled to all of the benefits of this Indenture.

Section 2.11 *Cancellation.*

The Issuers at any time may deliver Notes to the Trustee for cancellation. The Registrar and Paying Agent will forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else will cancel all Notes surrendered for registration of transfer, exchange, payment, replacement or cancellation and will destroy canceled Notes (subject to the record retention requirement of the Exchange Act). Certification of the disposition of all canceled Notes will be delivered to the Issuers upon request. The Issuers may not issue new Notes to replace Notes that it has paid or that have been delivered to the Trustee for cancellation.

Section 2.12 *Defaulted Interest.*

If the Issuers default in a payment of interest on the Notes, it will pay the defaulted interest in any lawful manner *plus*, to the extent lawful, interest payable on the defaulted interest, to the Persons who are Holders on a subsequent special record date, in each case at the rate provided in the Notes and in Section 4.01 hereof. The Issuers will notify the Trustee in writing of the amount of defaulted interest proposed to be paid on each Note and the date of the proposed payment. The Issuers will fix or cause to be fixed each such special record date and payment date; *provided* that no such special record date may be less than 10 days prior to the related payment date for such defaulted interest. At least 15 days before the special record date, the Issuers (or, upon the written request of the Issuers, the Trustee in the name and at the expense of the Issuers) will mail or cause to be mailed to Holders a notice that states the special record date, the related payment date and the amount of such interest to be paid.

**ARTICLE 3.**
REDEMPTION AND PREPAYMENT

Section 3.01 *Notices to Trustee.*

If the Issuers elect to redeem Notes pursuant to the optional redemption provisions of Section 3.07 hereof, they must furnish to the Trustee, at least 30 days but not more than 60 days before a redemption date, an Officers' Certificate setting forth:

(1) the clause of this Indenture pursuant to which the redemption shall occur;

(2) the redemption date;

(3) the principal amount of Notes to be redeemed; and

(4) the redemption price.

Section 3.02 *Selection of Notes to Be Redeemed or Purchased.*

If less than all of the Notes are to be redeemed or purchased in an offer to purchase at any time, the Trustee will select Notes for redemption or purchase on a *pro rata* basis unless otherwise required by law or applicable stock exchange requirements.

The Trustee will promptly notify the Issuers in writing of the Notes selected for redemption or purchase and, in the case of any Note selected for partial redemption or purchase, the principal amount thereof to be redeemed or purchased. Notes and portions of Notes selected will be in amounts equal to $1,000 or an integral multiple of $1,000 in excess of $1,000; except that if all of the Notes of a Holder are to be redeemed or purchased, the entire outstanding amount of Notes held by such Holder, even if not a multiple of $1,000, shall be redeemed or purchased. Except as provided in the preceding sentence, provisions of this Indenture that apply to Notes called for redemption or purchase also apply to portions of Notes called for redemption or purchase.

Section 3.03 *Notice of Redemption.*

Subject to the provisions of Section 3.09 hereof, at least 30 days but not more than 60 days before a redemption date, the Issuers will mail or cause to be mailed, by first class mail, a notice of redemption to each Holder whose Notes are to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of this Indenture pursuant to Articles 8 or 11, respectively, hereof.

The notice will identify the Notes to be redeemed and will state:

(1) the redemption date;

(2) the redemption price;

(3) if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed and that, after the redemption date upon surrender of such Note, a new Note or Notes in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note;

(4) the name and address of the Paying Agent;

(5) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(6) that, unless the Issuers default in making such redemption payment, interest on Notes called for redemption ceases to accrue on and after the redemption date;

(7) the paragraph of the Notes and/or Section of this Indenture pursuant to which the Notes called for redemption are being redeemed; and

(8) that no representation is made as to the correctness or accuracy of the CUSIP or ISIN number, if any, listed in such notice or printed on the Notes.

At the Issuers' request, the Trustee will give the notice of redemption in the Issuers' names and at their expense; *provided, however*, that the Issuers have delivered to the Trustee, at least 45 days prior to the redemption date, an Officers' Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in the preceding paragraph.

Section 3.04 *Effect of Notice of Redemption.*

Once notice of redemption is mailed in accordance with Section 3.03 hereof, Notes called for redemption become irrevocably due and payable on the redemption date at the redemption price. A notice of redemption may not be conditional.

Section 3.05 *Deposit of Redemption or Purchase Price.*

One Business Day prior to the redemption or purchase date, the Issuers will deposit with the Trustee or with the Paying Agent money sufficient to pay the redemption or purchase price of and accrued interest and Liquidated Damages, if any, on all Notes to be redeemed or purchased on that date. The Trustee or the Paying Agent will promptly return to the Issuers any money deposited with the Trustee or the Paying Agent by the Issuers in excess of the amounts necessary to pay the redemption or purchase price of, and accrued interest and Liquidated Damages, if any, on, all Notes to be redeemed or purchased.

If the Issuers comply with the provisions of the preceding paragraph, on and after the redemption or purchase date, interest will cease to accrue on the Notes or the portions of Notes called for redemption or purchase. If a Note is redeemed or purchased on or after an interest record date but on or prior to the related interest payment date, then any accrued and unpaid interest shall be paid to the Person in whose name such Note was registered at the close of business on such record date. If any Note called for redemption or purchase is not so paid upon surrender for redemption or purchase because of the failure of the Issuers to comply with the preceding paragraph, interest shall be paid on the unpaid principal, from the redemption or purchase date until such principal is paid, and to the extent lawful on any interest not paid on such unpaid principal, in each case at the rate provided in the Notes and in Section 4.01 hereof.

Section 3.06 *Notes Redeemed or Purchased in Part.*

Upon surrender of a Note that is redeemed or purchased in part, the Issuers will issue and, upon receipt of an Authentication Order, the Trustee will authenticate for the Holder at the expense of the Issuers a new Note equal in principal amount to the unredeemed or unpurchased portion of the Note surrendered.

Section 3.07 *Optional Redemption.*

(a) At any time prior to December 15, 2005, MagnaChip may on any one or more occasions redeem up to 35% of the aggregate principal amount of Floating Rate Notes issued under this Indenture (including any Floating Rate Additional Notes issued after the Issue Date) at a redemption price of 100% of the principal amount thereof, *plus* the LIBOR Rate in effect on the date of the redemption notice *plus* 3.25%, *plus* accrued and unpaid interest and Liquidated Damages, if any, to the redemption date, with the net cash proceeds of one or more Public Equity Offerings or a contribution to MagnaChip's common equity capital made with the net cash proceeds of a concurrent Public Equity Offering of US LLC or any of its Subsidiaries; *provided* that:

(1) at least 65% of the aggregate principal amount of Floating Rate Notes originally issued under this Indenture (including any Floating Rate Additional Notes issued after the Issue Date) (excluding Floating Rate Notes held by MagnaChip and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 90 days of the date of the closing of such Public Equity Offering or equity contributions.

(b) On or after December 15, 2005, MagnaChip may redeem all or a part of the Floating Rate Notes, upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at the redemption prices (expressed as percentages of principal amount) set forth below *plus* accrued and unpaid interest and Liquidated Damages, if any, on the Floating Rate Notes redeemed, to the applicable redemption date, if redeemed during the twelve-month period beginning on December 15 of the years indicated below, subject to the rights of holders of Floating Rate Notes on the relevant record date to receive interest due on the relevant interest payment date:

| Year | Percentage |
|---|---|
| 2005 | 103% |
| 2006 | 102% |
| 2007 | 101% |
| 2008 and thereafter | 100% |

Notwithstanding the foregoing, at any time prior to December 15, 2005, MagnaChip may also redeem all or a part of the Floating Rate Notes (including any Floating Rate Additional Notes issued after the Issue Date), upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at a redemption price equal to 100% of the principal amount of Notes redeemed *plus* the Floating Rate Second Priority Notes Applicable Premium as of, and accrued and unpaid interest and Liquidated Damages, if any, to the redemption date, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date.

Unless MagnaChip defaults in the payment of the redemption price, interest will cease to accrue on the Floating Rate Notes or portions thereof called for redemption on the applicable redemption date.

(c) At any time prior to December 15, 2007, MagnaChip may on any one or more occasions redeem up to 35% of the aggregate principal amount of Fixed Rate Notes issued under this Indenture (including any Fixed Rate Additional Notes issued after the Issue Date) at a redemption price of 106.875% of the principal amount, *plus* accrued and unpaid interest and Liquidated Damages, if any, to the redemption date, with the net cash proceeds of one or more Public Equity Offerings or a contribution to MagnaChip's common equity capital made with the net cash proceeds of a concurrent Public Equity Offering of US LLC or any of its Subsidiaries; *provided* that:

(1) at least 65% of the aggregate principal amount of Fixed Rate Notes originally issued under this Indenture (including any Fixed Rate Additional Notes issued after the Issue Date) (excluding Fixed Rate Notes held by MagnaChip and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 90 days of the date of the closing of such Public Equity Offering or equity contributions.

(d) On or after December 15, 2008, MagnaChip may redeem all or a part of the Fixed Rate Notes, upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at the redemption prices (expressed as percentages of principal amount) set forth below *plus* accrued and unpaid interest and Liquidated Damages, if any, on the Fixed Rate Notes redeemed, to the applicable redemption date, if redeemed during the twelve-month period beginning on December 15 of the years indicated below, subject to the rights of holders of Fixed Rate Notes on the relevant record date to receive interest due on the relevant interest payment date.

| Year | Percentage |
|---|---|
| 2008 | 103.438% |
| 2009 | 101.719% |
| 2010 and thereafter | 100% |

Notwithstanding the foregoing, at any time prior to December 15, 2008, MagnaChip may also redeem all or a part of the Fixed Rate Notes (including any Fixed Rate Additional Notes issued after the Issue Date), upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at a redemption price equal to 100% of the principal amount of Notes redeemed *plus* the Fixed Rate Second Priority Notes Applicable Premium as of, and accrued and unpaid interest and Liquidated Damages, if any, to the redemption date, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date.

(e) Any redemption pursuant to this Section 3.07 shall be made pursuant to the provisions of Sections 3.01 through 3.06 hereof.

Section 3.08 *Mandatory Redemption.*

The Issuers are not required to make mandatory redemption or sinking fund payments with respect to the Notes.

Section 3.09 *Offer to Purchase by Application of Excess Proceeds.*

In the event that, pursuant to Section 4.10 hereof, the Issuers are required to commence an offer to all Holders to purchase Notes (an "*Asset Sale Offer*"), it will follow the procedures specified below.

The Asset Sale Offer shall be made to all Holders and all holders of other Parity Lien Obligations containing provisions similar to those set forth in this Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets casualty or condemnation events. The Asset Sale Offer will remain open for a period of at least 20 Business Days following its commencement and not more than 30 Business Days, except to the extent that a longer period is required by applicable law (the "*Offer Period*"). No later than three Business Days after the termination of the Offer Period (the "*Purchase Date*"), the Issuers will apply all Excess Proceeds remaining after any required application of such Excess Proceeds to the repayment of Priority Lien Obligations (such remaining amount, the *"Offer Amount"*) to the purchase of Notes and such other Parity Lien Obligations (on a *pro rata* basis, if applicable) or, if less

than the Offer Amount has been tendered, all Notes and other Parity Lien Obligations tendered in response to the Asset Sale Offer. Payment for any Notes so purchased will be made in the same manner as interest payments are made.

If the Purchase Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest and Liquidated Damages, if any, will be paid to the Person in whose name a Note is registered at the close of business on such record date, and no additional interest will be payable to Holders who tender Notes pursuant to the Asset Sale Offer.

Upon the commencement of an Asset Sale Offer, the Issuers will send, by first class mail, a notice to the Trustee and each of the Holders, with a copy to the Trustee. The notice will contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Asset Sale Offer. The notice, which will govern the terms of the Asset Sale Offer, will state:

(1) that the Asset Sale Offer is being made pursuant to this Section 3.09 and Section 4.10 hereof and the length of time the Asset Sale Offer will remain open;

(2) the Offer Amount, the purchase price and the Purchase Date;

(3) that any Note not tendered or accepted for payment will continue to accrue interest;

(4) that, unless the Issuers default in making such payment, any Note accepted for payment pursuant to the Asset Sale Offer will cease to accrue interest after the Purchase Date;

(5) that Holders electing to have a Note purchased pursuant to an Asset Sale Offer may elect to have Notes purchased in integral multiples of $1,000 only;

(6) that Holders electing to have Notes purchased pursuant to any Asset Sale Offer will be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" attached to the Notes completed, or transfer by book-entry transfer, to the Issuers, a Depositary, if appointed by the Issuers, or a Paying Agent at the address specified in the notice at least three days before the Purchase Date;

(7) that Holders will be entitled to withdraw their election if the Issuers, the Depositary or the Paying Agent, as the case may be, receives, not later than the expiration of the Offer Period, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Note the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Note purchased;

(8) that, if the aggregate principal amount of Notes or other *pari passu* Indebtedness surrendered by holders thereof exceeds the Offer Amount, the Issuers will select the Notes and other *pari passu* Indebtedness to be purchased on a *pro rata* basis based on the principal amount of Notes and such other *pari passu* Indebtedness surrendered (with such adjustments as may be deemed appropriate by the Issuers so that only Notes in denominations of $1,000, or integral multiples thereof, will be purchased); and

(9) that Holders whose Notes were purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered (or transferred by book-entry transfer).

On or before the Purchase Date, the Issuers will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Offer Amount of Notes or portions thereof tendered pursuant to the Asset Sale Offer, or if less than the Offer Amount has been tendered, all Notes tendered, and will deliver or cause to be delivered to the Trustee the Notes properly accepted with an Officers' Certificate stating that such Notes or portions thereof were accepted for payment by the Issuers in accordance with the terms of this Section 3.09. The Issuers, the Depositary or the Paying Agent, as the case may be, will promptly (but in any case not later than five days after the Purchase Date) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes tendered by such Holder and accepted by the Issuers for purchase, and the Issuers will promptly issue a new Note, and the Trustee, upon written request from the Issuers, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered. Any Note not so accepted shall be promptly mailed or delivered by the Issuers to the Holder thereof. The Issuers will publicly announce the results of the Asset Sale Offer on the Purchase Date.

Other than as specifically provided in this Section 3.09, any purchase pursuant to this Section 3.09 shall be made pursuant to the provisions of Sections 3.01 through 3.06 hereof.

Section 3.10 *Redemption for Changes in Taxes*. The Issuers may redeem each series of the Notes, in whole but not in part, at their discretion at any time at a redemption price equal to the principal amount thereof, together with accrued and unpaid interest and Liquidated Damages, if any, to the date fixed by the Issuers for redemption (a *"Tax Redemption Date"*) and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of Holders on the relevant record date to receive interest due on the relevant Interest Payment Date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Notes, the Issuers have or would be required to pay Additional Amounts, and the Issuers cannot avoid any such payment obligation taking reasonable measures available to them, as a result of:

(1) any change in, or amendment to, the laws or treaties (or any regulations, or rulings promulgated thereunder) of the relevant Tax Jurisdiction affecting taxation which change or amendment has not been publicly announced as formally adopted and which becomes effective on or after the Issue Date (or, if the relevant Tax Jurisdiction has changed since the Issue Date, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under this Indenture); or

(2) any change in, or amendment to, the existing official position or the introduction of an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change, amendment, application or interpretation has not been publicly announced as formally adopted and becomes effective on or after the Issue Date (or, if the relevant Tax Jurisdiction has changed since the Issue Date, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under this Indenture).

The Issuers will not give any such notice of redemption earlier than 90 days prior to the earliest date on which the Issuers would be obligated to make such payment or withholding if a payment in respect of the Notes were then due. Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuers will deliver the Trustee an opinion of counsel, the choice of such counsel to be subject to the prior written approval of the Trustee (such approval not to be unreasonably withheld) to the effect that there has been such change or amendment which would entitle the Issuers to redeem the Notes hereunder and the Issuers cannot avoid any obligation to pay Additional Amounts taking reasonable measures available.

**ARTICLE 4.**
COVENANTS

Section 4.01 *Payment of Notes.*

The Issuers will pay or cause to be paid the principal of, premium, if any, and interest and Liquidated Damages, if any, on, the Notes on the dates and in the manner provided in the Notes. Principal, premium, if any, and interest and Liquidated Damages, if any will be considered paid on the date due if the Paying Agent, if other than MagnaChip or any Subsidiary thereof, holds as of 10:00 a.m. Eastern Time on the due date money deposited by the Issuers in immediately available funds and designated for and sufficient to pay all principal, premium, if any, and interest then due. The Issuers will pay all Liquidated Damages, if any, in the same manner on the dates and in the amounts set forth in the Registration Rights Agreement.

The Issuers will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal at the rate equal to 1% per annum in excess of the then applicable interest rate on the Notes to the extent lawful; it will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Liquidated Damages (without regard to any applicable grace period) at the same rate to the extent lawful.

Section 4.02 *Maintenance of Office or Agency.*

The Issuers will maintain in the Borough of Manhattan, the City of New York, an office or agency (which may be an office of the Trustee or an affiliate of the Trustee, Registrar or co-registrar) where Notes may be surrendered for registration of transfer or for exchange and where notices and demands to or upon the Issuers in respect of the Notes and this Indenture may be served. The Issuers will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Issuers fail to maintain any such required office or agency or fails to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

The Issuers may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided, however*, that no such designation or rescission will in any manner relieve the Issuers of their obligation to maintain an office or agency in the Borough of Manhattan, the City of New York for such purposes. The Issuers will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Issuers hereby designate the Corporate Trust Office of the Trustee as one such office or agency of the Issuers in accordance with Section 2.03 hereof.

Section 4.03 *Reports.*

(a) Whether or not required by the rules and regulations of the SEC, so long as any Notes are outstanding, MagnaChip will furnish to the Holders of Notes and the Initial Purchasers or cause to be furnished to the Holders of Notes and the Initial Purchasers, within the time periods specified in the SEC's rules and regulations:

(1) all quarterly and annual reports that would be required to be filed with the SEC on Forms 10-Q and 10-K if MagnaChip were required to file such reports; and

(2) all current reports that would be required to be filed with the SEC on Form 8-K if MagnaChip were required to file such reports.

All such reports will be prepared in all material respects in accordance with all of the rules and regulations applicable to such reports. Each annual report on Form 10-K will include a report on US LLC's consolidated financial statements by US LLC's certified independent accountants. In addition, following the consummation of the Exchange Offer contemplated by the Registration Rights Agreement, MagnaChip will file a copy of each of the reports referred to in clauses (1) and (2) above with the SEC for public availability within the time periods specified in the rules and regulations applicable to such reports (unless the SEC will not accept such a filing) and will post the reports on its website within those time periods. US LLC's reporting obligations with respect to clauses (1) and (2) above shall be deemed satisfied in the event the Issuers file such reports with the SEC on EDGAR and deliver a copy of such reports to the Trustee.

If, at any time after consummation of the Exchange Offer contemplated by the Registration Rights Agreement, MagnaChip is no longer subject to the periodic reporting requirements of the Exchange Act for any reason, MagnaChip will nevertheless continue filing the reports specified in the preceding paragraphs of this covenant with the SEC within the time periods specified above unless the SEC will not accept such a filing. MagnaChip will not take any action for the purpose of causing the SEC not to accept any such filings. If, notwithstanding the foregoing, the SEC will not accept MagnaChip's filings for any reason, MagnaChip will post the reports referred to in the preceding paragraphs on its website within the time periods that would apply if MagnaChip were required to file those reports with the SEC.

(b) In addition, MagnaChip and the Guarantors agree that, for so long as any Notes remain outstanding, if at any time they are not required to file with the SEC the reports required by the preceding paragraphs, they will furnish to the Holders of Notes and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

(c) The Issuers shall file with the Trustee, within 15 days after the date that the Issuers are required to file same with the SEC, copies of all reports, information and documents which the Issuers are required to file with the SEC pursuant to Section 314(a) of the TIA. Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of same shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuers' compliance with any of their covenants hereunder (as to the which the Trustee is entitled to rely exclusively on Officers' Certificates).

Section 4.04 *Compliance Certificate.*

(a) The Issuers and each Guarantor (to the extent that such Guarantor is so required under the TIA) shall deliver to the Trustee, within 90 days after the end of each fiscal year, an Officers' Certificate stating that a review of the activities of the Issuers and its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Issuers have kept, observed, performed and fulfilled its obligations under this Indenture, and further stating, as to each such Officer signing such certificate, that to the best of their knowledge the Issuers have kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions of this

Indenture (or, if a Default or Event of Default has occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Issuers are taking or propose to take with respect thereto) and that to the best of his or her knowledge no event has occurred and remains in existence by reason of which payments on account of the principal of or interest, if any, on the Notes is prohibited or if such event has occurred, a description of the event and what action the Issuers are taking or propose to take with respect thereto.

(b) So long as not contrary to the then current recommendations of the American Institute of Certified Public Accountants, the year-end financial statements delivered pursuant to Section 4.03 above shall be accompanied by a written statement of MagnaChip's independent public accountants (who shall be a firm of established national reputation) that in making the examination necessary for certification of such financial statements, nothing has come to their attention that would lead them to believe that MagnaChip has violated any provisions of Article 4 or Article 5 hereof or, if any such violation has occurred, specifying the nature and period of existence thereof, it being understood that such accountants shall not be liable directly or indirectly to any Person for any failure to obtain knowledge of any such violation.

(c) So long as any of the Notes are outstanding, the Issuers will deliver to the Trustee, forthwith upon any Officer becoming aware of any Default or Event of Default, an Officers' Certificate specifying such Default or Event of Default and what action the Issuers are taking or propose to take with respect thereto.

Section 4.05 *Taxes*.

The Issuers will pay, and will cause each of their Subsidiaries and MagnaChip Semiconductor LLC to pay, prior to delinquency, all material taxes, assessments, and governmental levies except such as are contested in good faith and by appropriate proceedings or where the failure to effect such payment is not adverse in any material respect to the Holders of the Notes.

Section 4.06 *Stay, Extension and Usury Laws*.

The Issuers and each of the Guarantors covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Issuers and each of the Guarantors (to the extent that they may lawfully do so) hereby expressly waive all benefit or advantage of any such law, and covenants that they will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law has been enacted.

Section 4.07 *Restricted Payments*.

(a) MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of MagnaChip's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving MagnaChip or any of its Restricted Subsidiaries) or to the direct or indirect holders of MagnaChip's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends, payments, or distributions payable in Equity Interests (other than

Disqualified Stock) of MagnaChip, any of its direct or indirect parent entities or any of its Restricted Subsidiaries and other than dividends, payments, or distributions payable to MagnaChip, any of its direct or indirect parent entities or a Restricted Subsidiary of MagnaChip);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving MagnaChip) any Equity Interests of US LLC;

(3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of MagnaChip or any Restricted Subsidiary that is contractually subordinated to the Notes or to any Note Guarantee (excluding any intercompany Indebtedness between or among MagnaChip, any of its direct or indirect parent entities that is a Guarantor and any of its Restricted Subsidiaries that is a Guarantor), except a payment of interest or principal at the Stated Maturity thereof; or

(4) make any Restricted Investment (all such payments and other actions set forth in these clauses (1) through (4) above being collectively referred to as "*Restricted Payments*"),

unless, at the time of and after giving effect to such Restricted Payment:

(1) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(2) MagnaChip would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Section 4.09(a) hereof; and

(3) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by MagnaChip and its Restricted Subsidiaries since the Issue Date (excluding Restricted Payments permitted by clauses (2), (5), (6), (8), (9), (10) and (11) of paragraph (b) of this Section 4.07), is less than the sum, without duplication of:

(A) 50% of the Consolidated Net Income of US LLC for the period (taken as one accounting period) from the beginning of the first fiscal quarter commencing after the Issue Date to the end of US LLC's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*

(B) 100% of the aggregate net cash proceeds or Fair Market Value of assets (as to which an opinion or appraisal issued by an accounting, appraisal or investment bank firm of national standing shall be required if the Fair Market Value exceeds $15.0 million) received by MagnaChip or any of the Restricted Subsidiaries since the Issue Date as a contribution to its common equity capital or from the issue or sale of Equity Interests of MagnaChip or any of the Restricted Subsidiaries (other than Disqualified Stock) or from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of MagnaChip or any of the Restricted Subsidiaries that have been converted into or exchanged for such Equity Interests (other than Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of US LLC); *plus*

(C) to the extent that any Restricted Investment that was made after the Issue Date is sold for cash or otherwise liquidated or repaid for cash, the lesser of (i) the cash return of capital with respect to such Restricted Investment (less the cost of disposition, if any) and (ii) the initial amount of such Restricted Investment; *plus*

(D) to the extent that any Unrestricted Subsidiary of MagnaChip designated as such after the Issue Date is redesignated as a Restricted Subsidiary after the Issue Date, the lesser of (i) the Fair Market Value of MagnaChip's Investment in such Subsidiary as of the date of such redesignation or (ii) such Fair Market Value as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary after the Issue Date; *plus*

(E) 100% of any dividends received by MagnaChip or a Restricted Subsidiary of MagnaChip after the Issue Date from an Unrestricted Subsidiary of US LLC, to the extent that such dividends were not otherwise included in the Consolidated Net Income of US LLC for such period.

(b) The provisions of Section 4.07(a) hereof will not prohibit:

(1) the payment of any dividend or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of this Indenture;

(2) dividends or advances made with the proceeds of the Notes to any direct or indirect parent of MagnaChip, the proceeds of which are used by such Person to redeem its preferred equity interests as described in the offering memorandum and made within 90 days of the Issue Date; *provided*, that such dividends or advances shall be excluded from the calculation of the amount of Restricted Payments;

(3) upon the occurrence of a Change of Control and within 60 days after the completion of the offer to repurchase the Notes pursuant to Section 4.15 hereof, any purchase or redemption of Subordinated Obligations required pursuant to the terms thereof as a result of such Change of Control at a purchase or redemption price not to exceed the outstanding principal amount thereof, *plus* any accrued and unpaid interest; *provided, however*, that (A) at the time of such purchase or redemption no Event of Default shall have occurred and be continuing (or would result therefrom); (B) MagnaChip would be able to incur an additional $1.00 of Indebtedness pursuant to Section 4.09(a) hereof after giving pro forma effect to such Restricted Payment and the Change of Control; and (C) such purchase or redemption shall be included in the calculation of the amount of Restricted Payments;

(4) any purchase or redemption of Disqualified Stock of MagnaChip or a Restricted Subsidiary made by exchange for, or out of the proceeds of the substantially concurrent sale of, Disqualified Stock of MagnaChip or a Restricted Subsidiary which is permitted to be incurred pursuant to Section 4.09 hereof; *provided, however*, that such purchase or redemption shall be excluded in the calculation of the amount of Restricted Payments;

(5) the making of any Restricted Payment in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of MagnaChip) of, Equity Interests of MagnaChip (other than Disqualified Stock) or from the substantially concurrent contribution of common equity capital to MagnaChip; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clause (3)(B) of the first paragraph of Section 4.07(a);

(6) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of MagnaChip or any Restricted Subsidiary that is contractually subordinated to the Notes or to any Note Guarantee with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness;

(7) payments to fund the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of MagnaChip, any Restricted Subsidiary of MagnaChip, or any direct or indirect parent of MagnaChip held by any current or former officer, director or employee of MagnaChip or any of its Restricted Subsidiaries or any direct or indirect Parent of MagnaChip pursuant to any equity subscription agreement, stock option agreement, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed $7,000,000 *plus* the amount of cash proceeds from any key man life insurance; *provided*, *further*, that such amount may be increased by an amount not to exceed the cash proceeds from the sale of Equity Interests of MagnaChip and, to the extent contributed to MagnaChip, Equity Interests of any of MagnaChip's direct or indirect parent corporations, in each case to current or former members of management, directors, managers or consultants of MagnaChip, any of its Subsidiaries or any of its direct or indirect parent corporations that occurs after the Issue Date, to the extent the cash proceeds from the sale of such Equity Interests have not otherwise been applied to the payment of Restricted Payments by virtue of clause (3)(B) of the first paragraph of Section 4.07(a);

(8) the repurchase of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;

(9) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of MagnaChip or any Restricted Subsidiary issued on or after the Issue Date in accordance with the Fixed Charge Coverage Ratio test set forth in Section 4.09(a) hereof;

(10) any purchase or redemption of Subordinated Obligations from Net Proceeds upon completion of an Asset Sale Offer; *provided, however*, that the purchase or redemption shall be excluded in the calculation of the amount of Restricted Payments; *provided*, *further*, that MagnaChip could, on the date of such transaction after giving pro forma effect thereto as if the same had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Section 4.09(a) hereof;

(11) Permitted Tax Payments;

(12) the repurchase of, or payments in lieu of, fractional shares of Equity Interests in an amount not to exceed $200,000 in the aggregate; and

(13) other Restricted Payments in an aggregate amount not to exceed $15.0 million since the Issue Date.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by MagnaChip or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The Fair Market Value of any assets or securities that are required to be valued by this Section 4.07 will be determined by the Board of Directors of MagnaChip whose resolution with respect thereto will be delivered to the Trustee. For purposes of determining compliance with this Section 4.07, in the event that a Restricted Payment meets the criteria of more than one of the exceptions described in (1) through (13) above or is entitled to be made pursuant to Section 4.07(a), MagnaChip shall be permitted, in its sole discretion to classify (but not later reclassify) such Restricted Payment in any manner that complies with this Section 4.07.

Section 4.08 *Dividend and Other Payment Restrictions Affecting Subsidiaries.*

(a) MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to MagnaChip or any of its Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any indebtedness owed to MagnaChip or any of its Restricted Subsidiaries;

(2) make loans or advances to MagnaChip or any of its Restricted Subsidiaries; or

(3) sell, lease or transfer any of its properties or assets to MagnaChip or any of its Restricted Subsidiaries.

(b) The restrictions in Section 4.08(a) hereof will not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements governing Existing Indebtedness and any other agreements, including the Credit Facilities, as in effect on the Issue Date and any amendments, restatements, modifications, renewals, increases, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, increases, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date;

(2) this Indenture, the Notes and the Note Guarantees, the Intercreditor Agreement and the Security Documents;

(3) applicable law, rule, regulation or order;

(4) any instrument governing Indebtedness or Capital Stock of a Person acquired by MagnaChip or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of this Indenture to be incurred;

(5) customary non-assignment provisions in contracts and licenses entered into in the ordinary course of business;

(6) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (3) of Section 4.08(a);

(7) any agreement for the sale or other disposition of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending the sale or other disposition;

(8) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(9) restrictions contained in security agreements or mortgages securing Indebtedness of a Restricted Subsidiary permitted to be incurred under this Indenture so long as the restrictions solely restrict the transfer of the property governed by the security agreements or mortgages;

(10) Liens permitted to be incurred under the provisions of Section 4.12 hereof that limit the right of the debtor to dispose of the assets subject to such Liens;

(11) provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements entered into with the approval of MagnaChip's Board of Directors, which limitation is applicable only to the assets that are the subject of such agreements;

(12) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business; and

(13) any restriction in any agreement that is not more restrictive than the restrictions under the terms of the Senior Credit Agreement as in effect on the Issue Date.

Section 4.09 *Incurrence of Indebtedness and Issuance of Preferred Stock.*

(a) MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "*incur*") any Indebtedness (including Acquired Debt), and MagnaChip and US LLC will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries (other than US LLC) to issue any shares of preferred stock; *provided, however*, that MagnaChip and US LLC may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, and the Restricted Subsidiaries may incur Indebtedness (including Acquired Debt) or issue preferred stock, if the Fixed Charge Coverage Ratio for US LLC's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or such preferred stock is issued, as the case may be, would have been at least 2.0 to 1, determined on a pro forma basis (including a pro

forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or the preferred stock had been issued, as the case may be, at the beginning of such four-quarter period.

(b) The provisions of Section 4.09(a) hereof will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "*Permitted Debt*"):

(1) the incurrence by MagnaChip and any Restricted Subsidiary of additional revolving credit Indebtedness and letters of credit under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of MagnaChip and its Restricted Subsidiaries thereunder) not to exceed the greater of (x) $100.0 million or (y) as of the date of the incurrence, the aggregate of (i) 85% of the book value, net of reserves, of all accounts receivable owned by MagnaChip and its Restricted Subsidiaries, as shown on US LLC's most recent consolidated balance sheet prepared in accordance with GAAP, as of the end of the most recent fiscal quarter preceding such date, *plus* (ii) 50% of the book value of all inventory, net of reserves, owned by MagnaChip and its Restricted Subsidiaries, as shown on US LLC's most recent consolidated balance sheet prepared in accordance with GAAP, as of the end of the most recent fiscal quarter preceding such date, *plus* (iii) $20.0 million; *less* the aggregate amount of all Net Proceeds of Asset Sales or Casualty Events applied by MagnaChip or any of the Restricted Subsidiaries after the Issue Date to repay any term Indebtedness under a Credit Facility or to repay any revolving credit Indebtedness under a Credit Facility and effect a corresponding commitment reduction thereunder, in each case as to Indebtedness incurred under this clause (1) of the definition of Permitted Debt and as to Net Proceeds applied pursuant to Section 4.10(b)(1) hereof;

(2) the incurrence by MagnaChip and any Restricted Subsidiary of up to $100.0 million under one or more debt facilities or commercial paper facilities, in each case, with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced (but not including by means of sales of debt securities to institutional investors) in whole or in part from time to time; *less* the aggregate amount of all Net Proceeds of Asset Sales or Casualty Events applied by MagnaChip or any of the Restricted Subsidiaries after the Issue Date to repay any term Indebtedness under debt facilities or commercial paper facilities or to repay any revolving credit Indebtedness under a Credit Facility and effect a corresponding commitment reduction thereunder, in each case as to Indebtedness incurred under this clause (2) of the definition of Permitted Debt and as to Net Proceeds applied pursuant to Section 4.10(b)(1) hereof;

(3) the incurrence by MagnaChip and its Restricted Subsidiaries of the Existing Indebtedness;

(4) the incurrence on the Issue Date by MagnaChip and the Guarantors of Indebtedness represented by the Notes and the Senior Subordinated Notes and this Indenture and guarantees thereof by the Guarantors and the related Exchange Notes to be issued pursuant to the registration rights agreements;

(5) the incurrence by MagnaChip or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase

money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property (real or personal), plant or equipment used in the business of MagnaChip or any of its Restricted Subsidiaries (whether through the direct purchase of assets or the Equity interests of any Person owning such assets), in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (5), not to exceed the greater of (a) $25.0 million at any time outstanding and (b) 5% of Total Assets as shown on US LLC's most recent consolidated balance sheet prepared in accordance with GAAP;

(6) the incurrence by MagnaChip or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by this Indenture to be incurred under Section 4.09(a) or clauses (3), (4), (5), (6) or (14) of this Section 4.09(b);

(7) the incurrence by MagnaChip or any of its Restricted Subsidiaries of intercompany Indebtedness between or among MagnaChip and any of its Restricted Subsidiaries; *provided, however*, that:

(A) if MagnaChip or any Guarantor is the obligor on such Indebtedness and the payee is not MagnaChip or a Guarantor, such Indebtedness must be expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the notes, in the case of MagnaChip, or the Note Guarantee, in the case of a Guarantor; and

(B) (1) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than MagnaChip or a Restricted Subsidiary of MagnaChip and (2) any sale or other transfer of any such Indebtedness to a Person that is not either MagnaChip or a Restricted Subsidiary of MagnaChip, will be deemed, in each case, to constitute an incurrence of such Indebtedness by MagnaChip or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (7);

(8) the issuance by any Guarantor to MagnaChip or to any other Guarantor of shares of preferred stock; *provided, however*, that:

(A) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than MagnaChip or a Guarantor; and

(B) any sale or other transfer of any such preferred stock to a Person that is not either MagnaChip or a Guarantor,

will be deemed, in each case, to constitute an issuance of such preferred stock by such Guarantor that was not permitted by this clause (8);

(9) the incurrence by MagnaChip or any Restricted Subsidiaries of Hedging Obligations in the ordinary course of business;

(10) the guarantee by MagnaChip or any of the Guarantors of Indebtedness of MagnaChip or a Restricted Subsidiary of MagnaChip that was permitted to be incurred by another provision of this Section 4.09; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes, then the Guarantee shall be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;

(11) the incurrence of Indebtedness by MagnaChip or any of its Restricted Subsidiaries in the form of performance bonds, completion guarantees and surety or appeal bonds entered into by MagnaChip or any of its Restricted Subsidiaries in the ordinary course of their business;

(12) the incurrence of Indebtedness by MagnaChip or any of its Restricted Subsidiaries owed to any Person in connection with worker's compensation, self-insurance, health, disability or other employee benefits or property, casualty or liability insurance provided by such Person to MagnaChip or such Restricted Subsidiary, pursuant to reimbursement or indemnification obligations to such person, in each case incurred in the ordinary course of business;

(13) the incurrence by MagnaChip or any of the Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within five business days;

(14) Indebtedness of MagnaChip or any Restricted Subsidiary issued to any of its directors, employees, officers or consultants or a Restricted Subsidiary in connection with the redemption or purchase of Capital Stock that, by its terms, is subordinated to the Notes, is not secured by any of the assets of MagnaChip or the Restricted Subsidiaries and does not require cash payments prior to the Stated Maturity of the Notes and Refinancing Indebtedness of the Indebtedness, in an aggregate principal amount which, when added with the amount of Indebtedness Incurred under this clause (14) and then outstanding, does not exceed $5.0 million;

(15) the incurrence by MagnaChip or any of the Restricted Subsidiaries of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (15), not to exceed $25.0 million;

(16) the incurrence of Indebtedness by MagnaChip or any of the Restricted Subsidiaries arising from agreements of MagnaChip or any of the Restricted Subsidiaries providing for adjustment of purchase price or other similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business, assets or a Restricted Subsidiary of MagnaChip LLC;

(17) Indebtedness of a Restricted Subsidiary organized outside the United States or Korea incurred to finance the working capital of such Restricted Subsidiary, in an aggregate principal amount at any time outstanding not to exceed $30.0 million; and

(18) Indebtedness incurred by MagnaChip or any of the Restricted Subsidiaries constituting reimbursement obligations under letters of credit issued in the ordinary course of business, including, without limitation, letters of credit to procure raw materials or relating to workers' compensation claims or self-insurance, or other Indebtedness relating to reimbursement-type obligations regarding workers' compensation claims.

MagnaChip will not incur, and will not permit any Guarantor to incur, any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of MagnaChip or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Note Guarantee on substantially identical terms; *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of MagnaChip solely by virtue of being unsecured or by virtue of being secured on a first or junior Lien basis.

(c) For purposes of determining compliance with this Section 4.09, in the event that an item of proposed Indebtedness (or any portion thereof) meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (18) above, or is entitled to be incurred pursuant to Section 4.09(a), MagnaChip, in its sole discretion, will be permitted to classify such item of Indebtedness (or any portion thereof) on the date of its incurrence, or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this Section 4.09 and will only be required to include the amount and type of such Indebtedness in one of the above clauses. The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on Disqualified Stock or preferred stock in the form of additional shares of the same class of Disqualified Stock or preferred stock, and the accrual of dividends on Disqualified Stock or preferred stock, will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Stock or preferred stock for purposes of this Section 4.09; *provided*, in each such case, that the amount of any such accrual, accretion or payment is included in Fixed Charges of US LLC as accrued. Notwithstanding any other provision of this Section 4.09, the maximum amount of Indebtedness that MagnaChip or any Restricted Subsidiary may incur pursuant to this Section 4.09 shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

(d) The amount of any Indebtedness outstanding as of any date will be:

(1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;

(2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

(A) the Fair Market Value of such assets at the date of determination; and

(B) the amount of the Indebtedness of the other Person.

Section 4.10 *Asset Sales.*

(a) MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(1) MagnaChip (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75% of the consideration received in the Asset Sale by MagnaChip or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:

(A) any liabilities, as shown on US LLC's most recent consolidated balance sheet, of MagnaChip or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Note Guarantee) that are assumed by the transferee of any such assets pursuant to a customary arrangement that releases MagnaChip or such Restricted Subsidiary from further liability;

(B) any securities, notes or other obligations received by MagnaChip or any such Restricted Subsidiary from such transferee that are contemporaneously, subject to ordinary settlement periods, converted by MagnaChip or such Restricted Subsidiary into cash or Cash Equivalents, to the extent of the cash or Cash Equivalents received in that conversion; and

(C) any stock or assets of the kind referred to in Section 4.10(b)(2) or (4) hereof.

(b) Within 365 days after the receipt of any Net Proceeds from an Asset Sale other than a Sale of Collateral, MagnaChip (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Proceeds at its option:

(1) to repay Priority Lien Debt and, if such Priority Lien Debt is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto;

(2) to acquire all or substantially all of the assets of, or any Capital Stock of, a Person engaged in a Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary of US LLC;

(3) to make a capital expenditure;

(4) to acquire other assets that are not classified as current assets under GAAP and that are used or useful in a Permitted Business; or

(5) any combination of (1) – (4) of this Section 4.10(b).

In the case of clauses (2) and (4) MagnaChip will also comply with its obligations above if it enters into a binding commitment to acquire such assets or Capital Stock within the required time frame above, provided that such binding commitment shall be subject only to customary conditions and such acquisition shall be consummated within six months from the date of signing such binding commitment. Pending the final application of any Net Proceeds pursuant to this paragraph, MagnaChip and the Restricted Subsidiaries may apply such Net Proceeds to temporarily reduce Indebtedness outstanding under a revolving credit facility or otherwise invest such Net Proceeds in any manner that is not prohibited by this Indenture.

(c) Within 365 days after the receipt of any Net Proceeds from an Asset Sale that constitutes a Sale of Collateral or from a Casualty Event, MagnaChip (or the Restricted Subsidiary that owned those assets, as the case may be) may apply those Net Proceeds to purchase other long-term assets that would constitute Collateral or to repay Priority Lien Debt and, if such Priority Lien Debt is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto. MagnaChip will also comply with its obligations set forth in the preceding sentence if it enters into a binding commitment to acquire

such assets within the 365 days time frame, provided that such binding commitment shall be subject only to customary conditions and such acquisition shall be consummated within six months from the date of signing such binding commitment.

(d) Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second and third paragraphs of this Section 4.10 will constitute "*Excess Proceeds*." When the aggregate amount of Excess Proceeds exceeds $10 million, within 30 days thereof, MagnaChip will make an Asset Sale Offer to all holders of Notes and all holders of other Indebtedness that is *pari passu* with the Notes containing provisions similar to those set forth in this Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets to purchase the maximum principal amount of Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount *plus* accrued and unpaid interest and Liquidated Damages, if any, to the date of purchase (or, in respect of such other *pari passu* Indebtedness of MagnaChip, such lesser price, if any, as may be provided for by the terms of such *pari passu* Indebtedness), and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, MagnaChip may use those Excess Proceeds for any purpose not otherwise prohibited by this Indenture. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee will select the Notes and such other *pari passu* Indebtedness to be purchased on a pro rata basis. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

(e) MagnaChip will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of Section 3.09 hereof or this section 4.10, MagnaChip will comply with the Asset Sale provisions of this Indenture, MagnaChip will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under Section 3.09 hereof or this Section 4.10 by virtue of such compliance.

Section 4.11 *Transactions with Affiliates.*

(a) MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of MagnaChip (each, an "*Affiliate Transaction*"), unless:

(1) the Affiliate Transaction is on terms that are no less favorable to MagnaChip or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by MagnaChip or such Restricted Subsidiary with an unrelated Person; and

(2) MagnaChip delivers to the Trustee:

(A) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $10.0 million, a resolution of the Board of Directors of MagnaChip set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this Section 4.11(a) and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of MagnaChip; and

(B) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $20.0 million, an opinion by (A) a nationally recognized investment banking firm that such Affiliate Transaction is fair, from a financial standpoint, to MagnaChip and the Restricted Subsidiaries or (B) an accounting or appraisal firm nationally recognized in making determinations of this kind that such Affiliate Transaction is on terms that are not less favorable to MagnaChip and the Restricted Subsidiaries than the terms that could be obtained in an arms-length transaction from a Person that is not an Affiliate.

(b) The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of Section 4.11(a) hereof:

(1) any employment agreement, employee benefit plan, stock options, stock ownership plans, officer or director indemnification agreement or any similar arrangement entered into by MagnaChip or any of its Restricted Subsidiaries in the ordinary course of business and payments pursuant thereto;

(2) transactions between or among MagnaChip and/or the Restricted Subsidiaries;

(3) transactions with a Person (other than an Unrestricted Subsidiary of MagnaChip) that is an Affiliate of MagnaChip solely because MagnaChip owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

(4) payment of reasonable directors' fees;

(5) any issuance of Equity Interests (other than Disqualified Stock) of US LLC or any of its Subsidiaries to Affiliates of such Person;

(6) Restricted Payments that do not violate Section 4.07 hereof;

(7) transactions pursuant to any contract or agreement (including the Advisory Agreements) with MagnaChip or any of the Restricted Subsidiaries in effect on the Issue Date, as the same may be amended, modified or replaced from time to time so long as any such amendment, modification or replacement is not less favorable in any material respect to MagnaChip and the Restricted Subsidiaries than the original agreement as in effect on the Issue Date;

(8) the Note Guarantees;

(9) transactions pursuant to or under the Securityholders' Agreement, The MagnaChip LLC Equity Incentive Plan, the Restricted Unit Agreements or the Option Agreements as in effect on the Issue Date or any similar agreement or any amendment, modification or replacement of the Securityholders' Agreement, The MagnaChip LLC Equity Incentive Plan, Restricted Unit Agreements or the Option Agreements or similar agreement; provided that the terms of such amendment, modification or replacement are not more disadvantageous to the holders of the Notes in any material respect than the terms contained in the Securityholders' Agreement, The MagnaChip LLC Equity Incentive Plan, the Restricted Unit Agreements or the Option Agreements, as the case may be, as in effect on the Issue Date;

(10) the payment of management, consulting and advisory fees and related expenses made pursuant to the Advisory Agreements and the payment of other customary management,

consulting and advisory fees and related expenses to the Principals and any of their respective Affiliates in connection with transactions of US LLC or its Subsidiaries or pursuant to any management, consulting, financial advisory, financing, underwriting or placement agreement or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which fees and expenses are made pursuant to arrangements approved by the Board of Directors of US LLC or such Subsidiary in good faith;

(11) the provision by an Affiliate of commercial banking or lending services or other similar services on terms that are no less favorable to MagnaChip or the relevant Restricted Subsidiary than those that would have been obtained by an unaffiliated party and that are approved in good faith by the Board of Directors;

(12) loans or advances to employees directors, officers or consultants (i) in the ordinary course of business or (ii) otherwise not to exceed $5.0 million in the aggregate at any one time outstanding; and

(13) Permitted Tax Payments.

Section 4.12 *Liens.*

MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly create, incur, assume or suffer to exist any Lien of any kind on any asset now owned or hereafter acquired, except Permitted Liens.

Section 4.13 *Business Activities.*

MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, engage in any business other than Permitted Businesses, except to such extent as would not be material to MagnaChip and its Restricted Subsidiaries taken as a whole.

Section 4.14 *Corporate Existence.*

Subject to Article 5 hereof, the Issuers shall do or cause to be done all things necessary to preserve and keep in full force and effect:

(1) its corporate existence, and the corporate, partnership or other existence of each of, MagnaChip Semiconductor LLC and its Subsidiaries, in accordance with the respective organizational documents (as the same may be amended from time to time) of the Issuers or any such Subsidiary; and

(2) the rights (charter and statutory), licenses and franchises of the Issuers and its Subsidiaries; *provided, however,* that the Issuers shall not be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any of, MagnaChip Semiconductor LLC and its Subsidiaries, if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Issuers, MagnaChip Semiconductor LLC and its Subsidiaries, taken as a whole, and that the loss thereof is not adverse in any material respect to the Holders of the Notes.

Section 4.15 *Offer to Repurchase Upon Change of Control.*

(a) If a Change of Control occurs, the Issuers will make an offer (a *"Change of Control Offer"*) to each Holder to repurchase all or any part (equal to $1,000 or an integral multiple of $1,000 in excess of $1,000) of that Holder's Notes at a purchase price in cash equal to 101% of the aggregate principal amount of Notes repurchased *plus* accrued and unpaid interest and Liquidated Damages, if any, on the Notes repurchased to the date of purchase, subject to the rights of Holders on the relevant record date to receive interest due on the relevant interest payment date (the *"Change of Control Payment"*). Within 30 days following any Change of Control, the Issuers will mail a notice to each Holder describing the transaction or transactions that constitute the Change of Control and stating:

(1) that the Change of Control Offer is being made pursuant to this Section 4.15 and that all Notes tendered will be accepted for payment;

(2) the purchase price and the purchase date, which shall be no earlier than 30 days and no later than 60 days from the date such notice is mailed (the *"Change of Control Payment Date"*);

(3) that any Note not tendered will continue to accrue interest;

(4) that, unless the Issuers defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer will cease to accrue interest and Liquidated Damages after the Change of Control Payment Date;

(5) that Holders electing to have any Notes purchased pursuant to a Change of Control Offer will be required to surrender the Notes, with the form entitled "Option of Holder to Elect Purchase" attached to the Notes completed, or transfer by book-entry transfer, to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the second Business Day preceding the Change of Control Payment Date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of Notes delivered for purchase, and a statement that such Holder is withdrawing his election to have the Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered, which unpurchased portion must be equal to $1,000 in principal amount or an integral multiple thereof.

The Issuers will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change in Control. To the extent that the provisions of any securities laws or regulations conflict with the provisions of Sections 3.09 or 4.15 hereof, the Issuers will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under Section 3.09 hereof or this Section 4.15 by virtue of such compliance.

(b) On the Change of Control Payment Date, the Issuers will, to the extent lawful:

(1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

(3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Issuers.

The Paying Agent will promptly mail to each Holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any. MagnaChip will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

(c) Notwithstanding anything to the contrary in this Section 4.15, the Issuers will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in this Section 4.15 and Section 3.09 hereof and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) notice of redemption has been given pursuant to Section 3.07 hereof, unless and until there is a default in payment of the applicable redemption price.

Section 4.16 *Additional Amounts.*

(a) All payments made by the Issuers under or with respect to the Notes or any of the Guarantors on its Guarantee will be made without withholding or deduction for, or on account of, any present or future Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of any jurisdiction in which the Issuers or any Guarantor (including any successor entity), is then incorporated, engaged in business or resident for tax purposes or any political subdivision thereof or therein or any jurisdiction by or through which payment is made (each, a "*Tax Jurisdiction*"), will at any time be required to be made from or Taxes imposed directly on any Holder or beneficial owner of the Notes on any payments made by the Issuers under or with respect to the Notes or any of the Guarantors with respect to any Guarantee, including payments of principal, redemption price, purchase price, interest or premium, the Issuers or the relevant Guarantor, as applicable, will pay such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments by each Holder (including Additional Amounts) after such withholding or deduction will equal the respective amounts which would have been received in respect of such payments in the absence of such withholding, deduction or imposition; *provided, however*, that no Additional Amounts will be payable with respect to:

(1) any Tax imposed by the United States or by any political subdivision or taxing authority thereof or therein;

(2) any Taxes which would not have been imposed but for any present or former connection between the Holder or the beneficial owner of the Notes, such as being a citizen or resident or national of, incorporated in or carrying on a business, and the relevant Taxing Jurisdiction in which such Taxes are imposed (other than by the mere holding of such note or enforcement of rights thereunder or the receipt of payments in respect thereof) or any other connection arising as a result of the holding of the Notes;

(3) any Taxes that are imposed or withheld as a result of the failure of the Holder or beneficial owner of the Notes to comply with any written request, made to that Holder or beneficial owner in writing at least 30 days before any such withholding or deduction would be payable, by the Issuers or any of the Guarantors or any other Person through whom payment may be made to provide timely or accurate information concerning the nationality, residence or identity of such Holder or beneficial owner or to make any valid or timely declaration or similar claim or satisfy any certification information or other reporting requirement, which is required or imposed by a statute, treaty, regulation or administrative practice of the relevant Tax Jurisdiction as a precondition to exemption from all or part of such Taxes;

(4) any Note presented for payment (where a Note is in the form of a definitive Note and presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the note been presented on the last day of such 30 day period);

(5) any estate, inheritance, gift, sale, transfer, personal property or similar tax or assessment;

(6) any Taxes withheld, deducted or imposed on a payment to an individual and which are required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to, such Directive; or

(7) any combination of items (1) through (6) above.

(b) The Issuers and the Guarantors will also pay and indemnify the holder for any present or future stamp, issue, registration, transfer, court or documentary taxes, or any other excise or property taxes, charges or similar levies or Taxes which are levied by any jurisdiction in which the Issuers or any Guarantor (including any successor entity) is then incorporated, engaged in business or resident for tax purposes or any political subdivision thereof or therein on the execution, delivery, registration or enforcement of any of the Notes, this Indenture, any Guarantee, or any other document or instrument referred to therein, or the receipt of any payments with respect to the Notes or the Guarantees.

(c) If either Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or any Guarantee, the relevant Issuer or the relevant Guarantor, as the case may be, will deliver to the Trustee on a date which is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment date, in which case the relevant Issuer or the relevant Guarantor shall notify the Trustee promptly thereafter) an Officers' Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officers' Certificate must also set forth any other information reasonably necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date. The relevant Issuer or the relevant Guarantor will provide the Trustee with documentation reasonably satisfactory to the Trustee evidencing the payment of Additional Amounts.

(d) The relevant Issuer or the relevant Guarantor will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The relevant Issuer or the relevant Guarantor will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The relevant Issuer or the relevant Guarantor will furnish to the Holders, within 60 days after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the relevant Issuer or a Guarantor, as the case may be, or if, notwithstanding such entity's efforts to obtain receipts, receipts are not obtained, other evidence of payments by such entity.

(e) Whenever in this Indenture there is mentioned, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or of any other amount payable under, or with respect to, any of the Notes, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Section 4.17 *[Reserved]*

Section 4.18 *[Reserved]*

Section 4.19 *Restriction on Activities of Finance Company.*

Finance Company will not hold any material assets, become liable for any material obligations or engage in any significant business activities; *provided*, that Finance Company may be a co-obligor or guarantor with respect to Indebtedness if MagnaChip is an obligor on such Indebtedness and the net proceeds of such Indebtedness are received by MagnaChip, Finance Company or one or more Guarantors.

Section 4.20 *Payments for Consent.*

MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of this Indenture or the Notes unless such consideration is offered to be paid and is paid to all holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Section 4.21 *Additional Note Guarantees.*

If MagnaChip or any of its Restricted Subsidiaries acquires or creates another Subsidiary after the Issue Date, then that newly acquired or created Subsidiary will become a Guarantor and execute a supplemental indenture and deliver an opinion of counsel satisfactory to the Trustee within 10 business days of the date on which it was acquired or created; *provided* that any Subsidiary that constitutes an Immaterial Subsidiary need not become a Guarantor until such time as it ceases to be an Immaterial Subsidiary; *provided, further*, in the event MagnaChip or a Restricted Subsidiary forms or otherwise acquires, directly or indirectly, a Subsidiary organized under the laws of a jurisdiction other than the United States and such jurisdiction prohibits by law, regulation or order such Subsidiary from becoming a Guarantor, MagnaChip shall use all commercially reasonable efforts (including pursuing required waivers) over a period up to one year, to have such Subsidiary become a Guarantor; *provided, however*, that MagnaChip shall not be required to use such commercially reasonable efforts with respect to such Subsidiaries for more than a one-year period or such shorter period as it shall determine in good faith that it has used all commercially reasonable efforts and if MagnaChip or such Subsidiary is unable during such period to obtain an enforceable Guarantee in such jurisdiction, then such Subsidiary shall not be

required to provide a Guarantee of the Notes pursuant to the Note Guarantee so long as such Subsidiary does not Guarantee any other Indebtedness of MagnaChip and its Restricted Subsidiaries. The form of such Note Guarantee is attached as Exhibit E hereto.

Section 4.22 *Designation of Restricted and Unrestricted Subsidiaries.*

The Board of Directors of MagnaChip may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default; *provided* that in no event will the business currently operated by MagnaChip Semiconductor Ltd. be transferred to or held by an Unrestricted Subsidiary. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by MagnaChip and its Restricted Subsidiaries in the Subsidiary designated as Unrestricted will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under Section 4.07 hereof or under one or more clauses of the definition of Permitted Investments, as determined by MagnaChip. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Board of Directors of MagnaChip may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause a Default.

Any designation of a Subsidiary of MagnaChip as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a certified copy of a resolution of the Board of Directors giving effect to such designation and an Officers' Certificate certifying that such designation complied with the preceding conditions and was permitted by Section 4.07 hereof. If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of this Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of MagnaChip as of such date and, if such Indebtedness is not permitted to be incurred as of such date under Section 4.09 hereof, MagnaChip will be in default of such Section. The Board of Directors of MagnaChip may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary of MagnaChip; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of MagnaChip of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under Section 4.09 hereof, calculated on a pro forma basis as if such designation had occurred at the beginning of the four-quarter reference period; and (2) no Default or Event of Default would be in existence and be continuing following such designation.

Section 4.23 *No Amendment to Subordination Provisions.*

Without the consent of the Holders of at least a majority in aggregate principal amount of the Notes then outstanding, the Issuers will not amend, modify or alter the Subordinated Note Indenture in any way to*:*

(1) increase the rate of or change the time for payment of interest on the Senior Subordinated Notes;;

(2) increase the principal of, advance the final maturity date of or shorten the Weighted Average Life to Maturity of the Senior Subordinated Notes; *provided,* that the issuance of additional Senior Subordinated Notes in accordance with this Indenture and the Subordinated Note Indenture shall not be deemed to be an increase in the principal amount of the Senior Subordinated Notes;

(3) alter the redemption provisions or the price or terms at which the Issuers are required to offer to purchase any Senior Subordinated Notes; or

(4) amend the provisions of Article 10 of the Subordinated Note Indenture (which relate to subordination) to the extent such amendment would be disadvantageous to the Holders of the Notes in any material respect.

**ARTICLE 5.**
SUCCESSORS

Section 5.01 *Merger, Consolidation, or Sale of Assets.*

(a) MagnaChip will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not MagnaChip is the surviving Person); or (2) sell, lease, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of MagnaChip and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(1) either: (A) MagnaChip is the surviving Person; or (B) the Person formed by or surviving any such consolidation or merger (if other than MagnaChip) or to which such sale, assignment, transfer, conveyance or other disposition has been made is a Person organized or existing under the laws of South Korea, Luxembourg, the Netherlands, Bermuda, the United States, any state of the United States or the District of Columbia;

(2) the Person formed by or surviving any such consolidation or merger (if other than MagnaChip) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of MagnaChip under the Notes, the Security Documents, this Indenture and the registration rights agreement;

(3) immediately after such transaction, no Default or Event of Default shall have occurred and be continuing;

(4) MagnaChip or the Person formed by or surviving any such consolidation or merger (if other than MagnaChip), or to which such sale, assignment, transfer, conveyance or other disposition has been made would, on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Section 4.09(a) hereof;

(5) if the merging corporation is organized and existing under the laws of South Korea and the Successor Company is organized and existing under the laws of the United States of America, any State thereof or the District of Columbia or if the merging corporation is organized and existing under the laws of the United States of America, any State thereof or the District of Columbia and the Successor Company is organized and existing under the laws of South Korea (any such event, a "*Foreign Jurisdiction Merger*"), MagnaChip shall have delivered to the Trustee an opinion of counsel that the holders of Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the transaction and will be taxed in the same manner and on the same amounts and at the same times as would have been the case if the transaction had not occurred; and

(6) in the event of a Foreign Jurisdiction Merger, MagnaChip shall have delivered to the Trustee an opinion of counsel from South Korea or other applicable jurisdiction that (A) any payment of interest or principal under or relating to the Notes or the Note Guarantees will, after the consolidation, merger, conveyance, transfer or lease of assets, be exempt from Section 3.10 hereof and (B) no other taxes on income, including capital gains, will be payable by holders of the Notes under the laws of South Korea or any other jurisdiction where the Successor Company is or becomes organized, resident or engaged in business for tax purposes relating to the acquisition, ownership or disposition of the notes, including the receipt of interest or principal thereon, *provided* that the holder does not use or hold, and is not deemed to use or hold the Notes in carrying on a business in South Korea or other jurisdiction where the Successor Company is or becomes organized, resident or engaged in business for tax purposes.

Section 5.02 *Successor Corporation Substituted.*

Upon any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the properties or assets of MagnaChip in a transaction that is subject to, and that complies with the provisions of, Section 5.01 hereof, the successor Person formed by such consolidation or into or with which MagnaChip is merged or to which such sale, assignment, transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for (so that from and after the date of such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition, the provisions of this Indenture referring to the "Company" shall refer instead to the successor Person and not to MagnaChip), and may exercise every right and power of MagnaChip under this Indenture with the same effect as if such successor Person had been named as MagnaChip herein; *provided, however*, that the predecessor MagnaChip shall not be relieved from the obligation to pay the principal of and interest on the Notes except in the case of a sale of all of MagnaChip's assets in a transaction that is subject to, and that complies with the provisions of, Section 5.01 hereof.

## ARTICLE 6.
DEFAULTS AND REMEDIES

Section 6.01 *Events of Default.*

Each of the following is an "*Event of Default*":

(1) default for 30 days in the payment when due of interest on, or Liquidated Damages, if any, with respect to any of the Notes;

(2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes;

(3) failure by MagnaChip or any of its Restricted Subsidiaries to comply with the provisions of Sections 4.10, 4.15 or 5.01 hereof;

(4) failure by MagnaChip or any of its Restricted Subsidiaries for 60 days after notice to MagnaChip by the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any of the other agreements in this Indenture or any of the Security Documents;

(5) default under any mortgage, indenture or instrument under which there may be issued or guaranteed or by which there may be secured or evidenced any Indebtedness for

money borrowed by MagnaChip or any of its Restricted Subsidiaries (or the payment of which is guaranteed by MagnaChip or any of its Restricted Subsidiaries), whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, if that default:

(A) is caused by a failure to pay principal of, or interest or premium, if any, on, such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "*Payment Default*"); or

(B) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $25.0 million or more;

(6) failure by MagnaChip or any of its Restricted Subsidiaries to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of $25.0 million (net of any amounts covered by insurance), which judgments are not paid, discharged or stayed for a period of 60 days;

(7) MagnaChip or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of MagnaChip that, taken together, would constitute a Significant Subsidiary pursuant to or within the meaning of Bankruptcy Law:

(A) commences a voluntary case,

(B) consents to the entry of an order for relief against it in an involuntary case,

(C) consents to the appointment of a custodian of it or for all or substantially all of its property,

(D) makes a general assignment for the benefit of its creditors, or

(E) generally is not paying its debts as they become due;

(8) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against MagnaChip or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of MagnaChip that, taken together, would constitute a Significant Subsidiary in an involuntary case;

(B) appoints a custodian of MagnaChip or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of MagnaChip that, taken together, would constitute a Significant Subsidiary or for all or substantially all of the property of MagnaChip or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of MagnaChip that, taken together, would constitute a Significant Subsidiary; or

(C) orders the liquidation of MagnaChip or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of MagnaChip that, taken together, would constitute a Significant Subsidiary;

and the order or decree remains unstayed and in effect for 60 consecutive days;

(9) except as permitted by this Indenture, any Note Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor, or any Person acting on behalf of any Guarantor, denies or disaffirms its obligations under its Note Guarantee; and

(10) the occurrence of any of the following:

(A) except as permitted by this Indenture, any Security Document ceases for any reason to be fully enforceable; *provided*, that it will not be an Event of Default under this clause (10)(a) if the sole result of the failure of one or more Security Documents to be fully enforceable is that any Parity Lien purported to be granted under such Security Documents on Collateral, individually or in the aggregate, having a Fair Market Value of not more than $25.0 million ceases to be an enforceable and perfected second-priority Lien, subject only to Permitted Prior Liens;

(B) any Parity Lien purported to be granted under any Security Document on Collateral, individually or in the aggregate, having a Fair Market Value in excess of $25.0 million ceases to be an enforceable and perfected second-priority Lien, subject only to Permitted Prior Liens; or

(C) MagnaChip or any other Pledgor, or any Person acting on behalf of any of them, denies or disaffirms, in writing, any obligation of MagnaChip or any other Pledgor set forth in or arising under any Security Document.

Section 6.02 *Acceleration.*

In the case of an Event of Default specified in clause (7) or (8) of Section 6.01 hereof, with respect to MagnaChip, any Restricted Subsidiary of MagnaChip that is a Significant Subsidiary or any group of Restricted Subsidiaries of MagnaChip that, taken together, would constitute a Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding may declare all the Notes to be due and payable immediately.

Upon any such declaration, the Notes shall become due and payable immediately.

The Holders of a majority in aggregate principal amount of the then outstanding Notes by written notice to the Trustee may, on behalf of all of the Holders, rescind an acceleration and its consequences, if the rescission would not conflict with any judgment or decree and if all existing Events of Default (except nonpayment of principal, interest or premium or Liquidated Damages, if any, that has become due solely because of the acceleration) have been cured or waived.

Section 6.03 *Other Remedies.*

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal, premium and Liquidated Damages, if any, and interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder of a Note in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

Section 6.04 *Waiver of Past Defaults.*

Holders of not less than a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may on behalf of the Holders of all of the Notes waive an existing Default or Event of Default and its consequences hereunder, except a continuing Default or Event of Default in the payment of the principal of, premium and Liquidated Damages, if any, or interest on, the Notes (including in connection with an offer to purchase); *provided, however*, that the Holders of a majority in aggregate principal amount of the then outstanding Notes may rescind an acceleration and its consequences, including any related payment default that resulted from such acceleration. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Section 6.05 *Control by Majority.*

Holders of a majority in aggregate principal amount of the then outstanding Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture that the Trustee determines may be unduly prejudicial to the rights of other Holders of Notes or that may involve the Trustee in personal liability.

Section 6.06 *Limitation on Suits.*

Except to enforce the right to receive payment of principal, premium, if any, or interest or Liquidated Damages, if any, when due, a Holder may pursue a remedy with respect to this Indenture or the Notes only if:

(1) such Holder gives to the Trustee written notice that an Event of Default is continuing;

(2) Holders of at least 25% in aggregate principal amount of the then outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer and, if requested, provide to the Trustee security or indemnity reasonably satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of security or indemnity; and

(5) during such 60-day period, Holders of a majority in aggregate principal amount of the then outstanding Notes do not give the Trustee a direction inconsistent with such request.

A Holder of a Note may not use this Indenture to prejudice the rights of another Holder of a Note or to obtain a preference or priority over another Holder of a Note.

Section 6.07 *Rights of Holders of Notes to Receive Payment.*

Notwithstanding any other provision of this Indenture, the right of any Holder of a Note to receive payment of principal, premium and Liquidated Damages, if any, and interest on the Note, on or after the respective due dates expressed in the Note (including in connection with an offer to purchase), or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder; *provided* that a Holder shall not have the right to institute any such suit for the enforcement of payment if and to the extent that the institution or prosecution thereof or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the Lien of this Indenture upon any property subject to such Lien.

Section 6.08 *Collection Suit by Trustee.*

If an Event of Default specified in Section 6.01(1) or (2) hereof occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as Trustee of an express trust against the Issuers for the whole amount of principal of, premium and Liquidated Damages, if any, and interest remaining unpaid on, the Notes and interest on overdue principal and, to the extent lawful, interest and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

Section 6.09 *Trustee May File Proofs of Claim.*

The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders of the Notes allowed in any judicial proceedings relative to the Issuers (or any other obligor upon the Notes), its creditors or its property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties that the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 6.10 *Priorities.*

Any money or other property collected by the Trustee pursuant to this Article 6 or, after an Event of Default, any money or other property distributable in respect of the Issuers' or Guarantors' obligations under the Note Documents, shall be paid in the following order:

*First*: to the Trustee (including any predecessor trustee and co-trustee) for amounts due under Section 7.07 hereof and each Security Document;

*Second*: to Holders of Notes for amounts due and unpaid on the Notes for principal, premium and Liquidated Damages, if any, and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal, premium and Liquidated Damages, if any and interest, respectively; and

*Third*: to the Issuers or to the extent the Trustee collects any amount from any Guarantor, to such Guarantor, or as a court of competent jurisdiction may direct.

The Trustee may fix a record date and payment date for any payment to Holders of Notes pursuant to this Section 6.10.

Section 6.11 *Undertaking for Costs.*

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder of a Note pursuant to Section 6.07 hereof, or a suit by Holders of more than 10% in aggregate principal amount of the then outstanding Notes.

## ARTICLE 7.
## TRUSTEE

Section 7.01 *Duties of Trustee.*

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

(1) the duties of the Trustee will be determined solely by the express provisions of this Indenture and the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine such certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) this paragraph does not limit the effect of paragraphs (b) and (d) of this Section 7.01;

(2) the Trustee will not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee will not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05 hereof.

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to this Section 7.01.

(e) Anything herein to the contrary notwithstanding, no provision of this Indenture or any of the Security Documents will require the Trustee to expend or risk its own funds or incur any liability in the performance of any of its duties hereunder, or in the exercise of any of its rights and powers if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(f) The Trustee will not be liable for interest on, or for the investment of, any money received by it except as the Trustee may agree in writing with the Issuers. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

(g) No provision of this Indenture shall be deemed to impose any duty or obligation on the Trustee to perform any act or acts, receive or obtain any interest in property or exercise any interest in property, or exercise any right, power, duty or obligation conferred or imposed on it in any jurisdiction in which it shall be illegal, or in which the Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts, to receive or obtain any such interest in property or to exercise any such right, power, duty or obligation; and no permissive or discretionary power or authority available to the Trustee shall be construed to be a duty.

Section 7.02 *Rights of Trustee.*

(a) In the absence of bad faith on its part, the Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, coupon, document or other paper or document believed by it in good faith to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Any request or direction of the Issuers mentioned herein shall be sufficiently evidenced by an Officer's Certificate and any resolution of the Board of Directors or any committee thereof (or committee of officers or other representatives of the Issuers, to the extent any such committee or committees have been so authorized by the Board of Directors) shall be sufficiently evidenced by a certified copy thereof.

(c) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel or both. The Trustee will not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel. The Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel will be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(d) The Trustee may act through its attorneys and agents and will not be responsible for the misconduct or negligence of any attorney or agent appointed with due care.

(e) The Trustee will not be liable for any action taken, suffered or omitted to be taken by it in good faith and believed by it to be authorized or within the discretion, rights or powers conferred upon it by this Indenture.

(f) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from either of the Issuers will be sufficient if signed by an Officer of the relevant Issuer.

(g) The Trustee will be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity or security reasonably satisfactory to the Trustee against the costs, losses, liabilities and expenses that might be incurred by it in compliance with such request or direction.

(h) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document.

(i) The Trustee shall not be deemed to have notice or be charged with knowledge of any Default or Event of Default with respect to any series of Notes unless a Responsible Officer of the Trustee has received at the Corporate Trust Office of the Trustee written notice of such Default or Event of Default from an Issuer, any Guarantor or any Holder, and such notice references such Notes and this Indenture.

(j) The Trustee may request that the Issuers deliver an Officers' Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture, which Officers' Certificate may be signed by any persons authorized to sign an Officers' Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded.

(k) The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Indenture arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; terrorism; wars and other military disturbances; sabotage; epidemics; riots; interruptions; loss or malfunctions of utilities, computer (hardware or software) or communication services; accidents; labor disputes; acts of civil or military authority and governmental action.

(l) Anything in this Indenture notwithstanding, in no event shall the Trustee be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to loss of profit), even if the Issuers have been advised as to the likelihood of such loss or damage and regardless of the form of action.

(m) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder and under any of the Security Documents, and each agent, custodian and other Person employed by it to act hereunder.

Section 7.03 *Individual Rights of Trustee.*

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Issuers or any Affiliate of the Issuers with the same rights it would have if it were not Trustee. However, in the event that the Trustee acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the SEC for permission to continue as Trustee (if this Indenture has been qualified under the TIA) or resign. Any Agent may do the same with like rights and duties. The Trustee is also subject to Sections 7.10 and 7.11 hereof.

Section 7.04 *Trustee's Disclaimer; Trustee Not Responsible for Collateral or Security Documents.*

(a) The Trustee will not be responsible for and makes no representation as to the validity or adequacy of this Indenture, the Notes or any of the Security Documents, it shall not be accountable for the Issuers' use of the proceeds from the Notes or any money paid to the Issuers or upon the Issuers' direction under any provision of this Indenture, it will not be responsible for the use or application of any money received by any Paying Agent other than the Trustee, and it will not be responsible for any statement or recital herein or any statement in the Notes or any other document in connection with the sale of the Notes or pursuant to this Indenture other than its certificate of authentication.

(b) The recitals and other representations and warranties of the Issuers contained herein and in the Notes (except the Trustee's certificate of authentication on the Notes) shall be taken as the statements of the Issuers, and neither the Trustee nor any authenticating agent assumes any responsibility for their correctness. The Trustee makes no representations as to the value or condition of the Collateral or any part thereof, or as to the title of the Issuers thereto or as to the security afforded thereby or hereby, or as to the validity or genuineness of any securities at any time pledged and deposited with the Trustee hereunder, or as to the validity or sufficiency of this Indenture or of the Notes or as to the validity, attachment, perfection, priority or enforceability of the Liens in any of the Collateral created or intended to be created by any of the Security Documents. The Trustee shall not be accountable for the use or application by the Issuers of the Notes or the proceeds thereof. The Trustee shall have no responsibility to make or to see to the making of any recording, filing or registration of any instrument or notice (including any financing or continuation statement or any tax or securities form), (or any rerecording, refiling or reregistration of any thereof), at any time in any public office or elsewhere for the purpose of perfecting, maintaining the perfection of or otherwise making effective the Lien of any of the Security Documents or for any other purpose and shall have no responsibility for seeing to the insurance on the Collateral or for paying any taxes, charges or assessments on or relating to the Collateral or for otherwise maintaining the Collateral.

(c) The Trustee shall have no obligation to enforce any provision of the Security Documents or to take any other steps in connection with the Collateral or any other collateral, except as otherwise may be expressly provided for in the Security Documents.

(d) Beyond the exercise of reasonable care in the custody thereof, the Trustee shall have no duty as to any Collateral in its possession or control or in the possession or control of any agent or bailee or any income thereon or as to preservation of rights against prior parties or any other rights pertaining thereto and the Trustee shall not be responsible for recording or filing or re-recording or re-filing any mortgage or financing or continuation statements or recording or re-recording any documents or

instruments in any public office at any time or times or otherwise perfecting or maintaining the perfection of any lien or security interest in any of the Collateral. The Trustee shall be deemed to have exercised reasonable care in the custody of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which it accords its own property and shall not be liable or responsible for any loss or diminution in the value of any of the Collateral by reason of the act or omission of any carrier, forwarding agency agent or bailee selected by the Trustee in good faith.

(e) The Trustee makes no representations as to and shall not be responsible for the existence, genuineness, value or condition of any of the Collateral or as to the security afforded or intended to be afforded thereby, hereby or by any of the Security Documents, or for the validity, perfection, priority or enforceability of the Liens or security interests in any of the Collateral created or intended to be created by any of the Security Documents, whether impaired by operation of law or by reason of any action or omission to act on its part hereunder, except to the extent such action or omission constitutes negligence or willful misconduct on the part of the Trustee, for the validity or sufficiency of the Collateral, any of the Security Documents or any agreement or assignment contained in any thereof, for the validity of the title of the Issuers or any of their respective Subsidiaries to the Collateral, for insuring the Collateral or for the payment of taxes, charges, assessments or Liens upon the Collateral or otherwise as to the maintenance of the Collateral. The Trustee shall have no duty to ascertain or inquire as to the performance or observance of any of the terms of this Indenture or any of the Security Documents by the Issuers or any other Person that is a party thereto or bound thereby.

Section 7.05 *Notice of Defaults.*

If a Default or Event of Default occurs and is continuing and if it is known to the Trustee, the Trustee will mail to Holders of Notes a notice of the Default or Event of Default within 90 days after it occurs. Except in the case of a Default or Event of Default in payment of principal of, premium or Liquidated Damages, if any, or interest on, any Note, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Holders of the Notes.

Section 7.06 *Reports by Trustee to Holders of the Notes.*

(a) Within 60 days after each May 15 beginning with the May 15 following the Issue Date, and for so long as Notes remain outstanding, the Trustee will mail to the Holders of the Notes a brief report dated as of such reporting date that complies with TIA § 313(a) (but if no event described in TIA § 313(a) has occurred within the twelve months preceding the reporting date, no report need be transmitted). The Trustee also will comply with TIA § 313(b)(2). The Trustee will also transmit by mail all reports as required by TIA § 313(c).

(b) A copy of each report at the time of its mailing to the Holders of Notes will be mailed by the Trustee to the Issuers and filed by the Trustee with the SEC and each stock exchange on which the Notes are listed in accordance with TIA § 313(d). The Issuers will promptly notify the Trustee when the Notes are listed on any stock exchange.

Section 7.07 *Compensation and Indemnity.*

(a) The Issuers will pay to the Trustee from time to time such compensation for its acceptance of this Indenture and services hereunder as the Issuers and the Trustee shall agree. The Trustee's compensation will not be limited by any law on compensation of a trustee of an express trust.

(b) The Issuers will reimburse the Trustee promptly upon request for all reasonable disbursements, advances and expenses incurred or made by it in addition to the compensation for its services. Such expenses will include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.

(c) The Issuers and the Guarantors will indemnify the Trustee, any predecessor Trustee and any co-trustee against any and all losses, damages, liabilities or expenses incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture, including the costs and expenses of enforcing this Indenture against the Issuers and the Guarantors (including this Section 7.07) and defending itself against any claim (whether asserted by the Issuers, the Guarantors or any Holder or any other Person) or liability in connection with the exercise or performance of any of its powers or duties hereunder, except to the extent any such loss, liability or expense may be attributable to its negligence or bad faith. The Trustee will notify the Issuers promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Issuers will not relieve the Issuers or any of the Guarantors of their obligations hereunder. The Issuers or such Guarantor will defend the claim and the Trustee will cooperate in the defense. The Trustee may have separate counsel and the Issuers will pay the reasonable fees and expenses of such counsel. Neither the Issuers nor any Guarantor need pay for any settlement made without their consent, which consent will not be unreasonably withheld.

(d) The obligations of the Issuers and the Guarantors under this Section 7.07 will survive the satisfaction and discharge of this Indenture, the resignation or removal of the Trustee and the termination of this Indenture or the Security Documents for any reason.

(e) To secure the Issuers' and the Guarantors' payment and indemnification obligations in this Section 7.07 and each Pledgor's payment and indemnification obligations under each Security Document to which it is a party, the Trustee will have a Lien prior to the Notes on all money or property held or collected by the Trustee, except that held in trust to pay principal and interest on particular Notes. Such Lien will survive the satisfaction and discharge of this Indenture, the resignation or removal of the Trustee and the termination of this Indenture or the Security Documents for any reason.

(f) In addition and without prejudice to the rights provided to the Trustee under any of the provisions of this Indenture, when the Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 6.01(7) or (8) hereof, the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services of the Trustee are intended to constitute expenses of administration under any applicable Bankruptcy Law.

(g) The Trustee will comply with the provisions of TIA § 313(b)(2) to the extent applicable.

Section 7.08 *Replacement of Trustee.*

(a) A resignation or removal of the Trustee and appointment of a successor Trustee will become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.08.

(b) The Trustee may resign in writing at any time and be discharged from the trust hereby created by so notifying the Issuers. The Holders of a majority in aggregate principal amount of the then outstanding Notes may remove the Trustee by so notifying the Trustee and the Issuers in writing. The Issuers may remove the Trustee if:

(1) the Trustee fails to comply with Section 7.10 hereof;

(2) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(3) a custodian or public officer takes charge of the Trustee or its property; or

(4) the Trustee becomes incapable of acting.

(c) If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Issuers will promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in aggregate principal amount of the then outstanding Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Issuers.

(d) If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Issuers, or the Holders of at least 10% in aggregate principal amount of the then outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(e) If the Trustee, after written request by any Holder who has been a Holder for at least six months, fails to comply with Section 7.10 hereof, such Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(f) A successor Trustee will deliver a written acceptance of its appointment to the retiring Trustee and to the Issuers. Thereupon, the resignation or removal of the retiring Trustee will become effective, and the successor Trustee will have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee will mail a notice of its succession to Holders. The retiring Trustee will promptly transfer all property held by it as Trustee to the successor Trustee; *provided* all sums owing to the Trustee hereunder have been paid and subject to the Lien provided for in Section 7.07 hereof. Notwithstanding replacement of the Trustee pursuant to this Section 7.08, the Issuers' obligations under Section 7.07 hereof will continue for the benefit of the retiring Trustee.

Section 7.09 *Successor Trustee by Merger, etc.*

If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another Person, the successor Person without any further act will be the successor Trustee.

Section 7.10 *Eligibility; Disqualification.*

There will at all times be a Trustee hereunder that is a corporation organized and doing business under the laws of the United States of America or of any state thereof that is authorized under such laws to exercise corporate trustee power, that is subject to supervision or examination by federal or state authorities and that has a combined capital and surplus of at least $50.0 million as set forth in its most recent published annual report of condition.

This Indenture will always have a Trustee who satisfies the requirements of TIA § 310(a)(1), (2) and (5). The Trustee is subject to TIA § 310(b).

Section 7.11 *Preferential Collection of Claims Against Issuers.*

The Trustee is subject to TIA § 311(a), excluding any creditor relationship listed in TIA § 311(b). A Trustee who has resigned or been removed shall be subject to TIA § 311(a) to the extent indicated therein.

Section 7.12 *Conflicting Interests*

If the Trustee has or shall acquire a conflicting interest within the meaning of Section 310(b) of the TIA, the Trustee shall eliminate such interest, apply to the Commission for permission to continue as trustee or resign, to the extent and in the manner provided by, and subject to the provisions of, the TIA and this Indenture. To the extent permitted by such Act, the Trustee shall not be deemed to have a conflicting interest by virtue of being a trustee under this Indenture or under any other indenture or indentures under which other securities, or certificates of interest or participation in other securities, of the Issuers are any Guarantor are outstanding. Nothing herein shall prevent the Trustee from filing with the Commission the application referred to in the second to last paragraph of Section 310(b) of the TIA.

Section 7.13 *Appointment of Co-Trustees*

At any time or times, for the purpose of meeting the legal requirements of any jurisdiction in which any of the Collateral may at the time be located, or if the Trustee is unable or unwilling to execute any documents in a jurisdiction in which any of Collateral may at any time be located or hold or enforce the rights of the secured parties thereunder, each of the Issuers and the Trustee shall have power to appoint, and, upon the written request of the Trustee or of the Holders of at least twenty-five per centum (25%) in principal amount of the Notes then Outstanding, the Issuers shall for such purpose join with the Trustee in the execution and delivery of all instruments and agreements necessary or proper to appoint, one or more Persons approved by the Trustee and, if no Event of Default shall have occurred and be continuing, by the Issuers either to act as co-trustee, jointly with the Trustee, of all or any part of the Collateral, or to act as separate trustee of any such property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such Person or Persons, in the capacity aforesaid, any property, title, right or power deemed necessary or desirable, subject to the other provisions of this Section. If the Issuers or any applicable Guarantor does not join in such appointment within fifteen (15) days after the receipt by it of a request so to do, or if an Event of Default shall have occurred and be continuing, the Trustee alone shall have power to make such appointment.

Should any written instrument or instruments from the Issuers or any Guarantor be required by any co-trustee or separate trustee so appointed to more fully confirm to such co-trustee or separate trustee such property, title, right or power, any and all such instruments shall, on request, be executed, acknowledged and delivered by the Issuers and/or such Guarantor.

Every co-trustee or separate trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following conditions:

(a) The Notes shall be authenticated and delivered, and all rights, powers, duties and obligations hereunder in respect of the custody of securities, cash and other personal property held by, or required to be deposited or pledged with, the Trustee hereunder, shall be exercised solely, by the Trustee;

(b) The rights, powers, duties and obligations hereby conferred or imposed upon the Trustee in respect of any property covered by such appointment shall be conferred or imposed upon and exercised or performed either by the Trustee or by the Trustee and such co-trustee or separate trustee jointly, as shall be provided in the instrument appointing such co-trustee or separate trustee, except to the extent that

under any law of any jurisdiction in which any particular act is to be performed the Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations shall be exercised and performed by such co-trustee or separate trustee;

(c) The Trustee at any time, by an instrument in writing executed by it, with the concurrence of the Issuers, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section, and, if an Event of Default shall have occurred and be continuing, the Trustee shall have power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Issuers. Upon the written request of the Trustee, the Issuers and each applicable Guarantor shall join with the Trustee in the execution and delivery of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any co-trustee or separate trustee so resigned or removed may be appointed in the manner provided in this Section;

(d) Neither the Trustee nor any co-trustee or separate trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder; and

(e) Any Act of Holders delivered to the Trustee shall be deemed to have been delivered to each such co-trustee and separate trustee.

**ARTICLE 8.**
LEGAL DEFEASANCE AND COVENANT DEFEASANCE

Section 8.01 *Option to Effect Legal Defeasance or Covenant Defeasance.*

The Issuers may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an Officers' Certificate, elect to have either Section 8.02 or 8.03 hereof be applied to all outstanding Notes upon compliance with the conditions set forth below in this Article 8.

Section 8.02 *Legal Defeasance and Discharge.*

Upon the Issuers' exercise under Section 8.01 hereof of the option applicable to this Section 8.02, the Issuers and each of the Guarantors will, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be deemed to have been discharged from their obligations with respect to all outstanding Notes (including the Note Guarantees) on the date the conditions set forth below are satisfied (hereinafter, "*Legal Defeasance*"). For this purpose, Legal Defeasance means that the Issuers and the Guarantors will be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes (including the Note Guarantees), which will thereafter be deemed to be "outstanding" only for the purposes of Section 8.05 hereof and the other Sections of this Indenture referred to in clauses (1) and (2) below, and to have satisfied all their other obligations under such Notes, the Note Guarantees and this Indenture (and the Trustee, on demand of and at the expense of the Issuers, shall execute proper instruments acknowledging the same), except for the following provisions which will survive until otherwise terminated or discharged hereunder:

(1) the rights of Holders of outstanding Notes to receive payments in respect of the principal of, or interest or premium and Liquidated Damages, if any, on, such Notes when such payments are due from the trust referred to in Section 8.04 hereof;

(2) MagnaChip's obligations with respect to such Notes under Article 2 and Section 4.02 hereof;

(3) the rights, powers, trusts, duties and immunities of the Trustee hereunder (including all rights under Section 7.07) and the Issuers' and the Guarantors' obligations in connection therewith; and

(4) this Article 8.

Subject to compliance with this Article 8, the Issuers may exercise their option under this Section 8.02 notwithstanding the prior exercise of their option under Section 8.03 hereof.

Section 8.03 *Covenant Defeasance.*

Upon the Issuers' exercise under Section 8.01 hereof of the option applicable to this Section 8.03, the Issuers and each of the Guarantors will, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be released from each of their obligations under the covenants contained in Sections 4.03, 4.05, 4.07, 4.08, 4.09, 4.10, 4.11, 4.12, 4.13, 4.15, 4.16, 4.19, 4.20, 4.21, and 4.22 hereof and clauses (3) and (4) of Section 5.01 hereof with respect to the outstanding Notes on and after the date the conditions set forth in Section 8.04 hereof are satisfied (hereinafter, "*Covenant Defeasance*"), and the Notes will thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but will continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Notes will not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the outstanding Notes and Note Guarantees, the Issuers and the Guarantors may omit to comply with and will have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply will not constitute a Default or an Event of Default under Section 6.01 hereof, but, except as specified above, the remainder of this Indenture and such Notes and Note Guarantees will be unaffected thereby. In addition, upon the Issuers' exercise under Section 8.01 hereof of the option applicable to this Section 8.03, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, Sections 6.01(3) through 6.01(6) hereof will not constitute Events of Default.

Section 8.04 *Conditions to Legal or Covenant Defeasance.*

In order to exercise either Legal Defeasance or Covenant Defeasance under either Section 8.02 or 8.03 hereof:

(1) the Issuers must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders, cash in U.S. dollars, non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, premium and Liquidated Damages, if any, and interest on, the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and MagnaChip must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of an election under Section 8.02 hereof, MagnaChip must deliver to the Trustee an Opinion of Counsel confirming that:

(A) MagnaChip has received from, or there has been published by, the Internal Revenue Service a ruling; or

(B) since the Issue Date, there has been a change in the applicable U.S. federal income tax law,

in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of an election under Section 8.03 hereof, MagnaChip must deliver to the Trustee an Opinion of Counsel confirming that the Holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which MagnaChip or any Guarantor is a party or by which MagnaChip or any Guarantor is bound;

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than this Indenture) to which MagnaChip or any of its Subsidiaries is a party or by which MagnaChip or any of its Subsidiaries is bound;

(6) MagnaChip must deliver to the Trustee an Officers' Certificate stating that the deposit was not made by MagnaChip with the intent of preferring the Holders of Notes over the other creditors of MagnaChip with the intent of defeating, hindering, delaying or defrauding any creditors of MagnaChip or others; and

(7) MagnaChip must deliver to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with, such opinion to be subject to customary assumptions and exceptions.

The Collateral will be released from the Lien securing the Notes, pursuant to the terms of the Intercreditor Agreement, upon a Legal Defeasance or Covenant Defeasance in accordance with this Section 8.04 and in accordance with the procedures set forth in Section 10.04.

Section 8.05 *Deposited Money and Government Securities to be Held in Trust; Other Miscellaneous Provisions.*

Subject to Section 8.06 hereof, all money and non-callable Government Securities (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 8.05, the "*Trustee*") pursuant to Section 8.04 hereof in respect of the outstanding Notes will be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including either Issuer acting as Paying Agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal, premium and Liquidated Damages, if any, and interest, but such money need not be segregated from other funds except to the extent required by law.

The Issuers will pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable Government Securities deposited pursuant to Section 8.04 hereof or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Notes.

Notwithstanding anything in this Article 8 to the contrary, the Trustee will deliver or pay to the Issuers from time to time upon the request of the Issuers any money or non-callable Government Securities held by it as provided in Section 8.04 hereof which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 8.04(1) hereof), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

Section 8.06 *Repayment to the Issuers.*

Any money deposited with the Trustee or any Paying Agent, or then held by the Issuers, in trust for the payment of the principal of, premium or Liquidated Damages, if any, or interest on, any Note and remaining unclaimed for two years after such principal, premium or Liquidated Damages, if any, or interest has become due and payable shall be paid to the Issuers on its request or (if then held by the Issuers) will be discharged from such trust; and the Holder of such Note will thereafter be permitted to look only to the Issuers for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Issuers as trustee thereof, will thereupon cease; *provided, however*, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Issuers cause to be published once, in the New York Times and The Wall Street Journal (national edition), notice that such money remains unclaimed and that, after a date specified therein, which will not be less than 30 days from the date of such notification or publication, any unclaimed balance of such money then remaining will be repaid to the Issuers.

Section 8.07 *Reinstatement.*

If the Trustee or Paying Agent is unable to apply any U.S. dollars or non-callable Government Securities in accordance with Section 8.02 or 8.03 hereof, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Issuers' and the Guarantors' obligations under this Indenture and the Notes and the Note Guarantees will be revived and reinstated as though no deposit had occurred pursuant to Section 8.02 or 8.03 hereof until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 8.02 or 8.03 hereof, as the case may be; *provided, however*, that, if the Issuers make any payment of principal of, premium or Liquidated Damages, if any, or interest on, any Note following the reinstatement of its obligations, the Issuers will be subrogated to the rights of the Holders of such Notes to receive such payment from the money held by the Trustee or Paying Agent.

**ARTICLE 9.**
AMENDMENT, SUPPLEMENT AND WAIVER

Section 9.01 *Without Consent of Holders of Notes.*

Notwithstanding Section 9.02 of this Indenture, the Issuers, the Guarantors and the Trustee may amend or supplement this Indenture or the Notes or the Note Guarantees without the consent of any Holder of a Note:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(3) to provide for the assumption of MagnaChip's or a Guarantor's obligations to the Holders of the Notes and Note Guarantees by a successor to MagnaChip or such Guarantor pursuant to Article 5 hereof;

(4) to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights hereunder of any Holder;

(5) to comply with requirements of the SEC in order to effect or maintain the qualification of this Indenture under the TIA;

(6) to conform the text of this Indenture, the Note Documents, the Security Documents, the Notes or the Note Guarantees to any provision of the "Description of the second priority notes" section of the Issuers' Offering Memorandum dated December 16, 2004, relating to the initial offering of the Notes, to the extent that such provision in that "Description of the second priority notes" was intended by MagnaChip and the Initial Purchasers to be a verbatim recitation of a provision of this Indenture, the Note Guarantees, the Security Documents or the Notes, as represented by MagnaChip to the Trustee in an Officers' Certificate;

(7) to provide for the issuance of Additional Notes in accordance with the limitations set forth in this Indenture as of the date hereof;

(8) to allow any Guarantor to execute a supplemental indenture and/or a Note Guarantee with respect to the Notes;

(9) to make, complete or confirm any grant of Collateral permitted or required by this Indenture or any of the Security Documents or any release of Collateral that becomes effective as set forth in this Indenture or any of the Security Documents; or

(10) to appoint a co-trustee or separate trustee as provided in Section 7.14.

Upon the request of the Issuers accompanied by a resolution of its Board of Directors authorizing the execution of any such amended or supplemental indenture, and upon receipt by the Trustee of the documents described in Section 7.02 hereof, the Trustee will join with the Issuers and the Guarantors in the execution of any amended or supplemental indenture authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee will not be obligated to enter into such amended or supplemental indenture that affects its own rights, duties or immunities under this Indenture or otherwise.

Section 9.02 *With Consent of Holders of Notes.*

Except as provided below in this Section 9.02, the Issuers and the Trustee may amend or supplement this Indenture (including, without limitation, Section 3.09, 4.10 and 4.15 hereof) and the Notes and the Note Guarantees with the consent of the Holders of at least a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, Additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a tender offer or exchange offer for, or purchase of, the Notes), and, subject to Sections 6.04 and 6.07 hereof, any existing Default or Event of Default or compliance with any provision of this Indenture or the Notes or the Note Guarantees may be waived with the consent of the Holders of a majority in aggregate principal amount of the applicable series of Notes then outstanding (including, without limitation, Additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a tender offer or exchange offer for, or purchase of, the Notes).

Upon the request of the Issuers accompanied by a resolution of its Board of Directors authorizing the execution of any such amended or supplemental indenture, and upon the filing with the Trustee of evidence satisfactory to the Trustee of the consent of the Holders of Notes as aforesaid, and upon receipt by the Trustee of the documents described in Section 7.02 hereof, the Trustee will join with the Issuers and the Guarantors in the execution of such amended or supplemental indenture unless such amended or supplemental indenture directly affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but will not be obligated to, enter into such amended or supplemental Indenture.

It is not be necessary for the consent of the Holders of Notes under this Section 9.02 to approve the particular form of any proposed amendment, supplement or waiver, but it is sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under this Section 9.02 becomes effective, the Issuers will mail to the Holders of Notes affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Issuers to mail such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such amended or supplemental indenture or waiver. Subject to Sections 6.04 and 6.07 hereof, the Holders of a majority in aggregate principal amount of the Notes then outstanding voting as a single class may waive compliance in a particular instance by the Issuers with any provision of this Indenture or the Notes or the Note Guarantees. However, notwithstanding the foregoing without the consent of each Holder affected, an amendment, supplement or waiver under this Section 9.02 may not (with respect to any Notes held by a non-consenting Holder):

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any Note or alter any of the provisions with respect to the redemption of the Notes (except as provided above with respect to Sections 3.09, 4.10 and 4.15 hereof);

(3) reduce the rate of or change the time for payment of interest, including default interest, on any Note;

(4) waive a Default or Event of Default in the payment of principal of, or premium or Liquidated Damages, if any, or interest on, the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the payment default that resulted from such acceleration);

(5) make any Note payable in money other than that stated in the Notes;

(6) make any change in the provisions of this Indenture relating to waivers of past Defaults or the rights of Holders of Notes to receive payments of principal of, or interest or premium or Liquidated Damages, if any, on the applicable series of Notes;

(7) waive a redemption payment with respect to any Note (other than a payment required by Sections 3.09, 4.10 or 4.15 hereof);

(8) release any Guarantor from any of its obligations under its Note Guarantee or this Indenture, except in accordance with the terms of this Indenture; or

(9) make any change in the preceding amendment and waiver provisions.

In addition, any amendment to, or waiver of, the provisions of the Indenture or any Security Document that has the effect of releasing all or substantially all of the Collateral from the Liens securing the applicable series of Notes will require the consent of the holders of at least 66 2/3% in aggregate principal amount of each series of the Notes then outstanding.

Section 9.03 *Compliance with Trust Indenture Act.*

Every amendment or supplement to this Indenture or the Notes will be set forth in a amended or supplemental indenture that complies with the TIA as then in effect.

Section 9.04 *Revocation and Effect of Consents.*

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder of a Note is a continuing consent by the Holder of a Note and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder of a Note or subsequent Holder of a Note may revoke the consent as to its Note if the Trustee receives written notice of revocation before the date the amendment, supplement or waiver becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms and thereafter binds every Holder.

Section 9.05 *Notation on or Exchange of Notes.*

The Trustee may place an appropriate notation about an amendment, supplement or waiver on any Note thereafter authenticated. The Issuers in exchange for all Notes may issue and the Trustee shall, upon receipt of an Authentication Order, authenticate new Notes that reflect the amendment, supplement or waiver.

Failure to make the appropriate notation or issue a new Note will not affect the validity and effect of such amendment, supplement or waiver.

Section 9.06 *Trustee to Sign Amendments, etc.*

The Trustee will sign any amended or supplemental indenture authorized pursuant to this Article 9 if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. The Issuers may not sign an amended or supplemental indenture until the Board of Directors of each of the Issuers approves it. In executing any amended or supplemental indenture, the Trustee will be entitled to receive and (subject to Section 7.01 hereof) will be fully protected in relying upon an Officers' Certificate and an Opinion of Counsel stating that the execution of such amended or supplemental indenture is authorized or permitted by this Indenture.

**ARTICLE 10.**
COLLATERAL AND SECURITY

Section 10.01 *Equal and Ratable Sharing of Collateral by Holders of Parity Lien Debt*

Notwithstanding:

(1) anything to the contrary contained in the Security Documents;

(2) the time of incurrence of any Series of Parity Lien Debt;

(3) the order or method of attachment or perfection of any Liens securing any Series of Parity Lien Debt;

(4) the time or order of filing or recording of financing statements, mortgages or other documents filed or recorded to perfect any Lien upon any Collateral;

(5) the time of taking possession or control over any Collateral;

(6) that any Parity Lien may not have been perfected or may be or have become subordinated, by equitable subordination or otherwise, to any other Lien; or

(7) the rules for determining priority under any law governing relative priorities of Liens:

(A) all Parity Liens granted at any time by MagnaChip or any other Pledgor will secure, equally and ratably, all present and future Parity Lien Obligations; and

(B) all proceeds of all Parity Liens granted at any time by MagnaChip or any other Pledgor will be allocated and distributed equally and ratably on account of the Parity Lien Debt and other Parity Lien Obligations.

The foregoing provision is intended for the benefit of, and shall be enforceable as a third party beneficiary by, each present and future holder of Parity Lien Obligations, each present and future Parity Lien Representative and the Parity Lien Collateral Agent as holder of Parity Liens. The Parity Lien Representative of each future Series of Parity Lien Debt will be required to deliver a Lien Sharing and Priority Confirmation to the Parity Lien Collateral Agent and the Trustee at the time of incurrence of such Series of Parity Lien Debt.

Section 10.02 *Ranking of Note Liens*

Notwithstanding:

(1) anything to the contrary contained in the Security Documents;

(2) the time of incurrence of any Series of Secured Debt;

(3) the order or method of attachment or perfection of any Liens securing any Series of Secured Debt;

(4) the time or order of filing or recording of financing statements, mortgages or other documents filed or recorded to perfect any Lien upon any Collateral;

(5) the time of taking possession or control over any Collateral;

(6) that any Priority Lien may not have been perfected or may be or have become subordinated, by equitable subordination or otherwise, to any other Lien; or

(7) the rules for determining priority under any law governing relative priorities of Liens,

all Parity Liens Granted by MagnaChip or any other Pledgor will be subject and subordinate to all Priority Liens securing Priority Lien Obligations up to the Priority Lien Cap.

The foregoing provision is intended for the benefit of, and shall be enforceable as a third party beneficiary by, each present and future holder of Priority Lien Obligations, each present and future Priority Lien Representative and the Priority Lien Collateral Agent as holder of Priority Liens. No other Person shall be entitled to rely on, have the benefit of or enforce this provision. The Parity Lien Representative of each future Series of Parity Lien Debt shall be required to deliver a Lien Sharing and Priority Confirmation to the Priority Lien Collateral Agent and each Priority Lien Representative at the time of incurrence of such Series of Parity Lien Debt.

In addition, the foregoing provision is intended solely to set forth the relative ranking, as Liens, of the Liens securing Parity Lien Debt as against the Priority Liens. Neither the Notes nor any other Parity Lien Obligations nor the exercise or enforcement of any right or remedy for the payment or collection thereof are intended to be, or shall ever be by reason of the foregoing provision, in any respect subordinated, deferred, postponed, restricted or prejudiced.

Section 10.03 *Relative Rights*

Nothing in the Note Documents will:

(a) impair, as MagnaChip and the Holders of Notes, the obligation of MagnaChip to pay principal of, premium and interest and Liquidated Damages, if any, on the Notes in accordance with their terms or any other obligation of MagnaChip or any other Pledgor;

(b) affect the relative rights of Holders of Notes as against any other creditors of MagnaChip or any other Pledgor (other than holders of Priority Liens, Permitted Prior Liens or other Parity Liens);

(c) restrict the right of any Holder of Notes to sue for payments that are then due and owing (but not enforce any judgment in respect thereof against any Collateral to the extent specifically prohibited by the provisions of the Intercreditor Agreement;

(d) restrict or prevent any Holder of Notes or other Parity Lien Obligations, the Parity Lien Collateral Agent or any Parity Lien Representative from exercising any of its rights or remedies upon a Default or Event of Default not specifically restricted or prohibited by the Intercreditor Agreement; or

(e) restrict or prevent any Holder of Notes or other Parity Lien Obligations, the Parity Lien Collateral Agent or any Parity Lien Representative from taking any lawful action in an insolvency or liquidation proceeding not specifically restricted or prohibited by the Intercreditor Agreement.

Section 10.04 *Compliance with Trust Indenture Act*

(a) MagnaChip will comply with the provisions of TIA §314.

(b) To the extent applicable, MagnaChip will cause TIA §313(b), relating to reports, and TIA §314(d), relating to the release of property or securities or relating to the substitution therefor of any property or securities to be subjected to the Lien of the Security Documents, to be complied with. Any certificate or opinion required by TIA §314(d) may be made by an Officer of MagnaChip except in cases where TIA §314(d) requires that such certificate or opinion be made by an independent Person, which Person will be an independent engineer, appraiser or other expert selected or reasonably satisfactory to the Trustee. Notwithstanding anything to the contrary in this Section 10.04, MagnaChip will not be required to comply with all or any portion of TIA §314(d) if it determines, in good faith based on advice of counsel, that under the terms of TIA §314(d) and/or any interpretation or guidance as to the meaning thereof of the SEC and its staff, including "no action" letters or exemptive orders, all or any portion of TIA §314(d) is inapplicable to one or a series of released Collateral. In connection with each release of Collateral, the Issuers shall provide the Trustee and the Parity Lien Collateral Agent with an Officer's Certificate and Opinion of Counsel as and to the extent by Sections 14.04 and 14.05.

Section 10.05 *Further Assurances; Insurance*

(a) Subject to Section 5.5 of the Intercreditor Agreement, MagnaChip shall, and shall cause each of the other Pledgors from time to time party to any Security Document, to do or cause to be done all acts and things that may be required to assure and confirm that the Trustee or the Collateral Trustee, as the case may be, holds, for the benefit of the holders of the Notes, duly created and enforceable and perfected Liens upon the Collateral (including any property or assets that are acquired or otherwise become Collateral after the Notes are issued), in each case, as contemplated by, and with the Lien priority required under, the Security Documents.

(b) Upon the reasonable request of the Parity Lien Collateral Agent or any Parity Lien Representative at any time and from time to time, MagnaChip shall, and shall cause each of the other Pledgors from time to time party thereto, to promptly execute, acknowledge and deliver such Security Documents, instruments, certificates, notices and other documents, and take such other actions as shall be reasonably required, or that the Parity Lien Collateral Agent or Parity Lien Representative may reasonably request, to create, perfect, protect, assure or enforce the Liens and benefits intended to be conferred, in each case as contemplated by the Security Documents for the benefit of the holders of the Notes.

(c) Notwithstanding the foregoing, neither MagnaChip nor any of the other Pledgors shall be required to do or cause to be done any act or thing to the extent such Pledgor would not be required by the terms of the Senior Credit Agreement to do or cause to be done such act or thing in order to assure or confirm that the Credit Agreement Agent holds, for the benefit of the lenders thereunder, duly created and enforceable and perfected liens upon the collateral thereunder or to create, perfect, protect, assure or enforce the liens and benefits intended to be conferred thereunder for the benefit of the lenders thereunder.

(d) MagnaChip and the other Pledgors will:

(1) keep their properties adequately insured at all times by financially sound and reputable insurers;

(2) maintain such other insurance, to such extent and against such risks (and with such deductibles, retentions and exclusions) as is customary with companies in the same or similar businesses operating in the same or similar locations;

(3) maintain such other insurance as may be required by law;

(4) maintain title insurance to the extent required by the Senior Credit Agreement on all real property Collateral insuring the Parity Lien Collateral Agent's Parity Lien on that property, subject only to Permitted Prior Liens and other exceptions to title approved by the Parity Lien Collateral Agent; and

(5) maintain such other insurance as may be required by the Security Documents.

Section 10.06 *Security Documents.*

(a) The Trustee is hereby authorized and directed to execute (i) the Security Agreement dated as of December 23, 2004, made by Finance Company, the Guarantors party thereto and the Trustee and (ii) the Security Agreement dated as of December 23, 2004, made by MagnaChip, the Guarantors party thereto and the Trustee.

(b) As soon as practicable after the Issue Date (but in no event later than January 31, 2005), the Issuers shall, and shall cause the Guarantors to, enter into Security Documents governing Collateral located in the United Kingdom, Luxembourg, The Netherlands, Japan and Hong Kong, and perfect the liens in the Collateral granted thereunder. Each such Security Document shall be in form and substance (insofar as it relates to the rights, duties, liabilities or immunities of the Trustee) satisfactory to the Trustee. In the event that the Trustee determines that it is unable or unwilling to execute, or otherwise fails to execute, any such Security Document or hold or enforce the rights of the secured party thereunder, then the Issuers shall have the right, and the Issuers shall at the request of the Trustee, and the Trustee shall have the right, pursuant to Section 7.13, to appoint a co-trustee, separate trustee or agent to execute and deliver any such Security Document. The Issuers shall pay the reasonable fees and expenses of any local counsel required by the Trustee in connection with such Security Documents.

(c) Subject to Section 5.5 of the Intercreditor Agreement, with respect to Collateral acquired or created in any jurisdiction after the Issue Date, as soon as practicable thereafter (but in no event more than 30 days thereafter), the Issuers shall, and shall cause the Guarantors to, enter into Security Documents governing such Collateral, and perfect the liens in the Collateral granted thereunder. Each such Security Document shall be in form and substance (insofar as it relates to the rights, duties, liabilities or immunities of the Trustee) satisfactory to the Trustee. In the event that the Trustee determines that it is unable or unwilling to execute, or otherwise fails to execute, any such Security Document or hold or enforce the rights of the secured party thereunder, then the Issuers shall have the right, and the Issuers shall at the request of the Trustee, and the Trustee shall have the right, pursuant to Section 7.13, to appoint a co-trustee, separate trustee or agent to execute and deliver any such Security Document. The Issuers shall pay the reasonable fees and expenses of any local counsel required by the Trustee in connection with such Security Documents.

(d) In the event that any Security Document referred to in subsections (b) and (c) above is not executed and delivered (together with any Opinions of Counsel and Officer's Certificates) or all filings, recordings and registrations are not made, in each case within the time period referred to therein, the Issuers shall send a notice to holders of the Notes within five Business Days thereof and, if the Issuers fail to give any such notice, the Trustee may in its discretion give such notice.

**ARTICLE 11.**
SATISFACTION AND DISCHARGE

Section 11.01 *Satisfaction and Discharge.*

This Indenture will be discharged and will cease to be of further effect as to all Notes issued hereunder, when:

(1) either:

(a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust and thereafter repaid to MagnaChip, have been delivered to the Trustee for cancellation; or

(b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and MagnaChip or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium and Liquidated Damages, if any, and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which MagnaChip or any Guarantor is a party or by which MagnaChip or any Guarantor is bound;

(3) MagnaChip or any Guarantor has paid or caused to be paid all sums payable by it under this Indenture; and

(4) MagnaChip has delivered irrevocable instructions to the Trustee under this Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, MagnaChip must deliver an Officers' Certificate and an opinion of counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

The Collateral will be released from the Lien securing the Notes, pursuant to the terms of the Intercreditor Agreement, upon a satisfaction and discharge in accordance with this Section 11.01.

Notwithstanding the satisfaction and discharge of this Indenture, if money has been deposited with the Trustee pursuant to Section 11.01, the provisions of Sections 11.02 and 8.06 hereof will survive. In addition, nothing in this Section 11.01 will be deemed to discharge those provisions of Section 7.07 hereof, that, by their terms, survive the satisfaction and discharge of this Indenture.

Section 11.02 *Application of Trust Money.*

Subject to the provisions of Section 8.06 hereof, all money deposited with the Trustee pursuant to Section 11.01 hereof shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or through any Paying Agent (including either Issuers acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium and Liquidated Damages, if any) and interest for whose payment such money has been deposited with the Trustee; but such money need not be segregated from other funds except to the extent required by law.

If the Trustee or Paying Agent is unable to apply any money or Government Securities in accordance with Section 11.01 hereof by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Issuers' and any Guarantor's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 11.01 hereof; *provided* that if the Issuers have made any payment of principal of, premium or Liquidated Damages, if any, or interest on, any Notes because of the reinstatement of its obligations, the Issuers shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or Government Securities held by the Trustee or Paying Agent.

## ARTICLE 12.
## NON-KOREAN NOTE GUARANTEES

Section 12.01 *Guarantee.*

(a) Subject to this Article 12, each of the Non-Korean Guarantors hereby, jointly and severally, unconditionally guarantees to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of this Indenture, the Notes or the obligations of the Issuers hereunder or thereunder, that:

(1) the principal of, premium and Liquidated Damages, if any, and interest on, the Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of and interest on the Notes, if any, if lawful, and all other obligations of the Issuers to the Holders or the Trustee hereunder or thereunder will be promptly paid in full or performed, all in accordance with the terms hereof and thereof; and

(2) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

Failing payment when due of any amount so guaranteed or any performance so guaranteed for whatever reason, the Non-Korean Guarantors will be jointly and severally obligated to pay the same immediately. Each Guarantor agrees that this is a guarantee of payment and not a guarantee of collection.

(b) The Non-Korean Guarantors hereby agree that their obligations hereunder are unconditional, irrespective of the validity, regularity or enforceability of the Notes or this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Issuers, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor. Each Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Issuers, any right to require a proceeding first against the Issuers, protest, notice and all demands whatsoever and covenant that this Note Guarantee will not be discharged except by complete performance of the obligations contained in the Notes and this Indenture.

(c) If any Holder or the Trustee is required by any court or otherwise to return to the Issuers, the Non-Korean Guarantors or any custodian, trustee, liquidator or other similar official acting in relation to either the Issuers or the Non-Korean Guarantors, any amount paid by either to the Trustee or such Holder, this Note Guarantee, to the extent theretofore discharged, will be reinstated in full force and effect.

(d) Each Guarantor agrees that it will not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby. Each Guarantor further agrees that, as between the Non-Korean Guarantors, on the one hand, and the Holders and the Trustee, on the other hand, (1) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article 6 hereof for the purposes of this Note Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (2) in the event of any declaration of acceleration of such obligations as provided in Article 6 hereof, such obligations (whether or not due and payable) will forthwith become due and payable by the Non-Korean Guarantors for the purpose of this Note Guarantee. The Non-Korean Guarantors will have the right to seek contribution from any non-paying Guarantor so long as the exercise of such right does not impair the rights of the Holders under the Note Guarantee.

Section 12.02 *Limitation on Guarantor Liability.*

Each Guarantor, and by its acceptance of Notes, each Holder, hereby confirms that it is the intention of all such parties that the Note Guarantee of such Guarantor not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to any Note Guarantee. To effectuate the foregoing intention, the Trustee, the Holders and the Non-Korean Guarantors hereby irrevocably agree that the obligations of such Guarantor will be limited to the maximum amount that will, after giving effect to such maximum amount and all other contingent and fixed liabilities of such Guarantor that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under this Article 12, result in the obligations of such Guarantor under its Note Guarantee not constituting a fraudulent transfer or conveyance.

Section 12.03 *Execution and Delivery of Note Guarantee.*

To evidence its Note Guarantee set forth in Section 12.01 hereof, each Guarantor hereby agrees that a notation of such Note Guarantee substantially in the form attached as Exhibit E hereto will be endorsed by an Officer of such Guarantor on each Note authenticated and delivered by the Trustee and that this Indenture will be executed on behalf of such Guarantor by one of its Officers.

Each Guarantor hereby agrees that its Note Guarantee set forth in Section 12.01 hereof will remain in full force and effect notwithstanding any failure to endorse on each Note a notation of such Note Guarantee.

If an Officer whose signature is on this Indenture or on the Note Guarantee no longer holds that office at the time the Trustee authenticates the Note on which a Note Guarantee is endorsed, the Note Guarantee will be valid nevertheless.

The delivery of any Note by the Trustee, after the authentication thereof hereunder, will constitute due delivery of the Note Guarantee set forth in this Indenture on behalf of the Non-Korean Guarantors.

In the event that the Issuers or any of its Restricted Subsidiaries creates or acquires any Subsidiary after the Issue Date, if required by Section 4.21 hereof, the Issuers will cause such Subsidiary to comply with the provisions of Section 4.21 hereof and this Article 12, to the extent applicable.

Section 12.04 *Non-Korean Guarantors May Consolidate, etc., on Certain Terms.*

Except as otherwise provided in Section 12.05 hereof, no Guarantor may sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person) another Person, other than the MagnaChip or another Guarantor, unless:

(1) immediately after giving effect to such transaction, no Default or Event of Default exists; and

(2) either:

(a) subject to Section 12.05 hereof, the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger unconditionally assumes all the obligations of that Guarantor under this Indenture, its Note Guarantee and the Registration Rights Agreements on the terms set forth herein or therein, pursuant to a supplemental indenture in form and substance reasonably satisfactory to the Trustee; or

(b) the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of this Indenture, including without limitation, Section 4.10 hereof.

In case of any such consolidation, merger, sale or conveyance and upon the assumption by the successor Person, by supplemental indenture, executed and delivered to the Trustee and satisfactory in form to the Trustee, of the Note Guarantee endorsed upon the Notes and the due and punctual performance of all of the covenants and conditions of this Indenture to be performed by the Guarantor, such successor Person will succeed to and be substituted for the Guarantor with the same effect as if it had been named herein as a Guarantor. Such successor Person thereupon may cause to be signed any or all of the Note Guarantees to be endorsed upon all of the Notes issuable hereunder which theretofore shall not have been signed by the Issuers and delivered to the Trustee. All the Note Guarantees so issued will in all respects have the same legal rank and benefit under this Indenture as the Note Guarantees theretofore and thereafter issued in accordance with the terms of this Indenture as though all of such Note Guarantees had been issued at the date of the execution hereof.

Except as set forth in Articles 4 and 5 hereof, and notwithstanding clauses 2(a) and (b) above, nothing contained in this Indenture or in any of the Notes will prevent any consolidation or merger of a Guarantor with or into the Issuers or another Guarantor, or will prevent any sale or conveyance of the property of a Guarantor as an entirety or substantially as an entirety to the Issuers or another Guarantor.

Section 12.05 *Releases.*

The Note Guarantees of a Guarantor will be released:

(a) in connection with any liquidation or sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) MagnaChip or a Restricted Subsidiary of MagnaChip, if the sale or other disposition does not violate Section 4.10 hereof or is made in connection with an enforcement of a Priority Lien;

(b) in connection with any sale or other disposition of all of the Capital Stock of that Guarantor to a Person that is not (either before or after giving effect to such transaction) MagnaChip or a Restricted Subsidiary of MagnaChip, if the sale or other disposition does not violate Section 4.10 hereof;

(c) if MagnaChip designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with Section 4.22 hereof; or

(d) upon legal defeasance or satisfaction and discharge of this Indenture as provided in Articles 8 and Article 11 hereof.

Any Guarantor not released from its obligations under its Note Guarantee as provided in this Section 12.05 will remain liable for the full amount of principal of and interest and premium and Liquidated Damages, if any, on the Notes and for the other obligations of any Guarantor under this Indenture as provided in this Article 12. In connection with any such release, the Issuers shall deliver to the Trustee an Officers' Certificate and an Opinion of Counsel as and to the extent required by Sections 14.04 and 14.05.

**ARTICLE 13.**
KOREAN NOTE GUARANTEE

Section 13.01 *Guarantees.*

(a) Subject to this Article 13, MagnaChip Semiconductor Ltd. (the "*Korean Guarantor*") hereby unconditionally guarantees as a primary obligor and not as a surety to the Collateral Trustee and its respective successors and assigns, the prompt payment in full when due (whether at stated maturity, by required prepayment, declaration, demand, by acceleration or otherwise) of the principal of, premium and Liquidated Damages, if any, and interest (including any interest, fees, costs or charges that would accrue but for the provisions of Title 11, U.S. Code after any bankruptcy or insolvency petition under Title 11, U.S. Code) on the Notes or the obligations of the Issuers hereunder or thereunder from time to time owing to each Holder of a Note by any of the Issuers any of the Note Documents, in each case strictly in accordance with the terms thereof (such obligations being herein collectively called the "*Korean Guarantor Guaranteed Obligations*"). The Korean Guarantor hereby agrees that if either Issuer fails to pay in full when due (whether at stated maturity, by acceleration or otherwise) any of the Korean Guarantor Guaranteed Obligations, the Korean Guarantor will promptly pay to the Collateral Trustee the same in cash, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Korean Guarantor Guaranteed Obligations, the same will be promptly paid in full when due (whether at extended maturity, by acceleration or otherwise) in accordance with the terms of such extension or renewal.

(b) The obligations of the Korean Guarantor under Section 13.01(a) shall constitute a guaranty of payment and to the fullest extent permitted by applicable Requirements of Law, are absolute, irrevocable and unconditional, irrespective of the value, genuineness, validity, regularity or enforceability of the Korean Guarantor Guaranteed Obligations of either Issuer under any of the Note Documents, or any other agreement or instrument referred to herein or therein, or any substitution, release or exchange of any other guarantee of or security for any of the Korean Guarantor Guaranteed Obligations, and, irrespective of any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor (except for payment in full). Without limiting the generality of the foregoing, it is agreed that the occurrence of any one or more of the following shall not alter or

impair the liability of the Korean Guarantor hereunder which shall remain absolute, irrevocable and unconditional under any and all circumstances as described above:

(1) at any time or from time to time, without notice to the Korean Guarantor, the time for any performance of or compliance with any of the Korean Guarantor Guaranteed Obligations shall be extended, or such performance or compliance shall be waived;

(2) any of the acts mentioned in any of the provisions of this Article 13 or any of the Note Documents, or any other agreement or instrument referred to herein or therein shall be done or omitted;

(3) the maturity of any of the Korean Guarantor Guaranteed Obligations shall be accelerated, or any of the Korean Guarantor Guaranteed Obligations shall be amended in any respect, or any right under the Note Documents or any other agreement or instrument referred to herein or therein shall be amended or waived in any respect or any other guarantee of any of the Korean Guarantor Guaranteed Obligations or any security therefor shall be released or exchanged in whole or in part or otherwise dealt with;

(4) any Lien or security interest granted to, or in favor of, the Collateral Trustee or any other Person as security for any of the Korean Guarantor Guaranteed Obligations shall fail to be perfected; or

(5) the release of any other Guarantor pursuant to Section 12.05 hereof.

(c) The Korean Guarantor hereby expressly waives diligence, presentment, demand of payment, protest and all notices whatsoever, and any requirement that any Holder of Notes exhaust any right, power or remedy or proceed against any Issuer under the Note Documents or any other agreement or instrument referred to therein, or against any other person under any other guarantee of, or security for, any of the Korean Guarantor Guaranteed Obligations. The Korean Guarantor waives any and all notice of the creation, renewal, extension, waiver, termination or accrual of any of the Korean Guarantor Guaranteed Obligations and notice of or proof of reliance by any Holder of Notes upon this Guarantee or acceptance of this Guarantee, and the Korean Guarantor Guaranteed Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred in reliance upon this Guarantee, and all dealings between the Issuers and Holders of Notes shall likewise be conclusively presumed to have been had or consummated in reliance upon this Guarantee. This Guarantee shall be construed as a continuing, absolute, irrevocable and unconditional guarantee of payment without regard to any right of offset with respect to the Korean Guarantor Guaranteed Obligations at any time or from time to time held by Holders of Notes, and the obligations and liabilities of the Korean Guarantor hereunder shall not be conditioned or contingent upon the pursuit by the Holders of Notes or any other person at any time of any right or remedy against any Issuer or against any other person which may be or become liable in respect of all or any part of the Korean Guarantor Guaranteed Obligations or against any collateral security or guarantee therefor or right of offset with respect thereto. This Guarantee shall remain in full force and effect and be binding in accordance with and to the extent of its terms upon the Korean Guarantor and the successors and assigns thereof, and shall inure to the benefit of the Holders of Notes, and their respective successors and assigns.

(d) The obligations of the Korean Guarantor under this Section 13.01 shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of any Issuer or other Guarantors in respect of the Korean Guarantor Guaranteed Obligations is rescinded or must be otherwise restored by any holder of any of the Guaranteed Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise.

(e) The Korean Guarantor hereby agrees that until the indefeasible payment and satisfaction in full in cash of all Korean Guarantor Guaranteed Obligations it shall not exercise any right or remedy, direct or indirect, arising by reason of any performance by it of its guarantee in Section 13.01(a), whether by subrogation or otherwise, against any Issuer or any other guarantor of any of the Korean Guarantor Guaranteed Obligations or any security for any of the Korean Guarantor Guaranteed Obligations. Any Indebtedness of any of the Issuers or Guarantors permitted pursuant to Section 4.09 of hereof shall be subordinated to such Issuers or Guarantors' Guaranteed Obligations in the manner required by the Indenture.

(f) The Korean Guarantor hereby acknowledges that the guarantee in this Section 13 constitutes an instrument for the payment of money, and consents and agrees that the Collateral Trustee, at its sole option, in the event of a dispute by such Korean Guarantor in the payment of any moneys due hereunder, shall have the right to bring a motion-action under New York CPLR Section 3213.

(g) The guarantee in this Article 13 is a continuing guarantee of payment, and shall apply to all Guaranteed Obligations whenever arising.

(h) Recovery under this Article 13 is limited to $500,000,000 of principal *plus* interest (including default interest) at the rates stated in the Notes and this Indenture, *plus* any and all fees, expenses, indemnifications, breakage costs, taxes, Liquidated Damages, enforcement costs or other amounts owing to the holders of the Notes, the Trustee, the Collateral Trustee or any Holder of any Note pursuant to the terms of this Indenture, the Notes or this Article 13.

Section 13.02 *Remedies.*

Subject to the terms of the Intercreditor Agreement, the Korean Guarantor agrees that, as between the Korean Guarantor and the Collateral Trustee, the obligations of the Issuers under this Indenture and the Notes may be declared to be forthwith due and payable as provided in this Indenture (and shall be deemed to have become automatically due and payable in the circumstances provided herein) for purposes of Section 13.01(a), notwithstanding any stay, injunction or other prohibition preventing such declaration (or such obligations from becoming automatically due and payable) as against the Issuers and that, in the event of such declaration (or such obligations being deemed to have become automatically due and payable), such obligations (whether or not due and payable by the Issuers) shall forthwith become due and payable by the Korean Guarantor for purposes of Section 13.01(a).

## **ARTICLE 14.**
## MISCELLANEOUS

Section 14.01 *Trust Indenture Act Controls.*

If any provision of this Indenture limits, qualifies or conflicts with the duties imposed by TIA §318(c), the imposed duties will control.

Section 14.02 *Notices.*

Any notice or communication by the Issuers, any Guarantor or the Trustee to the others is duly given if in writing and delivered in Person or by first class mail (registered or certified, return receipt requested), facsimile transmission or overnight air courier guaranteeing next day delivery, to the others' address:

If to the Issuers and/or any Guarantor:

c/o MagnaChip Semiconductor, Ltd.
1, Hyangjeong-dong
Hungduk-gu
Cheongju-si, 361-725
Korea
Facsimile No.: 82-2-3459-3674
Attention: Chief Financial Officer

With a copy (which shall not constitute notice to any Issuer or Guarantor) to:

Dechert LLP
4000 Bell Atlantic Tower
1717 Arch Street
Philadelphia, Pennsylvania 19103-2793
Attention: Geraldine Sinatra ((215) 994-2222) and
Sang Park ((212) 698-3599)

If to the Trustee:

The Bank of New York
101 Barclay Street, 8W
New York, New York 10286
Facsimile No.: (212)-815-5707
Attention: Corporate Trust Division - Corporate Finance Unit

If to the Collateral Trustee:

US Bank

100 Wall Street, 16th Floor
New York, New York 10005
Facsimile No.: (212) 361-6184
Attention: Thomas Tabor

The Issuers, any Guarantor or the Trustee, by notice to the others, may designate additional or different addresses for subsequent notices or communications.

All notices and communications (other than those sent to Holders) will be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed (except with respect to notice to the Trustee unless there is reasonable confirmation of receipt); when receipt acknowledged, if transmitted by facsimile; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery (except with respect to notice to the Trustee unless there is a signature acknowledging receipt or other reasonable confirmation of receipt).

Any notice or communication to a Holder will be mailed by first class mail, certified or registered, return receipt requested, or by overnight air courier guaranteeing next day delivery to its address shown on the register kept by the Registrar. Any notice or communication will also be so mailed to any Person described in TIA § 313(c), to the extent required by the TIA. Failure to mail a notice or communication to a Holder or any defect in it will not affect its sufficiency with respect to other Holders.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Issuers mail a notice or communication to Holders, it will mail a copy to the Trustee and each Agent at the same time.

Section 14.03 *Communication by Holders of Notes with Other Holders of Notes*.

Holders may communicate pursuant to TIA § 312(b) with other Holders with respect to their rights under this Indenture or the Notes. The Issuers, the Trustee, the Registrar and anyone else shall have the protection of TIA § 312(c).

Section 14.04 *Certificate and Opinion as to Conditions Precedent*.

Upon any request or application by the Issuers to the Trustee to take any action under this Indenture, the Issuers shall furnish to the Trustee:

(1) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee (which must include the statements set forth in Section 14.05 hereof) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been satisfied; and

(2) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee (which must include the statements set forth in Section 14.05 hereof) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been satisfied.

Section 14.05 *Statements Required in Certificate or Opinion*.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than a certificate provided pursuant to TIA § 314(a)(4)) must comply with the provisions of TIA § 314(e) and must include:

(1) a statement that the Person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such Person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been satisfied; and

(4) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been satisfied.

Section 14.06 *Rules by Trustee and Agents*.

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

Section 14.07 *No Personal Liability of Directors, Officers, Employees and Stockholders.*

No past, present or future director, officer, employee, incorporator, member or stockholder (or the equivalent) of MagnaChip or any Guarantor, as such, will have any liability for any obligations of MagnaChip or the Guarantors under the Notes, this Indenture, the Note Guarantees, the Note Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws.

Section 14.08 *Governing Law; Jurisdiction.*

THE INTERNAL LAW OF THE STATE OF NEW YORK WILL GOVERN AND BE USED TO CONSTRUE THIS INDENTURE, THE NOTES AND THE NOTE GUARANTEES WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

No proceeding related to this Indenture may be commenced, prosecuted or continued in any court other than the courts of the State of New York located in the City and County of New York or in the United States District Court for the Southern District of New York, which courts shall have jurisdiction over the adjudication of such matters, and the Issuers hereby consent to the jurisdiction of such courts and personal service with respect thereto. The Issuers irrevocably appoint CT Corporation System (at the address: Attn: Service of Process Department, 111 Eighth Ave, 13th Floor, New York, New York, 10011) as their authorized agent in the City and County of New York upon which process may be served in any such suit or proceeding, and agrees that service of process upon such agent, and written notice of said service to each Issuer, by the person serving the same to the address provided in Section 14, shall be deemed in every respect effective service of process upon each Issuer, as applicable, in such suit or proceeding. The Issuers agree that a final judgment in any such proceeding brought in any such court shall be conclusive and binding upon the Issuers and may be enforced in any other courts in the jurisdiction of which the Issuers are or may be subject, by suit upon such judgment.

Section 14.09 *No Adverse Interpretation of Other Agreements.*

This Indenture may not be used to interpret any other indenture, loan or debt agreement of the Issuers or their Subsidiaries or of any other Person. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

Section 14.10 *Successors.*

All agreements of the Issuers in this Indenture and the Notes will bind its successors. All agreements of the Trustee in this Indenture will bind its successors. All agreements of each Guarantor in this Indenture will bind its successors, except as otherwise provided in Section 12.05 hereof.

Section 14.11 *Severability.*

In case any provision in this Indenture or in the Notes is invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired thereby.

Section 14.12 *Counterpart Originals.*

The parties may sign any number of copies of this Indenture. Each signed copy will be an original, but all of them together represent the same agreement.

Section 14.13 *Table of Contents, Headings, etc.*

The Table of Contents, Cross-Reference Table and Headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and will in no way modify or restrict any of the terms or provisions hereof.

[Signatures on following page]

SIGNATURES

Dated as of December 23, 2004

MAGNACHIP SEMICONDUCTOR S.A.

By: _____

Name:
Title:

MAGNACHIP SEMICONDUCTOR FINANCE COMPANY

By: _____

Name:
Title:

MAGNACHIP SEMICONDUCTOR LLC

By: _____

Name:
Title:

MAGNACHIP SEMICONDUCTOR, INC.

By: _____

Name:
Title:

MAGNACHIP SEMICONDUCTOR LTD. (UNITED KINGDOM)

By: _____

Name:
Title:

MAGNACHIP SEMICONDUCTOR INC. (JAPAN)

By: _____

Name:
Title:

[signature page to Second Priority Notes Indenture]

MAGNACHIP SEMICONDUCTOR LTD. (HONG KONG)

By: _____

Name:
Title:

MAGNACHIP SEMICONDUCTOR LTD. (TAIWAN)

By: _____

Name:
Title:

MAGNACHIP SEMICONDUCTOR B.V. (NETHERLANDS)

By: _____

Name:
Title:

By: _____

Name:
Title:

MAGNACHIP SEMICONDUCTOR, LTD. (KOREA)

By: _____

Name:
Title:

MAGNACHIP SEMICONDUCTOR SA HOLDINGS LLC

By: _____

Name:
Title:

THE BANK OF NEW YORK,
as Trustee

By: _____

Name:
Title:

US BANK,
as Collateral Trustee

(solely with respect to Article 13 hereof)

By: _____

Name:
Title:

[signature page to Second Priority Notes Indenture]

**EXHIBIT A1**

[Face of Floating Rate Note]

CUSIP/CINS _____

Floating Rate Second Priority Senior Secured Notes due 2011

No. ____ $_____

MAGNACHIP SEMICONDUCTOR S.A.
and
MAGNACHIP SEMICONDUCTOR FINANCE COMPANY

promises to pay to _____ or registered assigns,

the principal sum of _____ DOLLARS on _____, 2011.

Interest Payment Dates: _____ and _____

Record Dates: _____ and _____

Dated: December [__], 2004

MAGNACHIP SEMICONDUCTOR S.A.

By: _____

Name:
Title:

MAGNACHIP SEMICONDUCTOR FINANCE COMPANY

By: _____

Name:
Title:

This is one of the Floating Rate Notes referred to
in the within-mentioned Indenture:

THE BANK OF NEW YORK,
as Trustee

By: _____

Authorized Signatory

[THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (1) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.06 OF THE INDENTURE, (2) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (3) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (4) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE ISSUERS.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) ("DTC"), TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

[THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THIS NOTE MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE ISSUERS THAT (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (III) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), (IV) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501 (a)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT) THAT, PRIOR TO SUCH TRANSFER, FURNISHES THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN

REPRESENTATIONS AND AGREEMENTS RELATING TO THE TRANSFER OF THIS NOTE (THE FORM OF WHICH CAN BE OBTAINED FROM THE TRUSTEE) AND, IF SUCH TRANSFER IS IN RESPECT OF AN AGGREGATE PRINCIPAL AMOUNT OF NOTES LESS THAN $250,000, AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUERS THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT, OR (V) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (V) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE.]

THE HOLDER OF THIS NOTE REPRESENTS EITHER THAT (A) IT IS NOT A PLAN (WHICH TERM INCLUDES (I) EMPLOYEE BENEFIT PLANS THAT ARE SUBJECT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (II) PLANS, INDIVIDUAL RETIREMENT ACCOUNTS AND OTHER ARRANGEMENTS THAT ARE SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR TO PROVISIONS UNDER APPLICABLE FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SIMILAR TO SUCH PROVISIONS OF ERISA OR THE CODE ("SIMILAR LAWS") AND (III) ENTITIES THE UNDERLYING ASSETS OF WHICH ARE CONSIDERED TO INCLUDE "PLAN ASSETS" OF SUCH PLANS, ACCOUNTS AND ARRANGEMENTS) AND IT HAS NOT PURCHASED THE NOTES ON BEHALF OF, OR WITH THE "PLAN ASSETS" OF, ANY PLAN; OR (B) THE HOLDER'S PURCHASE, HOLDING AND SUBSEQUENT DISPOSITION OF THE NOTES EITHER (I) ARE NOT A PROHIBITED TRANSACTION UNDER ERISA OR THE CODE AND ARE OTHERWISE PERMISSIBLE UNDER ALL APPLICABLE SIMILAR LAWS OR (II) ARE ENTITLED TO EXEMPTIVE RELIEF FROM THE PROHIBITED TRANSACTION PROVISIONS OF ERISA AND THE CODE IN ACCORDANCE WITH ONE OR MORE AVAILABLE STATUTORY, CLASS OR INDIVIDUAL PROHIBITED TRANSACTION EXEMPTIONS AND ARE OTHERWISE PERMISSIBLE UNDER ALL APPLICABLE SIMILAR LAWS.

Capitalized terms used herein have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

(1) *INTEREST*. MagnaChip Semiconductor S.A., a Luxembourg public limited liability company (*societe anonyme*) ("MagnaChip"), and MagnaChip Semiconductor Finance Company, a Delaware corporation ("*Finance Company*" and together with MagnaChip, the "*Issuers*"), jointly and severally promise to pay interest on the principal amount of this Floating Rate Note at a rate equal to the LIBOR Rate *plus* 3.25% from December 23, 2004 until maturity and shall pay the Liquidated Damages, if any, payable pursuant to Section 4 of the Registration Rights Agreement referred to below. The LIBOR Rate will be reset quarterly. The LIBOR Rate for the first quarterly period ending on March 14, 2005 will be 5.76%. The Issuers will pay interest and Liquidated Damages, if any, quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each, an "*Interest Payment Date*"). Interest on the Floating Rate Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance; *provided* that if there is no existing Default in the payment of interest, and if this Floating Rate Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; *provided further* that the first Interest Payment Date shall be March 15, 2005. The Issuers will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue

principal and premium, if any, from time to time on demand at a rate that is 1% per annum in excess of the rate then in effect to the extent lawful; it will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Liquidated Damages, if any, (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

(2) *METHOD OF PAYMENT*. The Issuers will pay interest on the Floating Rate Notes (except defaulted interest) and Liquidated Damages, if any, to the Persons who are registered Holders of Floating Rate Notes at the close of business on the March 1, June 1, September 1 or December 1 next preceding the Interest Payment Date, even if such Floating Rate Notes are canceled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Floating Rate Notes will be payable as to principal, premium and Liquidated Damages, if any, and interest at the office or agency of the Issuers maintained for such purpose within or without the City and State of New York, or, at the option of the Issuers, payment of interest and Liquidated Damages, if any, may be made by check mailed to the Holders at their addresses set forth in the register of Holders; *provided* that payment by wire transfer of immediately available funds will be required with respect to principal of and interest, premium and Liquidated Damages, if any, on, all Floating Rate Global Notes and all other Floating Rate Notes the Holders of which will have provided wire transfer instructions to the Issuers or the Paying Agent. Such payment will be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

(3) *PAYING AGENT AND REGISTRAR*. Initially, The Bank of New York, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Issuers may change any Paying Agent or Registrar without notice to any Holder. MagnaChip or any of its Subsidiaries may act in any such capacity.

(4) *INDENTURE*. The Issuers issued the Floating Rate Notes under an Indenture dated as of December 23, 2004 (the "*Indenture*") among the Issuers, the Guarantors and the Trustee. The terms of the Floating Rate Notes include those stated in the Indenture and those made part of the Indenture by reference to the TIA. The Floating Rate Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms. To the extent any provision of this Floating Rate Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. The Floating Rate Notes are secured obligations of the Issuers as evidenced by the Security Documents referred to in the Indenture. The Indenture does not limit the aggregate principal amount of Floating Rate Notes that may be issued thereunder.

(5) *OPTIONAL REDEMPTION*.

(a) At any time prior to December 15, 2005, MagnaChip may on any one or more occasions redeem up to 35% of the aggregate principal amount of Floating Rate Notes issued under the Indenture (including any Floating Rate Additional Notes issued after the Issue Date) at a redemption price of 100% of the principal amount thereof, *plus* the LIBOR Rate in effect on the date of the redemption notice *plus* 3.25%, *plus* accrued and unpaid interest and Liquidated Damages, if any, to the redemption date, with the net cash proceeds of one or more Public Equity Offerings or a contribution to MagnaChip's common equity capital made with the net cash proceeds of a concurrent Public Equity Offering of US LLC or any of its Subsidiaries; *provided* that:

(1) at least 65% of the aggregate principal amount of Floating Rate Notes originally issued under this Indenture (excluding Floating Rate Notes held by MagnaChip and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 90 days of the date of the closing of such Public Equity Offering or equity contributions.

(b) On or after December 15, 2005, MagnaChip may redeem all or a part of the Floating Rate Notes, upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at the redemption prices (expressed as percentages of principal amount) set forth below *plus* accrued and unpaid interest and Liquidated Damages, if any, on the Floating Rate Notes redeemed, to the applicable redemption date, if redeemed during the twelve-month period beginning on December 15 of the years indicated below, subject to the rights of holders of Floating Rate Notes on the relevant record date to receive interest due on the relevant interest payment date:

| Year | Percentage |
|---|---|
| 2005 | 103% |
| 2006 | 102% |
| 2007 | 101% |
| 2008 and thereafter | 100% |

At any time prior to December 15, 2005, MagnaChip may also redeem all or a part of the Floating Rate Notes (including any Floating Rate Additional Notes issued after the Issue Date), upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at a redemption price equal to 100% of the principal amount of Floating Rate Notes redeemed *plus* the Floating Rate Second Priority Notes Applicable Premium as of, and accrued and unpaid interest and Liquidated Damages, if any, to the redemption date, subject to the rights of holders of Floating Rate Notes on the relevant record date to receive interest due on the relevant interest payment date.

Unless MagnaChip defaults in the payment of the redemption price, interest will cease to accrue on the Floating Rate Notes or portions thereof called for redemption on the applicable redemption date.

(6) *MANDATORY REDEMPTION*.

The Issuers are not required to make mandatory redemption or sinking fund payments with respect to the Floating Rate Notes.

(7) *REPURCHASE AT THE OPTION OF HOLDER*.

(a) If a Change of Control occurs, the Issuers will make an offer (a *"Change of Control Offer"*) to each Holder to repurchase all or any part (equal to $1,000 or an integral multiple of $1,000 in excess of $1,000) of that Holder's Floating Rate Notes at a purchase price in cash equal to 101% of the aggregate principal amount of Floating Rate Notes repurchased *plus* accrued and unpaid interest and Liquidated Damages, if any, on the Floating Rate Notes repurchased to the date of purchase, subject to the rights of Holders on the relevant record date to receive interest due on the relevant interest payment date (the *"Change of Control Payment"*). Within 30 days following any Change of Control, the Issuers will mail a notice to each Holder setting forth the procedures governing the Change of Control Offer as required by the Indenture.

(b) If the Issuers or a Restricted Subsidiary of the Issuers consummates any Asset Sales, within 30 days of each date on which the aggregate amount of Excess Proceeds exceeds $10.0 million, MagnaChip will commence an offer to all Holders of Floating Rate Notes and all holders of other Indebtedness that is *pari passu* with the Floating Rate Notes containing provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets (an "*Asset Sale Offer*") pursuant to Section 3.09 of the Indenture to purchase the maximum principal amount of Floating Rate Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds at an offer price in cash in an amount equal to 100% of the principal amount thereof *plus* accrued and unpaid interest and Liquidated Damages, if any, thereon to the date of purchase, in accordance with the procedures set forth in the Indenture. To the extent that the aggregate amount of Floating Rate Notes and other *pari passu* Indebtedness tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, MagnaChip (or such Restricted Subsidiary) may use such deficiency for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Floating Rate Notes and other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee shall select the Floating Rate Notes and such other *pari passu* Indebtedness to be purchased on a *pro rata* basis. Holders of Floating Rate Notes that are the subject of an offer to purchase will receive an Asset Sale Offer from the Issuers prior to any related purchase date and may elect to have such Floating Rate Notes purchased by completing the form entitled "*Option of Holder to Elect Purchase*" attached to the Floating Rate Notes.

(8) *NOTICE OF REDEMPTION*. Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each Holder whose Floating Rate Notes are to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Floating Rate Notes or a satisfaction or discharge of the Indenture. Floating Rate Notes in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000, unless all of the Floating Rate Notes held by a Holder are to be redeemed.

(9) *DENOMINATIONS, TRANSFER, EXCHANGE*. The Floating Rate Notes are in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. The transfer of Floating Rate Notes may be registered and Floating Rate Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Issuers may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Issuers need not exchange or register the transfer of any Floating Rate Note or portion of a Floating Rate Note selected for redemption, except for the unredeemed portion of any Floating Rate Note being redeemed in part. Also, the Issuers need not exchange or register the transfer of any Floating Rate Notes for a period of 15 days before a selection of Floating Rate Notes to be redeemed or during the period between a record date and the corresponding Interest Payment Date.

(10) *REDEMPTION FOR CHANGES IN TAXES*. The Issuers may redeem each series of the Floating Rate Notes, in whole but not in part, at their discretion at any time at a redemption price equal to the principal amount thereof, together with accrued and unpaid interest and Liquidated Damages, if any, to the date fixed by the Issuers for redemption (a *"Tax Redemption Date"*) and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of Holders on the relevant record date to receive interest due on the relevant Interest Payment Date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Floating Rate Notes, the Issuers have or

would be required to pay Additional Amounts, and the Issuers cannot avoid any such payment obligation taking reasonable measures available to them, as a result of:

(a) any change in, or amendment to, the laws or treaties (or any regulations, or rulings promulgated thereunder) of the relevant Tax Jurisdiction affecting taxation which change or amendment has not been publicly announced as formally adopted and which becomes effective on or after the Issue Date (or, if the relevant Tax Jurisdiction has changed since the Issue Date, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under this Indenture); or

(b) any change in, or amendment to, the existing official position or the introduction of an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change, amendment, application or interpretation has not been publicly announced as formally adopted and becomes effective on or after the Issue Date (or, if the relevant Tax Jurisdiction has changed since the Issue Date, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under this Indenture).

The Issuers will not give any such notice of redemption earlier than 90 days prior to the earliest date on which the Issuers would be obligated to make such payment or withholding if a payment in respect of the Floating Rate Notes were then due. Prior to the publication or, where relevant, mailing of any notice of redemption of the Floating Rate Notes pursuant to the foregoing, the Issuers will deliver the Trustee an opinion of counsel, the choice of such counsel to be subject to the prior written approval of the Trustee (such approval not to be unreasonably withheld) to the effect that there has been such change or amendment which would entitle the Issuers to redeem the Floating Rate Notes hereunder and the Issuers cannot avoid any obligation to pay Additional Amounts taking reasonable measures available.

(11) *PERSONS DEEMED OWNERS*. The registered Holder of a Floating Rate Note may be treated as its owner for all purposes.

(12) *AMENDMENT, SUPPLEMENT AND WAIVER*. Subject to certain exceptions, the Indenture or the Floating Rate Notes or the Guarantees may be amended or supplemented with the consent of the Holders of at least a majority in aggregate principal amount of the then outstanding Floating Rate Notes including Floating Rate Additional Notes, if any, voting as a single class, and any existing Default or Event or Default or compliance with any provision of the Indenture or the Floating Rate Notes or the Guarantees may be waived with the consent of the Holders of a majority in aggregate principal amount of the then outstanding Floating Rate Notes including Floating Rate Additional Notes, if any, voting as a single class. Without the consent of any Holder of a Floating Rate Note, the Indenture or the Floating Rate Notes or the Guarantees may be amended or supplemented to cure any ambiguity, defect or inconsistency, to provide for uncertificated Floating Rate Notes in addition to or in place of certificated Floating Rate Notes, to provide for the assumption of the Issuers' or a Guarantor's obligations to Holders of the Floating Rate Notes and Floating Rate Note Guarantees in case of a merger or consolidation, to make any change that would provide any additional rights or benefits to the Holders of the Floating Rate Notes or that does not adversely affect the legal rights under the Indenture of any such Holder, to comply with the requirements of the SEC in order to effect or maintain the qualification of the Indenture under the TIA, to conform the text of the Indenture, the Intercreditor Agreement or the Floating Rate Notes to any provision of the "Description of the second priority notes" section of the Issuers' Offering Memorandum dated

December 16, 2004, relating to the initial offering of the Floating Rate Notes, to the extent that such provision in that "Description of second priority notes" was intended to be a verbatim recitation of a provision of the Indenture, the Guarantees, the Intercreditor Agreement or the Floating Rate Notes; to provide for the issuance of Floating Rate Additional Notes in accordance with the limitations set forth in the Indenture, or to allow any Guarantor to execute a supplemental indenture to the Indenture and/or a Floating Rate Note Guarantee with respect to the Floating Rate Notes.

(13) *DEFAULTS AND REMEDIES*. Events of Default include: (i) default for 30 days in the payment when due of interest on, or Liquidated Damages, if any, with respect to the Floating Rate Notes, (ii) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Floating Rate Notes, (iii) failure by MagnaChip or any of its Restricted Subsidiaries to comply with Section 4.10, 4.15 or 5.01 of the Indenture; (iv) failure by MagnaChip or any of its Restricted Subsidiaries for 60 days after notice to MagnaChip by the Trustee or the Holders of at least 25% in aggregate principal amount of the Floating Rate Notes then outstanding voting as a single class to comply with any of the other agreements in the Indenture or any of the Security Documents; (v) default under certain other agreements relating to Indebtedness of MagnaChip or any of its Restricted Subsidiaries which default (a) is caused by a failure to pay principal of, or interest or premium, if any, on, such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "*Payment Default*") or (b) results in the acceleration of such Indebtedness prior to its express maturity; (vi) certain final judgments for the payment of money that remain undischarged for a period of 60 days; (vii) certain events of bankruptcy or insolvency with respect to MagnaChip or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary; and (viii) the repudiation by MagnaChip or any of its Subsidiaries of any of its obligations under the Security Documents or the unenforceability of the Security Documents against MagnaChip or any of its Subsidiaries for any reason; (ix) except as permitted by the Indenture, any Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect or any Guarantor or any Person acting on its behalf denies or disaffirms its obligations under such Guarantor's Guarantee; and (x) the occurrence of any of (a) except as permitted by the Indenture, any Security Document ceases for any reason to be fully enforceable; *provided*, that it will not be an Event of Default under the Indenture if the sole result of the failure of one or more Security Documents to be fully enforceable is that any Parity Lien purported to be granted under such Security Documents on Collateral, individually or in the aggregate, having a Fair Market Value of not more than $25.0 million ceases to be an enforceable and perfected second-priority Lien, subject only to Permitted Prior Liens, (b) any Parity Lien purported to be granted under any Security Document on Collateral, individually or in the aggregate, having a Fair Market Value in excess of $25.0 million ceases to be an enforceable and perfected second-priority Lien, subject only to Permitted Prior Liens, or (c) MagnaChip or any other Pledgor, or any Person acting on behalf of any of them, denies or disaffirms, in writing, any obligation of MagnaChip or any other Pledgor set forth in or arising under any Security Document. If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Floating Rate Notes may declare all the Floating Rate Notes to be due and payable immediately. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, all outstanding Floating Rate Notes will become due and payable immediately without further action or notice. Holders may not enforce the Indenture or the Floating Rate Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in aggregate principal amount of the then outstanding Floating Rate Notes may direct the

Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Floating Rate Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest or premium or Liquidated Damages, if any,) if it determines that withholding notice is in their interest. The Holders of a majority in aggregate principal amount of the then outstanding Floating Rate Notes by notice to the Trustee may, on behalf of the Holders of all of the Floating Rate Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest or premium or Liquidated Damages, if any, on, or the principal of, the Floating Rate Notes. The Issuers are required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Issuers are required, upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

(14) *TRUSTEE DEALINGS WITH THE ISSUERS*. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Issuers or their Affiliates, and may otherwise deal with the Issuers or their Affiliates, as if it were not the Trustee.

(15) *NO RECOURSE AGAINST OTHERS*. A director, officer, employee, incorporator or stockholder of the Issuers or any of the Guarantors, as such, will not have any liability for any obligations of the Issuers or the Guarantors under the Floating Rate Notes, the Floating Rate Note Guarantees or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Floating Rate Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Floating Rate Notes.

(16) *AUTHENTICATION*. This Floating Rate Note will not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

(17) *ABBREVIATIONS*. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

(18) *ADDITIONAL RIGHTS OF HOLDERS OF RESTRICTED FLOATING RATE GLOBAL NOTES AND RESTRICTED FLOATING RATE DEFINITIVE NOTES*. In addition to the rights provided to Holders of Floating Rate Notes under the Indenture, Holders of Restricted Floating Rate Global Notes and Restricted Floating Rate Definitive Notes will have all the rights set forth in the Registration Rights Agreement dated as of December 23, 2004, among the Issuers, the Guarantors and the other parties named on the signature pages thereof or, in the case of Floating Rate Additional Notes, Holders of Restricted Floating Rate Global Notes and Restricted Floating Rate Definitive Notes will have the rights set forth in one or more registration rights agreements, if any, among the Issuers, the Guarantors and the other parties thereto, relating to rights given by the Issuers and the Guarantors to the purchasers of any Floating Rate Additional Notes (collectively, the "*Registration Rights Agreement*").

(19) *CUSIP NUMBERS*. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Issuers have caused CUSIP numbers to be printed on the Floating Rate Notes, and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Floating Rate Notes or as contained in any notice of redemption, and reliance may be placed only on the other identification numbers placed thereon.

(20) *GOVERNING LAW*. THE INTERNAL LAW OF THE STATE OF NEW YORK WILL GOVERN AND BE USED TO CONSTRUE THE INDENTURE, THIS NOTE AND THE NOTE GUARANTEES WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

The Issuers will furnish to any Holder upon written request and without charge a copy of the Indenture and/or the Registration Rights Agreement. Requests may be made to:

MagnaChip Semiconductor, Ltd.
1, Hyangjeong-dong
Hungduk-gu
Cheongju-si, 361-725
Korea
Attention: Chief Financial Officer

ASSIGNMENT FORM

To assign this Floating Rate Note, fill in the form below:

(I) or (we) assign and transfer this Floating Rate Note to: _____
(Insert assignee's legal name)

_____
(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____
(Print or type assignee's name, address and zip code)

and irrevocably appoint _____
to transfer this Floating Rate Note on the books of the Issuers. The agent may substitute another to act for him.

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the face of this Floating Rate Note)

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Floating Rate Note purchased by the Issuers pursuant to Section 4.10 or 4.15 of the Indenture, check the appropriate box below:

¬Section 4.10 ¬Section 4.15

If you want to elect to have only part of the Floating Rate Note purchased by the Issuers pursuant to Section 4.10 or Section 4.15 of the Indenture, state the amount you elect to have purchased:

$_____

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the face of this Floating Rate Note)

Tax Identification No.: _____

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

SCHEDULE OF EXCHANGES OF INTERESTS IN THE FLOATING RATE GLOBAL NOTE *

The following exchanges of a part of this Floating Rate Global Note for an interest in another Floating Rate Global Note or for a Floating Rate Definitive Note, or exchanges of a part of another Floating Rate Global Note or Floating Rate Definitive Note for an interest in this Floating Rate Global Note, have been made:

| Date of Exchange | Amount of decrease in Principal Amount of this Floating Rate Global Note | Amount of increase in Principal Amount of this Floating Rate Global Note | Principal Amount of this Floating Rate Global Note following such decrease (or increase) | Signature of authorized officer of Trustee or Custodian |
|---|---|---|---|---|
| | | | | |

* *This schedule should be included only if the Floating Rate Note is issued in global form.*

Exhibit A

[Face of Floating Rate Notes Regulation S Temporary Global Note]

CUSIP/CINS _____

Floating Rate Second Priority Senior Secured Notes due 2011

No. ____ $_____

MAGNACHIP SEMICONDUCTOR S.A.
and
MAGNACHIP SEMICONDUCTOR FINANCE COMPANY

promises to pay to _____ or registered assigns,

the principal sum of _____ DOLLARS on _____, 2011.

Interest Payment Dates: _____ and _____

Record Dates: _____ and _____

Dated: December [__], 2004

MAGNACHIP SEMICONDUCTOR S.A.

By: _____

Name:
Title:

MAGNACHIP SEMICONDUCTOR FINANCE COMPANY

By: _____

Name:
Title:

This is one of the Floating Rate Notes referred to
in the within-mentioned Indenture:

THE BANK OF NEW YORK,
as Trustee

By: _____

Authorized Signatory

THE RIGHTS ATTACHING TO THIS REGULATION S TEMPORARY GLOBAL NOTE, AND THE CONDITIONS AND PROCEDURES GOVERNING ITS EXCHANGE FOR CERTIFICATED NOTES, ARE AS SPECIFIED IN THE INDENTURE (AS DEFINED HEREIN). NEITHER THE HOLDER NOR THE BENEFICIAL OWNERS OF THIS REGULATION S TEMPORARY GLOBAL NOTE SHALL BE ENTITLED TO RECEIVE PAYMENT OF INTEREST HEREON.

THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (1) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.06 OF THE INDENTURE, (2) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (3) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (4) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE ISSUERS.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) ("DTC"), TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, [CEDE & CO.], HAS AN INTEREST HEREIN.

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND ACCORDINGLY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (A "QIB"), (B) IT IS NOT A U.S. PERSON, IS NOT ACQUIRING THIS NOTE FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT OR (C) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT) (AN "IAI"), (2) AGREES THAT IT WILL NOT, WITHIN THE TIME PERIOD REFERRED TO UNDER RULE 144(k) (TAKING INTO ACCOUNT THE PROVISIONS OF RULE 144(d) UNDER THE SECURITIES ACT, IF APPLICABLE) UNDER THE

SECURITIES ACT AS IN EFFECT ON THE DATE OF THE TRANSFER OF THIS NOTE, RESELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE ISSUERS OR ANY SUBSIDIARY THEREOF, (B) TO A PERSON WHOM THE HOLDER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (D) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (E) TO AN IAI THAT, PRIOR TO SUCH TRANSFER, FURNISHES TO THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE REGISTRATION OF TRANSFER OF THIS NOTE (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM THE TRUSTEE) AND, IF SUCH TRANSFER IS IN RESPECT OF AN ACCRETED VALUE/AGGREGATE PRINCIPAL AMOUNT OF NOTES AT THE TIME OF TRANSFER OF LESS THAN $250,000, AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUERS THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT OR (F) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND, IN EACH CASE, IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS NOTE OR ANY INTEREST HEREIN WITHIN THE TIME PERIOD REFERRED TO ABOVE, THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS CERTIFICATE TO THE TRUSTEE. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE IN VIOLATION OF THE FOREGOING RESTRICTIONS."

Capitalized terms used herein have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

(1) *INTEREST*. MagnaChip Semiconductor S.A., a Luxembourg public limited liability company (*societe anonyme*) ("MagnaChip"), and MagnaChip Semiconductor Finance Company, a Delaware corporation ("*Finance Company*" and together with MagnaChip, the "*Issuers*"), jointly and severally promise to pay interest on the principal amount of this Floating Rate Note at a rate equal to the LIBOR Rate *plus* 3.25% from December 23, 2004 until maturity and shall pay the Liquidated Damages, if any, payable pursuant to Section 4 of the Registration Rights Agreement referred to below. The LIBOR Rate will be reset quarterly. The LIBOR Rate for the first quarterly period ending on March 14, 2005 will be 5.76%. The Issuers will pay interest and Liquidated Damages, if any, quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each, an "*Interest Payment Date*"). Interest on the Floating Rate Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance; *provided* that if there is no existing Default in the payment of interest, and if this Floating Rate Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; *provided further* that the first Interest Payment Date shall be March 15, 2005. The Issuers will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue

principal and premium, if any, from time to time on demand at a rate that is 1% per annum in excess of the rate then in effect to the extent lawful; it will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Liquidated Damages, if any, (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months

Until this Regulation S Temporary Global Note is exchanged for one or more Regulation S Permanent Global Notes, the Holder hereof shall not be entitled to receive payments of interest hereon; until so exchanged in full, this Regulation S Temporary Global Note shall in all other respects be entitled to the same benefits as other Floating Rate Notes under the Indenture.

(2) *METHOD OF PAYMENT*. The Issuers will pay interest on the Floating Rate Notes (except defaulted interest) and Liquidated Damages, if any, to the Persons who are registered Holders of Floating Rate Notes at the close of business on the March 1, June 1, September 1 or December 1 next preceding the Interest Payment Date, even if such Floating Rate Notes are canceled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Floating Rate Notes will be payable as to principal, premium and Liquidated Damages, if any, and interest at the office or agency of the Issuers maintained for such purpose within or without the City and State of New York, or, at the option of the Issuers, payment of interest and Liquidated Damages, if any, may be made by check mailed to the Holders at their addresses set forth in the register of Holders; *provided* that payment by wire transfer of immediately available funds will be required with respect to principal of and interest, premium and Liquidated Damages, if any, on, all Floating Rate Global Notes and all other Floating Rate Notes the Holders of which will have provided wire transfer instructions to the Issuers or the Paying Agent. Such payment will be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

(3) *PAYING AGENT AND REGISTRAR*. Initially, The Bank of New York, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Issuers may change any Paying Agent or Registrar without notice to any Holder. MagnaChip or any of its Subsidiaries may act in any such capacity.

(4) *INDENTURE*. The Issuers issued the Floating Rate Notes under an Indenture dated as of December 23, 2004 (the "*Indenture*") among the Issuers, the Guarantors and the Trustee. The terms of the Floating Rate Notes include those stated in the Indenture and those made part of the Indenture by reference to the TIA. The Floating Rate Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms. To the extent any provision of this Floating Rate Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. The Floating Rate Notes are secured obligations of the Issuers as evidenced by the Security Documents referred to in the Indenture. The Indenture does not limit the aggregate principal amount of Floating Rate Notes that may be issued thereunder.

(5) *OPTIONAL REDEMPTION.*

(a) At any time prior to December 15, 2005, MagnaChip may on any one or more occasions redeem up to 35% of the aggregate principal amount of Floating Rate Notes issued under the Indenture (including any Floating Rate Additional Notes issued after the Issue Date) at a redemption price of 100% of the principal amount thereof, *plus* the LIBOR Rate in

effect on the date of the redemption notice plus 3.25%, *plus* accrued and unpaid interest and Liquidated Damages, if any, to the redemption date, with the net cash proceeds of one or more Public Equity Offerings or a contribution to MagnaChip's common equity capital made with the net cash proceeds of a concurrent Public Equity Offering of US LLC or any of its Subsidiaries; *provided that*:

(1) at least 65% of the aggregate principal amount of Floating Rate Notes originally issued under this Indenture (excluding Floating Rate Notes held by MagnaChip and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 90 days of the date of the closing of such Public Equity Offering or equity contributions.

(b) On or after December 15, 2005, MagnaChip may redeem all or a part of the Floating Rate Notes, upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at the redemption prices (expressed as percentages of principal amount) set forth below *plus* accrued and unpaid interest and Liquidated Damages, if any, on the Floating Rate Notes redeemed, to the applicable redemption date, if redeemed during the twelve-month period beginning on December 15 of the years indicated below, subject to the rights of holders of Floating Rate Notes on the relevant record date to receive interest due on the relevant interest payment date:

| Year | Percentage |
|---|---|
| 2005 | 103% |
| 2006 | 102% |
| 2007 | 101% |
| 2008 and thereafter | 100% |

At any time prior to December 15, 2005, MagnaChip may also redeem all or a part of the Floating Rate Notes (including any Floating Rate Additional Notes issued after the Issue Date), upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at a redemption price equal to 100% of the principal amount of Floating Rate Notes redeemed *plus* the Floating Rate Second Priority Notes Applicable Premium as of, and accrued and unpaid interest and Liquidated Damages, if any, to the redemption date, subject to the rights of holders of Floating Rate Notes on the relevant record date to receive interest due on the relevant interest payment date.

Unless MagnaChip defaults in the payment of the redemption price, interest will cease to accrue on the Floating Rate Notes or portions thereof called for redemption on the applicable redemption date.

(6) *MANDATORY REDEMPTION.*

The Issuers are not required to make mandatory redemption or sinking fund payments with respect to the Floating Rate Notes.

(7) *REPURCHASE AT THE OPTION OF HOLDER.*

(a) If a Change of Control occurs, the Issuers will make an offer (a *"Change of Control Offer"*) to each Holder to repurchase all or any part (equal to $1,000 or an integral multiple of $1,000 in excess of $1,000) of that Holder's Floating Rate Notes at a purchase price

in cash equal to 101% of the aggregate principal amount of Floating Rate Notes repurchased *plus* accrued and unpaid interest and Liquidated Damages, if any, on the Floating Rate Notes repurchased to the date of purchase, subject to the rights of Holders on the relevant record date to receive interest due on the relevant interest payment date (the *"Change of Control Payment"*). Within 10 days following any Change of Control, the Issuers will mail a notice to each Holder setting forth the procedures governing the Change of Control Offer as required by the Indenture.

(b) If the Issuers or a Restricted Subsidiary of the Issuers consummates any Asset Sales, within 30 days of each date on which the aggregate amount of Excess Proceeds exceeds $10.0 million, MagnaChip will commence an offer to all Holders of Floating Rate Notes and all holders of other Indebtedness that is *pari passu* with the Floating Rate Notes containing provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets (an "*Asset Sale Offer*") pursuant to Section 3.09 of the Indenture to purchase the maximum principal amount of Floating Rate Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds at an offer price in cash in an amount equal to 100% of the principal amount thereof *plus* accrued and unpaid interest and Liquidated Damages, if any, thereon to the date of purchase, in accordance with the procedures set forth in the Indenture. To the extent that the aggregate amount of Floating Rate Notes and other *pari passu* Indebtedness tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, MagnaChip (or such Restricted Subsidiary) may use such deficiency for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Floating Rate Notes and other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee shall select the Floating Rate Notes and such other *pari passu* Indebtedness to be purchased on a *pro rata* basis. Holders of Floating Rate Notes that are the subject of an offer to purchase will receive an Asset Sale Offer from the Issuers prior to any related purchase date and may elect to have such Floating Rate Notes purchased by completing the form entitled "*Option of Holder to Elect Purchase*" attached to the Floating Rate Notes.

(8) *NOTICE OF REDEMPTION*. Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each Holder whose Floating Rate Notes are to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Floating Rate Notes or a satisfaction or discharge of the Indenture. Floating Rate Notes in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000, unless all of the Floating Rate Notes held by a Holder are to be redeemed.

(9) *DENOMINATIONS, TRANSFER, EXCHANGE*. The Floating Rate Notes are in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. The transfer of Floating Rate Notes may be registered and Floating Rate Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Issuers may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Issuers need not exchange or register the transfer of any Floating Rate Note or portion of a Floating Rate Note selected for redemption, except for the unredeemed portion of any Floating Rate Note being redeemed in part. Also, the Issuers need not exchange or register the transfer of any Floating Rate Notes for a period of 15 days before a selection of Floating Rate Notes to be redeemed or during the period between a record date and the corresponding Interest Payment Date.

This Regulation S Temporary Floating Rate Global Note is exchangeable in whole or in part for one or more Floating Rate Global Notes only (i) on or after the termination of the 40-day distribution

compliance period (as defined in Regulation S) and (ii) upon presentation of certificates (accompanied by an Opinion of Counsel, if applicable) required by Article 2 of the Indenture. Upon exchange of this Regulation S Temporary Global Note for one or more Floating Rate Global Notes, the Trustee shall cancel this Regulation S Temporary Global Note.

(10) *REDEMPTION FOR CHANGES IN TAXES.* The Issuers may redeem each series of the Floating Rate Notes, in whole but not in part, at their discretion at any time at a redemption price equal to the principal amount thereof, together with accrued and unpaid interest and Liquidated Damages, if any, to the date fixed by the Issuers for redemption (a *"Tax Redemption Date"*) and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of Holders on the relevant record date to receive interest due on the relevant Interest Payment Date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Floating Rate Notes, the Issuers have or would be required to pay Additional Amounts, and the Issuers cannot avoid any such payment obligation taking reasonable measures available to them, as a result of:

(a) any change in, or amendment to, the laws or treaties (or any regulations, or rulings promulgated thereunder) of the relevant Tax Jurisdiction affecting taxation which change or amendment has not been publicly announced as formally adopted and which becomes effective on or after the Issue Date (or, if the relevant Tax Jurisdiction has changed since the Issue Date, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under this Indenture); or

(b) any change in, or amendment to, the existing official position or the introduction of an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change, amendment, application or interpretation has not been publicly announced as formally adopted and becomes effective on or after the Issue Date (or, if the relevant Tax Jurisdiction has changed since the Issue Date, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under this Indenture).

The Issuers will not give any such notice of redemption earlier than 90 days prior to the earliest date on which the Issuers would be obligated to make such payment or withholding if a payment in respect of the Floating Rate Notes were then due. Prior to the publication or, where relevant, mailing of any notice of redemption of the Floating Rate Notes pursuant to the foregoing, the Issuers will deliver the Trustee an opinion of counsel, the choice of such counsel to be subject to the prior written approval of the Trustee (such approval not to be unreasonably withheld) to the effect that there has been such change or amendment which would entitle the Issuers to redeem the Floating Rate Notes hereunder and the Issuers cannot avoid any obligation to pay Additional Amounts taking reasonable measures available.

(11) *PERSONS DEEMED OWNERS.* The registered Holder of a Floating Rate Note may be treated as its owner for all purposes.

(12) *AMENDMENT, SUPPLEMENT AND WAIVER.* Subject to certain exceptions, the Indenture or the Floating Rate Notes or the Guarantees may be amended or supplemented with the consent of the Holders of at least a majority in aggregate principal amount of the then outstanding Floating Rate Notes including Floating Rate Additional Notes, if any, voting as a single class, and any existing Default or Event or Default or compliance with any provision of

the Indenture or the Floating Rate Notes or the Guarantees may be waived with the consent of the Holders of a majority in aggregate principal amount of the then outstanding Floating Rate Notes including Floating Rate Additional Notes, if any, voting as a single class. Without the consent of any Holder of a Floating Rate Note, the Indenture or the Floating Rate Notes or the Guarantees may be amended or supplemented to cure any ambiguity, defect or inconsistency, to provide for uncertificated Floating Rate Notes in addition to or in place of certificated Floating Rate Notes, to provide for the assumption of the Issuers' or a Guarantor's obligations to Holders of the Floating Rate Notes and Floating Rate Note Guarantees in case of a merger or consolidation, to make any change that would provide any additional rights or benefits to the Holders of the Floating Rate Notes or that does not adversely affect the legal rights under the Indenture of any such Holder, to comply with the requirements of the SEC in order to effect or maintain the qualification of the Indenture under the TIA, to conform the text of the Indenture, the Intercreditor Agreement or the Floating Rate Notes to any provision of the "Description of second priority notes" section of the Issuers' Offering Memorandum dated December 16, 2004, relating to the initial offering of the Notes, to the extent that such provision in that "Description of second priority notes" was intended to be a verbatim recitation of a provision of the Indenture, the Guarantees, the Intercreditor Agreement or the Floating Rate Notes; to provide for the issuance of Floating Rate Additional Notes in accordance with the limitations set forth in the Indenture, or to allow any Guarantor to execute a supplemental indenture to the Indenture and/or a Floating Rate Note Guarantee with respect to the Floating Rate Notes.

(13) *DEFAULTS AND REMEDIES.* Events of Default include: (i) default for 30 days in the payment when due of interest on, or Liquidated Damages, if any, with respect to the Floating Rate Notes, (ii) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Floating Rate Notes, (iii) failure by MagnaChip or any of its Restricted Subsidiaries to comply with Section 4.10, 4.15 or 5.01 of the Indenture; (iv) failure by MagnaChip or any of its Restricted Subsidiaries for 60 days after notice to MagnaChip by the Trustee or the Holders of at least 25% in aggregate principal amount of the Floating Rate Notes then outstanding voting as a single class to comply with any of the other agreements in the Indenture or any of the Security Documents; (v) default under certain other agreements relating to Indebtedness of MagnaChip or any of its Restricted Subsidiaries which default (a) is caused by a failure to pay principal of, or interest or premium, if any, on, such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "*Payment Default*") or (b) results in the acceleration of such Indebtedness prior to its express maturity; (vi) certain final judgments for the payment of money that remain undischarged for a period of 60 days; (vii) certain events of bankruptcy or insolvency with respect to MagnaChip or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary; and (viii) the repudiation by MagnaChip or any of its Subsidiaries of any of its obligations under the Security Documents or the unenforceability of the Security Documents against MagnaChip or any of its Subsidiaries for any reason; (ix) except as permitted by the Indenture, any Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect or any Guarantor or any Person acting on its behalf denies or disaffirms its obligations under such Guarantor's Guarantee; and (x) the occurrence of any of (a) except as permitted by the Indenture, any Security Document ceases for any reason to be fully enforceable; *provided*, that it will not be an Event of Default under the Indenture if the sole result of the failure of one or more Security Documents to be fully enforceable is that any Parity Lien purported to be granted under such Security Documents on Collateral, individually or in the aggregate, having a Fair Market Value of not more than $25.0 million ceases to be an enforceable and perfected

second-priority Lien, subject only to Permitted Prior Liens, (b) any Parity Lien purported to be granted under any Security Document on Collateral, individually or in the aggregate, having a Fair Market Value in excess of $25.0 million ceases to be an enforceable and perfected second-priority Lien, subject only to Permitted Prior Liens, or (c) MagnaChip or any other Pledgor, or any Person acting on behalf of any of them, denies or disaffirms, in writing, any obligation of MagnaChip or any other Pledgor set forth in or arising under any Security Document. If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Floating Rate Notes may declare all the Floating Rate Notes to be due and payable immediately. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, all outstanding Floating Rate Notes will become due and payable immediately without further action or notice. Holders may not enforce the Indenture or the Floating Rate Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in aggregate principal amount of the then outstanding Floating Rate Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Floating Rate Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest or premium or Liquidated Damages, if any,) if it determines that withholding notice is in their interest. The Holders of a majority in aggregate principal amount of the then outstanding Floating Rate Notes by notice to the Trustee may, on behalf of the Holders of all of the Floating Rate Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest or premium or Liquidated Damages, if any, on, or the principal of, the Floating Rate Notes. The Issuers are required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Issuers are required, upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

(14) *TRUSTEE DEALINGS WITH THE ISSUERS*. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Issuers or their Affiliates, and may otherwise deal with the Issuers or their Affiliates, as if it were not the Trustee.

(15) *NO RECOURSE AGAINST OTHERS*. A director, officer, employee, incorporator or stockholder of the Issuers or any of the Guarantors, as such, will not have any liability for any obligations of the Issuers or the Guarantors under the Floating Rate Notes, the Floating Rate Note Guarantees or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Floating Rate Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Floating Rate Notes.

(16) *AUTHENTICATION*. This Floating Rate Note will not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

(17) *ABBREVIATIONS*. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

(18) *ADDITIONAL RIGHTS OF HOLDERS*. In addition to the rights provided to Holders of Floating Rate Notes under the Indenture, Holders of this Regulation S Temporary Global Note will have all the rights set forth in the Registration Rights Agreement dated as of

December 23, 2004, among the Issuers, the Guarantors and the other parties named on the signature pages thereof or, in the case of Floating Rate Additional Notes, Holders of Restricted Floating Rate Global Notes and Restricted Floating Rate Definitive Notes will have the rights set forth in one or more registration rights agreements, if any, among the Issuers, the Guarantors and the other parties thereto, relating to rights given by the Issuers and the Guarantors to the purchasers of any Floating Rate Additional Notes (collectively, the "*Registration Rights Agreement*").

(19) *CUSIP NUMBERS*. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Issuers have caused CUSIP numbers to be printed on the Floating Rate Notes, and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Floating Rate Notes or as contained in any notice of redemption, and reliance may be placed only on the other identification numbers placed thereon.

(20) GOVERNING LAW. THE INTERNAL LAW OF THE STATE OF NEW YORK WILL GOVERN AND BE USED TO CONSTRUE THE INDENTURE, THIS NOTE AND THE GUARANTEES WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

The Issuers will furnish to any Holder upon written request and without charge a copy of the Indenture and/or the Registration Rights Agreement. Requests may be made to:

MagnaChip Semiconductor, Ltd.
1, Hyangjeong-dong
Hungduk-gu
Cheongju-si, 361-725
Korea
Attention: Chief Financial Officer

ASSIGNMENT FORM

To assign this Floating Rate Note, fill in the form below:

(I) or (we) assign and transfer this Floating Rate Note to: _____
(Insert assignee's legal name)

_____
(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____
(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ to transfer this Floating Rate Note on the books of the Issuers. The agent may substitute another to act for him.

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the face of this Floating Rate Note)

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Floating Rate Note purchased by the Issuers pursuant to Section 4.10 or 4.15 of the Indenture, check the appropriate box below:

¬Section 4.10 ¬Section 4.15

If you want to elect to have only part of the Floating Rate Note purchased by the Issuers pursuant to Section 4.10 or Section 4.15 of the Indenture, state the amount you elect to have purchased:

$_____

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the face of this Floating Rate Note)

Tax Identification No.: _____

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

SCHEDULE OF EXCHANGES OF INTERESTS IN THE REGULATION S TEMPORARY GLOBAL FLOATING RATE NOTE

The following exchanges of a part of this Regulation S Temporary Global Note for an interest in another Floating Rate Global Note, or exchanges of a part of another other Restricted Floating Rate Global Note for an interest in this Regulation S Temporary Global Note, have been made:

| Date of Exchange | Amount of decrease in Principal Amount of this Floating Rate Global Note | Amount of increase in Principal Amount of this Floating Rate Global Note | Principal Amount of this Floating Rate Global Note following such decrease (or increase) | Signature of authorized officer of Trustee or Custodian |
|---|---|---|---|---|
| | | | | |

**EXHIBIT B1**

[Face of Fixed Rate Note]

CUSIP/CINS _____

6 7/8% Second Priority Senior Secured Notes due 2011

No. ____ $_____

MAGNACHIP SEMICONDUCTOR S.A.
and
MAGNACHIP SEMICONDUCTOR FINANCE COMPANY

promises to pay to _____ or registered assigns,

the principal sum of _____ DOLLARS on _____, 2011.

Interest Payment Dates: _____ and _____

Record Dates: _____ and _____

Dated: December [__], 2004

MAGNACHIP SEMICONDUCTOR S.A.

By: _____

Name:
Title:

MAGNACHIP SEMICONDUCTOR FINANCE COMPANY

By: _____

Name:
Title:

This is one of the Fixed Rate Notes referred to
in the within-mentioned Indenture:

THE BANK OF NEW YORK,
as Trustee

By: _____

Authorized Signatory

[THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (1) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.06 OF THE INDENTURE, (2) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (3) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (4) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE ISSUERS.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) ("DTC"), TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

[THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THIS NOTE MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE ISSUERS THAT (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (III) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), (IV) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501 (a)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT) THAT, PRIOR TO SUCH TRANSFER, FURNISHES THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN

REPRESENTATIONS AND AGREEMENTS RELATING TO THE TRANSFER OF THIS NOTE (THE FORM OF WHICH CAN BE OBTAINED FROM THE TRUSTEE) AND, IF SUCH TRANSFER IS IN RESPECT OF AN AGGREGATE PRINCIPAL AMOUNT OF NOTES LESS THAN $250,000, AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUERS THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT, OR (V) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (V) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE.]

THE HOLDER OF THIS NOTE REPRESENTS EITHER THAT (A) IT IS NOT A PLAN (WHICH TERM INCLUDES (I) EMPLOYEE BENEFIT PLANS THAT ARE SUBJECT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (II) PLANS, INDIVIDUAL RETIREMENT ACCOUNTS AND OTHER ARRANGEMENTS THAT ARE SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR TO PROVISIONS UNDER APPLICABLE FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SIMILAR TO SUCH PROVISIONS OF ERISA OR THE CODE ("SIMILAR LAWS") AND (III) ENTITIES THE UNDERLYING ASSETS OF WHICH ARE CONSIDERED TO INCLUDE "PLAN ASSETS" OF SUCH PLANS, ACCOUNTS AND ARRANGEMENTS) AND IT HAS NOT PURCHASED THE NOTES ON BEHALF OF, OR WITH THE "PLAN ASSETS" OF, ANY PLAN; OR (B) THE HOLDER'S PURCHASE, HOLDING AND SUBSEQUENT DISPOSITION OF THE NOTES EITHER (I) ARE NOT A PROHIBITED TRANSACTION UNDER ERISA OR THE CODE AND ARE OTHERWISE PERMISSIBLE UNDER ALL APPLICABLE SIMILAR LAWS OR (II) ARE ENTITLED TO EXEMPTIVE RELIEF FROM THE PROHIBITED TRANSACTION PROVISIONS OF ERISA AND THE CODE IN ACCORDANCE WITH ONE OR MORE AVAILABLE STATUTORY, CLASS OR INDIVIDUAL PROHIBITED TRANSACTION EXEMPTIONS AND ARE OTHERWISE PERMISSIBLE UNDER ALL APPLICABLE SIMILAR LAWS.

Capitalized terms used herein have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

(1) *INTEREST*. MagnaChip Semiconductor S.A., a Luxembourg public limited liability company (*societe anonyme*) ("MagnaChip), and MagnaChip Semiconductor Finance Company, a Delaware corporation ("*Finance Company*" and together with MagnaChip, the "*Issuers*"), jointly and severally, promise to pay interest on the principal amount of this Fixed Rate Note at 6 7/8% per annum from December 23, 2004 until maturity and shall pay the Liquidated Damages, if any, payable pursuant to Section 4 of the Registration Rights Agreement referred to below. The Issuers will pay interest and Liquidated Damages, if any, semi-annually in arrears on June 15 and December 15 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each, an "*Interest Payment Date*"). Interest on the Fixed Rate Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance; *provided* that if there is no existing Default in the payment of interest, and if this Fixed Rate Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; *provided further* that the first Interest Payment Date shall be June 15, 2005. The Issuers will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at a rate that is 1% per annum in excess of the rate then in effect to the extent lawful; it will pay interest (including post-petition

interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Liquidated Damages, if any, (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

(2) *METHOD OF PAYMENT*. The Issuers will pay interest on the Fixed Rate Notes (except defaulted interest) and Liquidated Damages, if any, to the Persons who are registered Holders of Fixed Rate Notes at the close of business on the June 1 or December 1 next preceding the Interest Payment Date, even if such Fixed Rate Notes are canceled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Fixed Rate Notes will be payable as to principal, premium and Liquidated Damages, if any, and interest at the office or agency of the Issuers maintained for such purpose within or without the City and State of New York, or, at the option of the Issuers, payment of interest and Liquidated Damages, if any, may be made by check mailed to the Holders at their addresses set forth in the register of Holders; *provided* that payment by wire transfer of immediately available funds will be required with respect to principal of and interest, premium and Liquidated Damages, if any, on, all Fixed Rate Global Notes and all other Fixed Rate Notes the Holders of which will have provided wire transfer instructions to the Issuers or the Paying Agent. Such payment will be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

(3) *PAYING AGENT AND REGISTRAR*. Initially, The Bank of New York, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Issuers may change any Paying Agent or Registrar without notice to any Holder. MagnaChip or any of its Subsidiaries may act in any such capacity.

(4) *INDENTURE*. The Issuers issued the Fixed Rate Notes under an Indenture dated as of December 23, 2004 (the "*Indenture*") among the Issuers, the Guarantors and the Trustee. The terms of the Fixed Rate Notes include those stated in the Indenture and those made part of the Indenture by reference to the TIA. The Fixed Rate Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms. To the extent any provision of this Fixed Rate Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. The Fixed Rate Notes are secured obligations of the Issuers as evidenced by the Security Documents referred to in the Indenture. The Indenture does not limit the aggregate principal amount of Fixed Rate Notes that may be issued thereunder.

(5) *OPTIONAL REDEMPTION*.

(a) At any time prior to December 15, 2007, MagnaChip may on any one or more occasions redeem up to 35% of the aggregate principal amount of Fixed Rate Notes issued under this Indenture (including any Fixed Rate Additional Notes issued after the Issue Date) at a redemption price of 106.875% of the principal amount thereof, *plus* accrued and unpaid interest and Liquidated Damages, if any, to the redemption date, with the net cash proceeds of one or more Public Equity Offerings or a contribution to MagnaChip's common equity capital made with the net cash proceeds of a concurrent Public Equity Offering of US LLC or any of its Subsidiaries; *provided* that:

(1) at least 65% of the aggregate principal amount of Fixed Rate Notes originally issued under this Indenture (including any Fixed Rate Additional Notes issued after the Issue Date) (excluding Fixed Rate Notes held by MagnaChip and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 90 days of the date of the closing of such Public Equity Offering or equity contributions.

(b) On or after December 15, 2008, MagnaChip may redeem all or a part of the Fixed Rate Notes, upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Liquidated Damages, if any, on the Fixed Rate Notes redeemed, to the applicable redemption date, if redeemed during the twelve-month period beginning on December 15 of the years indicated below, subject to the rights of holders of Fixed Rate Notes on the relevant record date to receive interest due on the relevant interest payment date.

| Year | Percentage |
|---|---|
| 2008 | 103.438% |
| 2009 | 101.719% |
| 2010 and thereafter | 100% |

Notwithstanding the foregoing, at any time prior to December 15, 2008, MagnaChip may also redeem all or a part of the Fixed Rate Notes (including any Fixed Rate Additional Notes issued after the Issue Date), upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at a redemption price equal to 100% of the principal amount of Notes redeemed *plus* the Fixed Rate Second Priority Notes Applicable Premium as of, and accrued and unpaid interest and Liquidated Damages, if any, to the redemption date, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date.

Unless MagnaChip defaults in the payment of the redemption price, interest will cease to accrue on the Fixed Rate Notes or portions thereof called for redemption on the applicable redemption date.

(6) *MANDATORY REDEMPTION.*

The Issuers are not required to make mandatory redemption or sinking fund payments with respect to the Fixed Rate Notes.

(7) *REPURCHASE AT THE OPTION OF HOLDER.*

(a) If a Change of Control occurs, the Issuers will make an offer (a *"Change of Control Offer"*) to each Holder to repurchase all or any part (equal to $1,000 or an integral multiple of $1,000 in excess of $1,000) of that Holder's Fixed Rate Notes at a purchase price in cash equal to 101% of the aggregate principal amount of Fixed Rate Notes repurchased *plus* accrued and unpaid interest and Liquidated Damages, if any, on the Fixed Rate Notes repurchased to the date of purchase, subject to the rights of Holders on the relevant record date to receive interest due on the relevant interest payment date (the *"Change of Control Payment"*). Within 10 days following any Change of Control, the Issuers will mail a notice to each Holder setting forth the procedures governing the Change of Control Offer as required by the Indenture.

(b) If the Issuers or a Restricted Subsidiary of the Issuers consummates any Asset Sales, within 30 days of each date on which the aggregate amount of Excess Proceeds exceeds $10.0 million, MagnaChip will commence an offer to all Holders of Fixed Rate Notes and all holders of other Indebtedness that is *pari passu* with the Fixed Rate Notes containing provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets (an "*Asset Sale Offer*") pursuant to Section 3.09 of the Indenture to purchase the maximum principal amount of Fixed Rate Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds at an offer price in cash in an amount equal to 100% of the principal amount thereof *plus* accrued and unpaid interest and Liquidated Damages, if any, thereon to the date of purchase, in accordance with the procedures set forth in the Indenture. To the extent that the aggregate amount of Fixed Rate Notes and other *pari passu* Indebtedness tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, MagnaChip (or such Restricted Subsidiary) may use such deficiency for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Fixed Rate Notes and other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee shall select the Fixed Rate Notes and such other *pari passu* Indebtedness to be purchased on a *pro rata* basis. Holders of Fixed Rate Notes that are the subject of an offer to purchase will receive an Asset Sale Offer from the Issuers prior to any related purchase date and may elect to have such Fixed Rate Notes purchased by completing the form entitled "*Option of Holder to Elect Purchase*" attached to the Fixed Rate Notes.

(8) *NOTICE OF REDEMPTION*. Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each Holder whose Fixed Rate Notes are to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Fixed Rate Notes or a satisfaction or discharge of the Indenture. Fixed Rate Notes in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000, unless all of the Fixed Rate Notes held by a Holder are to be redeemed.

(9) *DENOMINATIONS, TRANSFER, EXCHANGE*. The Fixed Rate Notes are in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. The transfer of Fixed Rate Notes may be registered and Fixed Rate Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Issuers may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Issuers need not exchange or register the transfer of any Fixed Rate Note or portion of a Fixed Rate Note selected for redemption, except for the unredeemed portion of any Fixed Rate Note being redeemed in part. Also, the Issuers need not exchange or register the transfer of any Fixed Rate Notes for a period of 15 days before a selection of Fixed Rate Notes to be redeemed or during the period between a record date and the corresponding Interest Payment Date.

(10) *REDEMPTION FOR CHANGES IN TAXES*. The Issuers may redeem each series of the Fixed Rate Notes, in whole but not in part, at their discretion at any time at a redemption price equal to the principal amount thereof, together with accrued and unpaid interest and Liquidated Damages, if any, to the date fixed by the Issuers for redemption (a *"Tax Redemption Date"*) and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of Holders on the relevant record date to receive interest due on the relevant Interest Payment Date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Fixed Rate Notes, the Issuers have or would be required to pay Additional Amounts, and the Issuers cannot avoid any such payment obligation taking reasonable measures available to them, as a result of:

(a) any change in, or amendment to, the laws or treaties (or any regulations, or rulings promulgated thereunder) of the relevant Tax Jurisdiction affecting taxation which change or amendment has not been publicly announced as formally adopted and which becomes effective on or after the Issue Date (or, if the relevant Tax Jurisdiction has changed since the Issue Date, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under this Indenture); or

(b) any change in, or amendment to, the existing official position or the introduction of an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change, amendment, application or interpretation has not been publicly announced as formally adopted and becomes effective on or after the Issue Date (or, if the relevant Tax Jurisdiction has changed since the Issue Date, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under this Indenture).

The Issuers will not give any such notice of redemption earlier than 90 days prior to the earliest date on which the Issuers would be obligated to make such payment or withholding if a payment in respect of the Fixed Rate Notes were then due. Prior to the publication or, where relevant, mailing of any notice of redemption of the Fixed Rate Notes pursuant to the foregoing, the Issuers will deliver the Trustee an opinion of counsel, the choice of such counsel to be subject to the prior written approval of the Trustee (such approval not to be unreasonably withheld) to the effect that there has been such change or amendment which would entitle the Issuers to redeem the Fixed Rate Notes hereunder and the Issuers cannot avoid any obligation to pay Additional Amounts taking reasonable measures available.

(11) *PERSONS DEEMED OWNERS*. The registered Holder of a Fixed Rate Note may be treated as its owner for all purposes.

(12) *AMENDMENT, SUPPLEMENT AND WAIVER*. Subject to certain exceptions, the Indenture or the Fixed Rate Notes or the Guarantees may be amended or supplemented with the consent of the Holders of at least a majority in aggregate principal amount of the then outstanding Fixed Rate Notes including Fixed Rate Additional Notes, if any, voting as a single class, and any existing Default or Event or Default or compliance with any provision of the Indenture or the Fixed Rate Notes or the Guarantees may be waived with the consent of the Holders of a majority in aggregate principal amount of the then outstanding Fixed Rate Notes including Fixed Rate Additional Notes, if any, voting as a single class. Without the consent of any Holder of a Fixed Rate Note, the Indenture or the Fixed Rate Notes or the Guarantees may be amended or supplemented to cure any ambiguity, defect or inconsistency, to provide for uncertificated Fixed Rate Notes in addition to or in place of certificated Fixed Rate Notes, to provide for the assumption of the Issuers' or a Guarantor's obligations to Holders of the Fixed Rate Notes and Fixed Rate Note Guarantees in case of a merger or consolidation, to make any change that would provide any additional rights or benefits to the Holders of the Fixed Rate Notes or that does not adversely affect the legal rights under the Indenture of any such Holder, to comply with the requirements of the SEC in order to effect or maintain the qualification of the Indenture under the TIA, to conform the text of the Indenture, the Intercreditor Agreement or the Fixed Rate Notes to any provision of the "Description of the second priority notes" section of the Issuers' Offering Memorandum dated December 16, 2004, relating to the initial

offering of the Fixed Rate Notes, to the extent that such provision in that "Description of second priority notes" was intended to be a verbatim recitation of a provision of the Indenture, the Guarantees, the Intercreditor Agreement or the Fixed Rate Notes; to provide for the issuance of Fixed Rate Additional Notes in accordance with the limitations set forth in the Indenture, or to allow any Guarantor to execute a supplemental indenture to the Indenture and/or a Fixed Rate Note Guarantee with respect to the Fixed Rate Notes.

(13) *DEFAULTS AND REMEDIES*. Events of Default include: (i) default for 30 days in the payment when due of interest on, or Liquidated Damages, if any, with respect to the Fixed Rate Notes, (ii) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Fixed Rate Notes, (iii) failure by MagnaChip or any of its Restricted Subsidiaries to comply with Section 4.10, 4.15 or 5.01 of the Indenture; (iv) failure by MagnaChip or any of its Restricted Subsidiaries for 60 days after notice to MagnaChip by the Trustee or the Holders of at least 25% in aggregate principal amount of the Fixed Rate Notes then outstanding voting as a single class to comply with any of the other agreements in the Indenture or any of the Security Documents; (v) default under certain other agreements relating to Indebtedness of MagnaChip or any of its Restricted Subsidiaries which default (a) is caused by a failure to pay principal of, or interest or premium, if any, on, such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "*Payment Default*") or (b) results in the acceleration of such Indebtedness prior to its express maturity; (vi) certain final judgments for the payment of money that remain undischarged for a period of 60 days; (vii) certain events of bankruptcy or insolvency with respect to MagnaChip or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary; and (viii) the repudiation by MagnaChip or any of its Subsidiaries of any of its obligations under the Security Documents or the unenforceability of the Security Documents against MagnaChip or any of its Subsidiaries for any reason; (ix) except as permitted by the Indenture, any Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect or any Guarantor or any Person acting on its behalf denies or disaffirms its obligations under such Guarantor's Guarantee; and (x) the occurrence of any of (a) except as permitted by the Indenture, any Security Document ceases for any reason to be fully enforceable; *provided*, that it will not be an Event of Default under the Indenture if the sole result of the failure of one or more Security Documents to be fully enforceable is that any Parity Lien purported to be granted under such Security Documents on Collateral, individually or in the aggregate, having a Fair Market Value of not more than $25.0 million ceases to be an enforceable and perfected second-priority Lien, subject only to Permitted Prior Liens, (b) any Parity Lien purported to be granted under any Security Document on Collateral, individually or in the aggregate, having a Fair Market Value in excess of $25.0 million ceases to be an enforceable and perfected second-priority Lien, subject only to Permitted Prior Liens, or (c) MagnaChip or any other Pledgor, or any Person acting on behalf of any of them, denies or disaffirms, in writing, any obligation of MagnaChip or any other Pledgor set forth in or arising under any Security Document. If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Fixed Rate Notes may declare all the Fixed Rate Notes to be due and payable immediately. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, all outstanding Fixed Rate Notes will become due and payable immediately without further action or notice. Holders may not enforce the Indenture or the Fixed Rate Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in aggregate principal amount of the then outstanding Fixed Rate Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Fixed Rate Notes notice of any

continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest or premium or Liquidated Damages, if any,) if it determines that withholding notice is in their interest. The Holders of a majority in aggregate principal amount of the then outstanding Fixed Rate Notes by notice to the Trustee may, on behalf of the Holders of all of the Fixed Rate Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest or premium or Liquidated Damages, if any, on, or the principal of, the Fixed Rate Notes. The Issuers are required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Issuers are required, upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

(14) *TRUSTEE DEALINGS WITH THE ISSUERS*. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Issuers or their Affiliates, and may otherwise deal with the Issuers or their Affiliates, as if it were not the Trustee.

(15) *NO RECOURSE AGAINST OTHERS*. A director, officer, employee, incorporator or stockholder of the Issuers or any of the Guarantors, as such, will not have any liability for any obligations of the Issuers or the Guarantors under the Fixed Rate Notes, the Fixed Rate Note Guarantees or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Fixed Rate Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Fixed Rate Notes.

(16) *AUTHENTICATION*. This Fixed Rate Note will not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

(17) *ABBREVIATIONS*. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

(18) *ADDITIONAL RIGHTS OF HOLDERS OF RESTRICTED FIXED RATE GLOBAL NOTES AND RESTRICTED FIXED RATE DEFINITIVE NOTES*. In addition to the rights provided to Holders of Fixed Rate Notes under the Indenture, Holders of Restricted Fixed Rate Global Notes and Restricted Fixed Rate Definitive Notes will have all the rights set forth in the Registration Rights Agreement dated as of December 23, 2004, among the Issuers, the Guarantors and the other parties named on the signature pages thereof or, in the case of Fixed Rate Additional Notes, Holders of Restricted Fixed Rate Global Notes and Restricted Fixed Rate Definitive Notes will have the rights set forth in one or more registration rights agreements, if any, among the Issuers, the Guarantors and the other parties thereto, relating to rights given by the Issuers and the Guarantors to the purchasers of any Fixed Rate Additional Notes (collectively, the "*Registration Rights Agreement*").

(19) *CUSIP NUMBERS*. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Issuers have caused CUSIP numbers to be printed on the Fixed Rate Notes, and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Fixed Rate Notes or as contained in any notice of redemption, and reliance may be placed only on the other identification numbers placed thereon.

(20) *GOVERNING LAW*. THE INTERNAL LAW OF THE STATE OF NEW YORK WILL GOVERN AND BE USED TO CONSTRUE THE INDENTURE, THIS NOTE AND THE NOTE GUARANTEES WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

The Issuers will furnish to any Holder upon written request and without charge a copy of the Indenture and/or the Registration Rights Agreement. Requests may be made to:

MagnaChip Semiconductor, Ltd.
1, Hyangjeong-dong
Hungduk-gu
Cheongju-si, 361-725
Korea
Attention: Chief Financial Officer

ASSIGNMENT FORM

To assign this Fixed Rate Note, fill in the form below:

(I) or (we) assign and transfer this Fixed Rate Note to: _____
(Insert assignee's legal name)

_____
(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____
(Print or type assignee's name, address and zip code)

and irrevocably appoint _____to transfer this Fixed Rate Note on the books of the Issuers. The agent may substitute another to act for him.

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the face of this Fixed Rate Note)

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Fixed Rate Note purchased by the Issuers pursuant to Section 4.10 or 4.15 of the Indenture, check the appropriate box below:

¬Section 4.10 ¬Section 4.15

If you want to elect to have only part of the Fixed Rate Note purchased by the Issuers pursuant to Section 4.10 or Section 4.15 of the Indenture, state the amount you elect to have purchased:

$_____

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the face of this Fixed Rate Note)

Tax Identification No.: _____

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

SCHEDULE OF EXCHANGES OF INTERESTS IN THE FIXED RATE GLOBAL NOTE *

The following exchanges of a part of this Fixed Rate Global Note for an interest in another Fixed Rate Global Note or for a Fixed Rate Definitive Note, or exchanges of a part of another Fixed Rate Global Note or Fixed Rate Definitive Note for an interest in this Fixed Rate Global Note, have been made:

| Date of Exchange | Amount of decrease in Principal Amount of this Fixed Rate Global Note | Amount of increase in Principal Amount of this Fixed Rate Global Note | Principal Amount of this Fixed Rate Global Note following such decrease (or increase) | Signature of authorized officer of Trustee or Custodian |
|---|---|---|---|---|
| | | | | |

* *This schedule should be included only if the Fixed Rate Note is issued in global form.*

Exhibit B

[Face of Fixed Rate Regulation S Temporary Global Note]

CUSIP/CINS _____

6 7/8% Second Priority Senior Secured Notes due 2011

No. ____ $_____

MAGNACHIP SEMICONDUCTOR S.A.
and
MAGNACHIP SEMICONDUCTOR FINANCE COMPANY

promises to pay to _____ or registered assigns,

the principal sum of _____ DOLLARS on _____, 2011.

Interest Payment Dates: _____ and _____

Record Dates: _____ and _____

Dated: December [__], 2004

MAGNACHIP SEMICONDUCTOR S.A.

By: _____

Name:
Title:

MAGNACHIP SEMICONDUCTOR FINANCE COMPANY

By: _____

Name:
Title:

This is one of the Fixed Rate Notes referred to
in the within-mentioned Indenture:

THE BANK OF NEW YORK,
as Trustee

By: _____

Authorized Signatory

THE RIGHTS ATTACHING TO THIS REGULATION S TEMPORARY GLOBAL NOTE, AND THE CONDITIONS AND PROCEDURES GOVERNING ITS EXCHANGE FOR CERTIFICATED NOTES, ARE AS SPECIFIED IN THE INDENTURE (AS DEFINED HEREIN). NEITHER THE HOLDER NOR THE BENEFICIAL OWNERS OF THIS REGULATION S TEMPORARY GLOBAL NOTE SHALL BE ENTITLED TO RECEIVE PAYMENT OF INTEREST HEREON.

THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (1) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.06 OF THE INDENTURE, (2) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (3) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (4) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE ISSUERS.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) ("DTC"), TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND ACCORDINGLY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (A "QIB"), (B) IT IS NOT A U.S. PERSON, IS NOT ACQUIRING THIS NOTE FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT OR (C) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT) (AN "IAI"), (2) AGREES THAT IT WILL NOT, WITHIN THE TIME PERIOD REFERRED TO UNDER RULE 144(k) (TAKING INTO ACCOUNT THE PROVISIONS OF RULE 144(d) UNDER THE SECURITIES ACT, IF APPLICABLE) UNDER THE

SECURITIES ACT AS IN EFFECT ON THE DATE OF THE TRANSFER OF THIS NOTE, RESELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE ISSUERS OR ANY SUBSIDIARY THEREOF, (B) TO A PERSON WHOM THE HOLDER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (D) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (E) TO AN IAI THAT, PRIOR TO SUCH TRANSFER, FURNISHES TO THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE REGISTRATION OF TRANSFER OF THIS NOTE (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM THE TRUSTEE) AND, IF SUCH TRANSFER IS IN RESPECT OF AN ACCRETED VALUE/AGGREGATE PRINCIPAL AMOUNT OF NOTES AT THE TIME OF TRANSFER OF LESS THAN $250,000, AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUERS THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT OR (F) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND, IN EACH CASE, IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS NOTE OR ANY INTEREST HEREIN WITHIN THE TIME PERIOD REFERRED TO ABOVE, THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS CERTIFICATE TO THE TRUSTEE. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE IN VIOLATION OF THE FOREGOING RESTRICTIONS."

Capitalized terms used herein have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

(1) *INTEREST*. MagnaChip Semiconductor S.A., a Luxembourg public limited liability company (*societe anonyme*) ("MagnaChip), and MagnaChip Semiconductor Finance Company, a Delaware corporation ("*Finance Company*" and together with MagnaChip, the "*Issuers*"), jointly and severally, promise to pay interest on the principal amount of this Fixed Rate Note at 6 7/8% per annum from December 23, 2004 until maturity and shall pay the Liquidated Damages, if any, payable pursuant to Section 4 of the Registration Rights Agreement referred to below. The Issuers will pay interest and Liquidated Damages, if any, semi-annually in arrears on June 15 and December 15 of each year, or if any such day is not a Business Day, on the next succeeding Business Day, or if any such day is not a Business Day, on the next succeeding Business Day (each, an "*Interest Payment Date*"). Interest on the Fixed Rate Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance; *provided* that if there is no existing Default in the payment of interest, and if this Fixed Rate Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; *provided further* that the first Interest Payment Date shall be June 15, 2005. The Issuers will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at a rate that is 1% per annum in excess of the rate then in effect to the extent lawful; it will pay interest (including post-petition interest in

any proceeding under any Bankruptcy Law) on overdue installments of interest and Liquidated Damages, if any, (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

(2) *METHOD OF PAYMENT*. The Issuers will pay interest on the Fixed Rate Notes (except defaulted interest) and Liquidated Damages, if any, to the Persons who are registered Holders of Fixed Rate Notes at the close of business on the June 1 or December 1 next preceding the Interest Payment Date, even if such Fixed Rate Notes are canceled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Fixed Rate Notes will be payable as to principal, premium and Liquidated Damages, if any, and interest at the office or agency of the Issuers maintained for such purpose within or without the City and State of New York, or, at the option of the Issuers, payment of interest and Liquidated Damages, if any, may be made by check mailed to the Holders at their addresses set forth in the register of Holders; *provided* that payment by wire transfer of immediately available funds will be required with respect to principal of and interest, premium and Liquidated Damages, if any, on, all Fixed Rate Global Notes and all other Fixed Rate Notes the Holders of which will have provided wire transfer instructions to the Issuers or the Paying Agent. Such payment will be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

(3) *PAYING AGENT AND REGISTRAR*. Initially, The Bank of New York, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Issuers may change any Paying Agent or Registrar without notice to any Holder. MagnaChip or any of its Subsidiaries may act in any such capacity.

(4) *INDENTURE*. The Issuers issued the Fixed Rate Notes under an Indenture dated as of December 23, 2004 (the "*Indenture*") among the Issuers, the Guarantors and the Trustee. The terms of the Fixed Rate Notes include those stated in the Indenture and those made part of the Indenture by reference to the TIA. The Fixed Rate Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms. To the extent any provision of this Fixed Rate Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. The Fixed Rate Notes are secured obligations of the Issuers as evidenced by the Security Documents referred to in the Indenture. The Indenture does not limit the aggregate principal amount of Fixed Rate Notes that may be issued thereunder.

(5) *OPTIONAL REDEMPTION.*

(a) At any time prior to December 15, 2007, MagnaChip may on any one or more occasions redeem up to 35% of the aggregate principal amount of Fixed Rate Notes issued under this Indenture (including any Fixed Rate Additional Notes issued after the Issue Date) at a redemption price of 106.875% of the principal amount thereof, *plus* accrued and unpaid interest and Liquidated Damages, if any, to the redemption date, with the net cash proceeds of one or more Public Equity Offerings or a contribution to MagnaChip's common equity capital made with the net cash proceeds of a concurrent Public Equity Offering of common stock of US LLC or any of its Subsidiaries; *provided* that:

(1) at least 65% of the aggregate principal amount of Fixed Rate Notes originally issued under this Indenture (including any Fixed Rate Additional Notes issued after the Issue Date) (excluding Fixed Rate Notes held by MagnaChip and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 90 days of the date of the closing of such Public Equity Offering or equity contributions.

(b) On or after December 15, 2008, MagnaChip may redeem all or a part of the Fixed Rate Notes, upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Liquidated Damages, if any, on the Fixed Rate Notes redeemed, to the applicable redemption date, if redeemed during the twelve-month period beginning on December 15 of the years indicated below, subject to the rights of holders of Fixed Rate Notes on the relevant record date to receive interest due on the relevant interest payment date.

| Year | Percentage |
|---|---|
| 2008 | 103.438% |
| 2009 | 101.719% |
| 2010 and thereafter | 100% |

Notwithstanding the foregoing, at any time prior to December 15, 2008, MagnaChip may also redeem all or a part of the Fixed Rate Notes (including any Fixed Rate Additional Notes issued after the Issue Date), upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at a redemption price equal to 100% of the principal amount of Notes redeemed *plus* the Fixed Rate Second Priority Notes Applicable Premium as of, and accrued and unpaid interest and Liquidated Damages, if any, to the redemption date, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date.

Unless MagnaChip defaults in the payment of the redemption price, interest will cease to accrue on the Fixed Rate Notes or portions thereof called for redemption on the applicable redemption date.

(6) *MANDATORY REDEMPTION.*

The Issuers are not required to make mandatory redemption or sinking fund payments with respect to the Fixed Rate Notes.

(7) *REPURCHASE AT THE OPTION OF HOLDER.*

(a) If a Change of Control occurs, the Issuers will make an offer (a *"Change of Control Offer"*) to each Holder to repurchase all or any part (equal to $1,000 or an integral multiple of $1,000 in excess of $1,000) of that Holder's Fixed Rate Notes at a purchase price in cash equal to 101% of the aggregate principal amount of Fixed Rate Notes repurchased *plus* accrued and unpaid interest and Liquidated Damages, if any, on the Fixed Rate Notes repurchased to the date of purchase, subject to the rights of Holders on the relevant record date to receive interest due on the relevant interest payment date (the *"Change of Control Payment"*). Within 10 days following any Change of Control, the Issuers will mail a notice to each Holder setting forth the procedures governing the Change of Control Offer as required by the Indenture.

(b) If the Issuers or a Restricted Subsidiary of the Issuers consummates any Asset Sales, within 30 days of each date on which the aggregate amount of Excess Proceeds exceeds $10.0 million, MagnaChip will commence an offer to all Holders of Fixed Rate Notes and all holders of other Indebtedness that is *pari passu* with the Fixed Rate Notes containing provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets (an "*Asset Sale Offer*") pursuant to Section 3.09 of the Indenture to purchase the maximum principal amount of Fixed Rate Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds at an offer price in cash in an amount equal to 100% of the principal amount thereof *plus* accrued and unpaid interest and Liquidated Damages, if any, thereon to the date of purchase, in accordance with the procedures set forth in the Indenture. To the extent that the aggregate amount of Fixed Rate Notes and other *pari passu* Indebtedness tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, MagnaChip (or such Restricted Subsidiary) may use such deficiency for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Fixed Rate Notes and other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee shall select the Fixed Rate Notes and such other *pari passu* Indebtedness to be purchased on a *pro rata* basis. Holders of Fixed Rate Notes that are the subject of an offer to purchase will receive an Asset Sale Offer from the Issuers prior to any related purchase date and may elect to have such Fixed Rate Notes purchased by completing the form entitled "*Option of Holder to Elect Purchase*" attached to the Fixed Rate Notes.

(8) *NOTICE OF REDEMPTION*. Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each Holder whose Fixed Rate Notes are to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Fixed Rate Notes or a satisfaction or discharge of the Indenture. Fixed Rate Notes in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000, unless all of the Fixed Rate Notes held by a Holder are to be redeemed.

(9) *DENOMINATIONS, TRANSFER, EXCHANGE*. The Fixed Rate Notes are in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. The transfer of Fixed Rate Notes may be registered and Fixed Rate Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Issuers may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Issuers need not exchange or register the transfer of any Fixed Rate Note or portion of a Fixed Rate Note selected for redemption, except for the unredeemed portion of any Fixed Rate Note being redeemed in part. Also, the Issuers need not exchange or register the transfer of any Fixed Rate Notes for a period of 15 days before a selection of Fixed Rate Notes to be redeemed or during the period between a record date and the corresponding Interest Payment Date.

(10) *REDEMPTION FOR CHANGES IN TAXES*. The Issuers may redeem each series of the Fixed Rate Notes, in whole but not in part, at their discretion at any time at a redemption price equal to the principal amount thereof, together with accrued and unpaid interest and Liquidated Damages, if any, to the date fixed by the Issuers for redemption (a *"Tax Redemption Date"*) and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of Holders on the relevant record date to receive interest due on the relevant Interest Payment Date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Fixed Rate Notes, the Issuers have or

would be required to pay Additional Amounts, and the Issuers cannot avoid any such payment obligation taking reasonable measures available to them, as a result of:

(a) any change in, or amendment to, the laws or treaties (or any regulations, or rulings promulgated thereunder) of the relevant Tax Jurisdiction affecting taxation which change or amendment has not been publicly announced as formally adopted and which becomes effective on or after the Issue Date (or, if the relevant Tax Jurisdiction has changed since the Issue Date, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under this Indenture); or

(b) any change in, or amendment to, the existing official position or the introduction of an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change, amendment, application or interpretation has not been publicly announced as formally adopted and becomes effective on or after the Issue Date (or, if the relevant Tax Jurisdiction has changed since the Issue Date, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under this Indenture).

The Issuers will not give any such notice of redemption earlier than 90 days prior to the earliest date on which the Issuers would be obligated to make such payment or withholding if a payment in respect of the Fixed Rate Notes were then due. Prior to the publication or, where relevant, mailing of any notice of redemption of the Fixed Rate Notes pursuant to the foregoing, the Issuers will deliver the Trustee an opinion of counsel, the choice of such counsel to be subject to the prior written approval of the Trustee (such approval not to be unreasonably withheld) to the effect that there has been such change or amendment which would entitle the Issuers to redeem the Fixed Rate Notes hereunder and the Issuers cannot avoid any obligation to pay Additional Amounts taking reasonable measures available.

(11) *PERSONS DEEMED OWNERS*. The registered Holder of a Fixed Rate Note may be treated as its owner for all purposes.

(12) *AMENDMENT, SUPPLEMENT AND WAIVER*. Subject to certain exceptions, the Indenture or the Fixed Rate Notes or the Guarantees may be amended or supplemented with the consent of the Holders of at least a majority in aggregate principal amount of the then outstanding Fixed Rate Notes including Fixed Rate Additional Notes, if any, voting as a single class, and any existing Default or Event or Default or compliance with any provision of the Indenture or the Fixed Rate Notes or the Guarantees may be waived with the consent of the Holders of a majority in aggregate principal amount of the then outstanding Fixed Rate Notes including Fixed Rate Additional Notes, if any, voting as a single class. Without the consent of any Holder of a Fixed Rate Note, the Indenture or the Fixed Rate Notes or the Guarantees may be amended or supplemented to cure any ambiguity, defect or inconsistency, to provide for uncertificated Fixed Rate Notes in addition to or in place of certificated Fixed Rate Notes, to provide for the assumption of the Issuers' or a Guarantor's obligations to Holders of the Fixed Rate Notes and Fixed Rate Note Guarantees in case of a merger or consolidation, to make any change that would provide any additional rights or benefits to the Holders of the Fixed Rate Notes or that does not adversely affect the legal rights under the Indenture of any such Holder, to comply with the requirements of the SEC in order to effect or maintain the qualification of the Indenture under the TIA, to conform the text of the Indenture, the Intercreditor Agreement or the Fixed Rate Notes to any provision of the "Description of the second priority notes" section of the Issuers' Offering Memorandum dated December 16, 2004, relating to the initial

offering of the Fixed Rate Notes, to the extent that such provision in that "Description of second priority notes" was intended to be a verbatim recitation of a provision of the Indenture, the Guarantees, the Intercreditor Agreement or the Fixed Rate Notes; to provide for the issuance of Fixed Rate Additional Notes in accordance with the limitations set forth in the Indenture, or to allow any Guarantor to execute a supplemental indenture to the Indenture and/or a Fixed Rate Note Guarantee with respect to the Fixed Rate Notes.

(13) *DEFAULTS AND REMEDIES.* Events of Default include: (i) default for 30 days in the payment when due of interest on, or Liquidated Damages, if any, with respect to the Fixed Rate Notes, (ii) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Fixed Rate Notes, (iii) failure by MagnaChip or any of its Restricted Subsidiaries to comply with Section 4.10, 4.15 or 5.01 of the Indenture; (iv) failure by MagnaChip or any of its Restricted Subsidiaries for 60 days after notice to MagnaChip by the Trustee or the Holders of at least 25% in aggregate principal amount of the Fixed Rate Notes then outstanding voting as a single class to comply with any of the other agreements in the Indenture or any of the Security Documents; (v) default under certain other agreements relating to Indebtedness of MagnaChip or any of its Restricted Subsidiaries which default (a) is caused by a failure to pay principal of, or interest or premium, if any, on, such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "*Payment Default*") or (b) results in the acceleration of such Indebtedness prior to its express maturity; (vi) certain final judgments for the payment of money that remain undischarged for a period of 60 days; (vii) certain events of bankruptcy or insolvency with respect to MagnaChip or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary; and (viii) the repudiation by MagnaChip or any of its Subsidiaries of any of its obligations under the Security Documents or the unenforceability of the Security Documents against MagnaChip or any of its Subsidiaries for any reason; (ix) except as permitted by the Indenture, any Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect or any Guarantor or any Person acting on its behalf denies or disaffirms its obligations under such Guarantor's Guarantee; and (x) the occurrence of any of (a) except as permitted by the Indenture, any Security Document ceases for any reason to be fully enforceable; *provided*, that it will not be an Event of Default under the Indenture if the sole result of the failure of one or more Security Documents to be fully enforceable is that any Parity Lien purported to be granted under such Security Documents on Collateral, individually or in the aggregate, having a Fair Market Value of not more than $25.0 million ceases to be an enforceable and perfected second-priority Lien, subject only to Permitted Prior Liens, (b) any Parity Lien purported to be granted under any Security Document on Collateral, individually or in the aggregate, having a Fair Market Value in excess of $25.0 million ceases to be an enforceable and perfected second-priority Lien, subject only to Permitted Prior Liens, or (c) MagnaChip or any other Pledgor, or any Person acting on behalf of any of them, denies or disaffirms, in writing, any obligation of MagnaChip or any other Pledgor set forth in or arising under any Security Document. If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Fixed Rate Notes may declare all the Fixed Rate Notes to be due and payable immediately. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, all outstanding Fixed Rate Notes will become due and payable immediately without further action or notice. Holders may not enforce the Indenture or the Fixed Rate Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in aggregate principal amount of the then outstanding Fixed Rate Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Fixed Rate Notes notice of any

continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest or premium or Liquidated Damages, if any,) if it determines that withholding notice is in their interest. The Holders of a majority in aggregate principal amount of the then outstanding Fixed Rate Notes by notice to the Trustee may, on behalf of the Holders of all of the Fixed Rate Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest or premium or Liquidated Damages, if any, on, or the principal of, the Fixed Rate Notes. The Issuers are required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Issuers are required, upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

(14) *TRUSTEE DEALINGS WITH THE ISSUERS*. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Issuers or their Affiliates, and may otherwise deal with the Issuers or their Affiliates, as if it were not the Trustee.

(15) *NO RECOURSE AGAINST OTHERS*. A director, officer, employee, incorporator or stockholder of the Issuers or any of the Guarantors, as such, will not have any liability for any obligations of the Issuers or the Guarantors under the Fixed Rate Notes, the Fixed Rate Note Guarantees or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Fixed Rate Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Fixed Rate Notes.

(16) *AUTHENTICATION*. This Fixed Rate Note will not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

(17) *ABBREVIATIONS*. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

(18) *ADDITIONAL RIGHTS OF HOLDERS OF RESTRICTED FIXED RATE GLOBAL NOTES AND RESTRICTED FIXED RATE DEFINITIVE NOTES*. In addition to the rights provided to Holders of Fixed Rate Notes under the Indenture, Holders of Restricted Fixed Rate Global Notes and Restricted Fixed Rate Definitive Notes will have all the rights set forth in the Registration Rights Agreement dated as of December 23, 2004, among the Issuers, the Guarantors and the other parties named on the signature pages thereof or, in the case of Fixed Rate Additional Notes, Holders of Restricted Fixed Rate Global Notes and Restricted Fixed Rate Definitive Notes will have the rights set forth in one or more registration rights agreements, if any, among the Issuers, the Guarantors and the other parties thereto, relating to rights given by the Issuers and the Guarantors to the purchasers of any Fixed Rate Additional Notes (collectively, the "*Registration Rights Agreement*").

(19) *CUSIP NUMBERS*. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Issuers have caused CUSIP numbers to be printed on the Fixed Rate Notes, and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Fixed Rate Notes or as contained in any notice of redemption, and reliance may be placed only on the other identification numbers placed thereon.

(20) *GOVERNING LAW*. THE INTERNAL LAW OF THE STATE OF NEW YORK WILL GOVERN AND BE USED TO CONSTRUE THE INDENTURE, THIS NOTE AND THE NOTE GUARANTEES WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

The Issuers will furnish to any Holder upon written request and without charge a copy of the Indenture and/or the Registration Rights Agreement. Requests may be made to:

MagnaChip Semiconductor, Ltd.
1, Hyangjeong-dong
Hungduk-gu
Cheongju-si, 361-725
Korea
Attention: Chief Financial Officer

ASSIGNMENT FORM

To assign this Fixed Rate Note, fill in the form below:

(I) or (we) assign and transfer this Fixed Rate Note to: _____
(Insert assignee's legal name)

_____
(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____
(Print or type assignee's name, address and zip code)

and irrevocably appoint _____
to transfer this Fixed Rate Note on the books of the Issuers. The agent may substitute another to act for him.

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the face of this Fixed Rate Note)

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Fixed Rate Note purchased by the Issuers pursuant to Section 4.10 or 4.15 of the Indenture, check the appropriate box below:

¬Section 4.10 ¬Section 4.15

If you want to elect to have only part of the Fixed Rate Note purchased by the Issuers pursuant to Section 4.10 or Section 4.15 of the Indenture, state the amount you elect to have purchased:

$_____

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the face of this Fixed Rate Note)

Tax Identification No.: _____

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

SCHEDULE OF EXCHANGES OF INTERESTS IN THE FIXED RATE GLOBAL NOTE *

The following exchanges of a part of this Fixed Rate Global Note for an interest in another Fixed Rate Global Note or for a Fixed Rate Definitive Note, or exchanges of a part of another Fixed Rate Global Note or Fixed Rate Definitive Note for an interest in this Fixed Rate Global Note, have been made:

| Date of Exchange | Amount of decrease in Principal Amount of this Fixed Rate Global Note | Amount of increase in Principal Amount of this Fixed Rate Global Note | Principal Amount of this Fixed Rate Global Note following such decrease (or increase) | Signature of authorized officer of Trustee or Custodian |
|---|---|---|---|---|
| | | | | |

* *This schedule should be included only if the Fixed Rate Note is issued in global form.*

EXHIBIT C

FORM OF CERTIFICATE OF TRANSFER

MagnaChip Semiconductor S.A.
MagnaChip Semiconductor Finance Company
1, Hyangjeong-dong
Hungduk-gu
Cheongju-si, 361-725
Korea
Attention: Chief Financial Officer

[*Registrar address block*]

Re: [Floating Rate Second Priority Senior Secured Notes due 2011/6 7/8% Second Priority Senior Secured Notes due 2011]

Reference is hereby made to the Indenture, dated as of December 23, 2004 (the "*Indenture*"), among MagnaChip Semiconductor S.A., a Luxembourg public limited liability company (*societe anonyme*) ("*MagnaChip*"), MagnaChip Semiconductor Finance Company, a Delaware corporation ("*Finance Company*" and together with MagnaChip, the "*Issuers*"), the Guarantors (as defined), The Bank of New York, as trustee and [US Bank], as Collateral Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____, (the "*Transferor*") owns and proposes to transfer the [Floating Rate/Fixed Rate] Note[s] or interest in such [Floating Rate/Fixed Rate] Note[s] specified in Annex [A/B] hereto, in the principal amount of $_____ in such [Floating Rate/Fixed Rate] Note[s] or interests (the "*Transfer*"), to _____ (the "*Transferee*"), as further specified in Annex [A/B] hereto. In connection with the Transfer, the Transferor hereby certifies that:

[CHECK ALL THAT APPLY]

1. ☐ **Check if Transferee will take delivery of a beneficial interest in the [Floating Rate/Fixed Rate] 144A Global Note or a [Floating Rate/Fixed Rate] Restricted Definitive Note pursuant to Rule 144A**. The Transfer is being effected pursuant to and in accordance with Rule 144A under the Securities Act of 1933, as amended (the "*Securities Act*"), and, accordingly, the Transferor hereby further certifies that the beneficial interest or [Floating Rate/Fixed Rate] Definitive Note is being transferred to a Person that the Transferor reasonably believes is purchasing the beneficial interest or [Floating Rate/Fixed Rate] Definitive Note for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A, and such Transfer is in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or [Floating Rate/Fixed Rate] Definitive Note will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the [Floating Rate/Fixed Rate] 144A Global Note and/or the [Floating Rate/Fixed Rate] Restricted Definitive Note and in the Indenture and the Securities Act.

2. ☐ **Check if Transferee will take delivery of a beneficial interest in the [Floating Rate/Fixed Rate] Regulation S Temporary Global Note, the [Floating Rate/Fixed Rate] Regulation S Permanent Global Note or a [Floating Rate/Fixed Rate] Restricted Definitive Note pursuant to Regulation S**. The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904

under the Securities Act and, accordingly, the Transferor hereby further certifies that (i) the Transfer is not being made to a Person in the United States and (x) at the time the buy order was originated, the Transferee was outside the United States or such Transferor and any Person acting on its behalf reasonably believed and believes that the Transferee was outside the United States or (y) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither such Transferor nor any Person acting on its behalf knows that the transaction was prearranged with a buyer in the United States, (ii) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S under the Securities Act and, (iii) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act [and (iv) if the proposed transfer is being made prior to the expiration of the Restricted Period, the transfer is not being made to a U.S. Person or for the account or benefit of a U.S. Person (other than an Initial Purchaser). Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or [Floating Rate/Fixed Rate] Definitive Note will be subject to the restrictions on Transfer enumerated in the Private Placement Legend printed on the [Floating Rate/Fixed Rate] Regulation S Permanent Global Note, the [Floating Rate/Fixed Rate] Regulation S Temporary Global Note and/or the [Floating Rate/Fixed Rate] Restricted Definitive Note and in the Indenture and the Securities Act.

3. ☐ **Check and complete if Transferee will take delivery of a beneficial interest in the [Floating Rate/Fixed Rate] IAI Global Note or a [Floating Rate/Fixed Rate] Restricted Definitive Note pursuant to any provision of the Securities Act other than Rule 144A or Regulation S**. The Transfer is being effected in compliance with the transfer restrictions applicable to beneficial interests in [Floating Rate/Fixed Rate] Restricted Global Notes and [Floating Rate/Fixed Rate] Restricted Definitive Notes and pursuant to and in accordance with the Securities Act and any applicable blue sky securities laws of any state of the United States, and accordingly the Transferor hereby further certifies that (check one):

(a) ☐ such Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act;

or

(b) ☐ such Transfer is being effected to the Issuers or a subsidiary thereof;

or

(c) ☐ such Transfer is being effected pursuant to an effective registration statement under the Securities Act and in compliance with the prospectus delivery requirements of the Securities Act;

or

(d) ☐ such Transfer is being effected to an Institutional Accredited Investor and pursuant to an exemption from the registration requirements of the Securities Act other than Rule 144A, Rule 144, Rule 903 or Rule 904, and the Transferor hereby further certifies that it has not engaged in any general solicitation within the meaning of Regulation D under the Securities Act and the Transfer complies with the transfer restrictions applicable to beneficial interests in a [Floating Rate/Fixed Rate] Restricted Global Note or [Floating Rate/Fixed Rate] Restricted Definitive Notes and the requirements of the exemption claimed, which certification is supported by (1) a certificate executed by the Transferee in the form of Exhibit D to the Indenture and (2) if such Transfer is in respect of a principal amount of [Floating Rate/Fixed

Rate] Notes at the time of transfer of less than $250,000, an Opinion of Counsel provided by the Transferor or the Transferee (a copy of which the Transferor has attached to this certification), to the effect that such Transfer is in compliance with the Securities Act. Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or [Floating Rate/Fixed Rate] Definitive Note will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the [Floating Rate/Fixed Rate] IAI Global Note and/or the [Floating Rate/Fixed Rate] Restricted Definitive Notes and in the Indenture and the Securities Act.

4. ☐ **Check if Transferee will take delivery of a beneficial interest in an [Floating Rate/Fixed Rate] Unrestricted Global Note or of an [Floating Rate/Fixed Rate] Unrestricted Definitive Note**.

(a) ☐ **Check if Transfer is pursuant to Rule 144**. (i) The Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or [Floating Rate/Fixed Rate] Definitive Note will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the [Floating Rate/Fixed Rate] Restricted Global Notes, on [Floating Rate/Fixed Rate] Restricted Definitive Notes and in the Indenture.

(b) ☐ **Check if Transfer is Pursuant to Regulation S**. (i) The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or [Floating Rate/Fixed Rate] Definitive Note will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, on Restricted Definitive Notes and in the Indenture.

(c) ☐ **Check if Transfer is Pursuant to Other Exemption**. (i) The Transfer is being effected pursuant to and in compliance with an exemption from the registration requirements of the Securities Act other than Rule 144, Rule 903 or Rule 904 and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any State of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or [Floating Rate/Fixed Rate] Definitive Note will not be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the [Floating Rate/Fixed Rate] Restricted Global Notes or [Floating Rate/Fixed Rate] Restricted Definitive Notes and in the Indenture.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuers.

_____

[Insert Name of Transferor]

By: _____

Name:
Title:

Dated: _____

ANNEX A TO CERTIFICATE OF TRANSFER

1. The Transferor owns and proposes to transfer the following:

[CHECK ONE OF (a) OR (b)]

(a) ☐ a beneficial interest in the:

(i) ☐ [Floating Rate/Fixed Rate] 144A Global Note (CUSIP _____), or

(ii) ☐ [Floating Rate/Fixed Rate] Regulation S Global Note (CUSIP _____), or

(iii) ☐ [Floating Rate/Fixed Rate] IAI Global Note (CUSIP _____); or

(b) ☐ a [Floating Rate/Fixed Rate] Restricted Definitive Note.

2. After the Transfer the Transferee will hold:

[CHECK ONE]

(a) ☐ a beneficial interest in the:

(i) ☐ [Floating Rate/Fixed Rate] 144A Global Note (CUSIP _____), or

(ii) ☐ [Floating Rate/Fixed Rate] Regulation S Global Note (CUSIP _____), or

(iii) ☐ [Floating Rate/Fixed Rate] IAI Global Note (CUSIP _____); or

(iv) ☐ [Floating Rate/Fixed Rate] Unrestricted Global Note (CUSIP _____); or

(b) ☐ a [Floating Rate/Fixed Rate] Restricted Definitive Note; or

(c) ☐ an [Floating Rate/Fixed Rate] Unrestricted Definitive Note,

in accordance with the terms of the Indenture.

EXHIBIT E1

FORM OF CERTIFICATE OF EXCHANGE

MagnaChip Semiconductor S.A.
MagnaChip Semiconductor Finance Company
1, Hyangjeong-dong
Hungduk-gu
Cheongju-si, 361-725
Korea
Attention: Chief Financial Officer

[*Registrar address block*]

Re: [Floating Rate Second Priority Senior Secured Notes due 2011/6 7/8% Second Priority Senior Secured Notes due 2011]

(CUSIP _____)

Reference is hereby made to the Indenture, dated as of December [__], 2004, among MagnaChip Semiconductor S.A., a Luxembourg public limited liability company (*societe anonyme*) ("*MagnaChip*"), MagnaChip Semiconductor Finance Company, a Delaware corporation ("*Finance Company*" and together with MagnaChip, the "*Issuers*"), the Guarantors (as defined), The Bank of New York, as Trustee, and [US Bank], as Collateral Trustee (the "*Indenture*"). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____, (the "*Owner*") owns and proposes to exchange the [Floating Rate/Fixed Rate] Note[s] or interest in such [Floating Rate/Fixed Rate] Note[s] specified herein, in the principal amount of $_____ in such [Floating Rate/Fixed Rate] Note[s] or interests (the "*Exchange*"). In connection with the Exchange, the Owner hereby certifies that:

1. **Exchange of [Floating Rate/Fixed Rate] Restricted Definitive Notes or Beneficial Interests in a [Floating Rate/Fixed Rate] Restricted Global Note for Floating Rate Unrestricted Definitive Notes or Beneficial Interests in an [Floating Rate/Fixed Rate] Unrestricted Global Note**

(a) ☐ **Check if Exchange is from beneficial interest in a [Floating Rate/Fixed Rate] Restricted Global Note to beneficial interest in an [Floating Rate/Fixed Rate] Unrestricted Global Note.** In connection with the Exchange of the Owner's beneficial interest in a [Floating Rate/Fixed Rate] Restricted Global Note for a beneficial interest in an [Floating Rate/Fixed Rate] Unrestricted Global Note in an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the [Floating Rate/Fixed Rate] Global Notes and pursuant to and in accordance with the Securities Act of 1933, as amended (the "*Securities Act*"), (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest in an [Floating Rate/Fixed Rate] Unrestricted Global Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(b) ☐ **Check if Exchange is from beneficial interest in a [Floating Rate/Fixed Rate] Restricted Global Note to [Floating Rate/Fixed Rate] Unrestricted Definitive Note**. In connection

with the Exchange of the Owner's beneficial interest in a [Floating Rate/Fixed Rate] Restricted Global Note for an [Floating Rate/Fixed Rate] Unrestricted Definitive Note, the Owner hereby certifies (i) the [Floating Rate/Fixed Rate] Definitive Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the [Floating Rate/Fixed Rate] Restricted Global Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the [Floating Rate/Fixed Rate] Definitive Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(c) ☐ **Check if Exchange is from [Floating Rate/Fixed Rate] Restricted Definitive Note to beneficial interest in an [Floating Rate/Fixed Rate] Unrestricted Global Note**. In connection with the Owner's Exchange of a [Floating Rate/Fixed Rate] Restricted Definitive Note for a beneficial interest in an [Floating Rate/Fixed Rate] Unrestricted Global Note, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to [Floating Rate/Fixed Rate] Restricted Definitive Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(d) ☐ **Check if Exchange is from [Floating Rate/Fixed Rate] Restricted Definitive Note to [Floating Rate/Fixed Rate] Unrestricted Definitive Note**. In connection with the Owner's Exchange of [Floating Rate/Fixed Rate] Restricted Definitive Note for an [Floating Rate/Fixed Rate] Unrestricted Definitive Note, the Owner hereby certifies (i) the [Floating Rate/Fixed Rate] Unrestricted Definitive Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to [Floating Rate/Fixed Rate] Restricted Definitive Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the [Floating Rate/Fixed Rate] Unrestricted Definitive Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

2. **Exchange of [Floating Rate/Fixed Rate] Restricted Definitive Notes or Beneficial Interests in [Floating Rate/Fixed Rate] Restricted Global Notes for [Floating Rate/Fixed Rate] Restricted Definitive Notes or Beneficial Interests in [Floating Rate/Fixed Rate] Restricted Global Notes**

(a) ☐ **Check if Exchange is from beneficial interest in a [Floating Rate/Fixed Rate] Restricted Global Note to [Floating Rate/Fixed Rate] Restricted Definitive Note**. In connection with the Exchange of the Owner's beneficial interest in a [Floating Rate/Fixed Rate] Restricted Global Note for a [Floating Rate/Fixed Rate] Restricted Definitive Note with an equal principal amount, the Owner hereby certifies that the Restricted Definitive Note is being acquired for the Owner's own account without transfer. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the [Floating Rate/Fixed Rate] Restricted Definitive Note issued will continue to be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the [Floating Rate/Fixed Rate] Restricted Definitive Note and in the Indenture and the Securities Act.

(b) ☐ **Check if Exchange is from [Floating Rate/Fixed Rate] Restricted Definitive Note to beneficial interest in a [Floating Rate/Fixed Rate] Restricted Global Note**. In connection with the Exchange of the Owner's [Floating Rate/Fixed Rate] Restricted Definitive Note for a beneficial interest in

the [CHECK ONE] ☐ [Floating Rate/Fixed Rate] 144A Global Note, ☐ [Floating Rate/Fixed Rate] Regulation S Global Note, ☐ [Floating Rate/Fixed Rate] IAI Global Note with an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer and (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the [Floating Rate/Fixed Rate] Restricted Global Notes and pursuant to and in accordance with the Securities Act, and in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the beneficial interest issued will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the relevant [Floating Rate/Fixed Rate] Restricted Global Note and in the Indenture and the Securities Act.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuers.

_____

[Insert Name of Transferor]

By: _____

Name:
Title:

Dated: _____

FORM OF CERTIFICATE FROM
ACQUIRING INSTITUTIONAL ACCREDITED INVESTOR

MagnaChip Semiconductor S.A.
MagnaChip Semiconductor Finance Company
1, Hyangjeong-dong
Hungduk-gu
Cheongju-si, 361-725
Korea
Attention: Chief Financial Officer

[*Registrar address block*]

Re: [Floating Rate Second Priority Senior Secured Notes due 2011/6 7/8% Second Priority Senior Secured Notes due 2011]

Reference is hereby made to the Indenture, dated as of December 23, 2004, among MagnaChip Semiconductor S.A., a Luxembourg public limited liability company (*societe anonyme*) ("*MagnaChip*"), MagnaChip Semiconductor Finance Company, a Delaware corporation ("*Finance Company*" and together with MagnaChip, the "*Issuers*"), the Guarantors (as defined), The Bank of New York, as Trustee, and [US Bank], as Collateral Trustee (the "*Indenture*"). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

In connection with our proposed purchase of $_____ aggregate principal amount of:

(a) ☐ a beneficial interest in a [Floating Rate/Fixed Rate] Global Note, or;

(b) ☐ a [Floating Rate/Fixed Rate] Definitive Note

we confirm that:

1. We understand that any subsequent transfer of the [Floating Rate/Fixed Rate] Notes or any interest therein is subject to certain restrictions and conditions set forth in the Indenture and the undersigned agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes or any interest therein except in compliance with, such restrictions and conditions and the Securities Act of 1933, as amended (the "*Securities Act*").

2. We understand that the offer and sale of the [Floating Rate/Fixed Rate] Notes have not been registered under the Securities Act, and that the [Floating Rate/Fixed Rate] Notes and any interest therein may not be offered or sold except as permitted in the following sentence. We agree, on our own behalf and on behalf of any accounts for which we are acting as hereinafter stated, that if we should sell the Notes or any interest therein, we will do so only (A) to the Issuers or any subsidiary thereof, (B) in accordance with Rule 144A under the Securities Act to a "qualified institutional buyer" (as defined therein), (C) to an institutional "accredited investor" (as defined below) that, prior to such transfer, furnishes (or has furnished on its behalf by a U.S. broker-dealer) to you and to the Issuers a signed letter substantially in the form of this letter and, if such transfer is in respect of a principal amount of [Floating Rate/Fixed Rate] Notes, at the time of transfer of less than $250,000, an Opinion of Counsel in form reasonably acceptable to the Issuers to the effect that such transfer is in compliance with the Securities

Act, (D) outside the United States in accordance with Rule 904 of Regulation S under the Securities Act, (E) pursuant to the provisions of Rule 144(k) under the Securities Act or (F) pursuant to an effective registration statement under the Securities Act, and we further agree to provide to any Person purchasing the [Floating Rate/Fixed Rate] Definitive Note or beneficial interest in a [Floating Rate/Fixed Rate] Global Note from us in a transaction meeting the requirements of clauses (A) through (E) of this paragraph a notice advising such purchaser that resales thereof are restricted as stated herein.

3. We understand that, on any proposed resale of the [Floating Rate/Fixed Rate] Notes or beneficial interest therein, we will be required to furnish to you and the Issuers such certifications, legal opinions and other information as you and the [Floating Rate/Fixed Rate] Notes may reasonably require to confirm that the proposed sale complies with the foregoing restrictions. We further understand that the [Floating Rate/Fixed Rate] Notes purchased by us will bear a legend to the foregoing effect.

4. We are an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act) and have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Notes, and we and any accounts for which we are acting are each able to bear the economic risk of our or its investment.

5. We are acquiring the [Floating Rate/Fixed Rate] Notes or beneficial interest therein purchased by us for our own account or for one or more accounts (each of which is an institutional "accredited investor") as to each of which we exercise sole investment discretion.

You and the Issuers are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

_____

[Insert Name of Accredited Investor]

By: _____

Name:
Title:

Dated: _____

[FORM OF NOTATION OF NON-KOREAN GUARANTEE]

For value received, each Non-Korean Guarantor (which term includes any successor Person under the Indenture) has, jointly and severally, unconditionally guaranteed, to the extent set forth in the Indenture and subject to the provisions in the Indenture dated as of December 23, 2004 (the "*Indenture*") MagnaChip Semiconductor S.A., a Luxembourg public limited liability company (*societe anonyme*) ("*MagnaChip*"), MagnaChip Semiconductor Finance Company, a Delaware corporation ("*Finance Company*" and together with MagnaChip, the "*Issuers*"), the Guarantors (as defined) The Bank of New York, as Trustee, and [US Bank], as Collateral Trustee (a) the due and punctual payment of the principal of, premium and Liquidated Damages, if any, and interest on, the Notes, whether at maturity, by acceleration, redemption or otherwise, the due and punctual payment of interest on overdue principal of and interest on the Notes, if any, if lawful, and the due and punctual performance of all other obligations of the Issuers to the Holders or the Trustee all in accordance with the terms of the Indenture and (b) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. The obligations of the Non-Korean Guarantors to the Holders of Notes and to the Trustee pursuant to the Note Guarantee and the Indenture are expressly set forth in Article 12 of the Indenture and reference is hereby made to the Indenture for the precise terms of the Note Guarantee. Each Holder of a Note, by accepting the same, (a) agrees to and shall be bound by such provisions (b) authorizes and directs the Trustee, on behalf of such Holder, to take such action as may be necessary or appropriate to effectuate the subordination as provided in the Indenture and (c) appoints the Trustee attorney-in-fact of such Holder for such purpose; provided, however, that the Indebtedness evidenced by this Note Guarantee shall cease to be so subordinated and subject in right of payment upon any defeasance of this Note in accordance with the provisions of the Indenture.

Capitalized terms used but not defined herein have the meanings given to them in the Indenture.

[NAME OF NON-KOREAN GUARANTOR(S)]

By: _____

Name:
Title:

[Notation of Non-Korean Guarantee]

[FORM OF NOTATION OF KOREAN GUARANTEE]

For value received, the Korean Guarantor (which term includes any successor Person under the Indenture) has unconditionally guaranteed, to the extent set forth in the Indenture and subject to the provisions in the Indenture dated as of December 23, 2004 (the "*Indenture*") MagnaChip Semiconductor S.A., a Luxembourg public limited liability company (*societe anonyme*) ("*MagnaChip*"), MagnaChip Semiconductor Finance Company, a Delaware corporation ("*Finance Company*" and together with MagnaChip, the "*Issuers*"), the Guarantors (as defined), The Bank of New York, as Trustee and [UBS/US Bank], as Collateral Trustee (solely with respect to Article 13), (a) the due and punctual payment of the principal of, premium and Liquidated Damages, if any, and interest on, the Notes, whether at maturity, by acceleration, redemption or otherwise, the due and punctual payment of interest on overdue principal of and interest on the Notes, if any, if lawful, and the due and punctual performance of all other obligations of the Issuers to the Collateral Trustee all in accordance with the terms of the Indenture and (b) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. The obligations of the Korean Guarantor to the Collateral Trustee pursuant to the Note Guarantee and the Indenture are expressly set forth in Article 13 of the Indenture and reference is hereby made to the Indenture for the precise terms of the Note Guarantee. Each Holder of a Note, by accepting the same, (a) agrees to and shall be bound by such provisions (b) authorizes and directs the Collateral Trustee, on behalf of such Holder, to take such action as may be necessary or appropriate to effectuate the subordination as provided in the Indenture and (c) appoints the Collateral Trustee attorney-in-fact of such Holder for such purpose; provided, however, that the Indebtedness evidenced by this Note Guarantee shall cease to be so subordinated and subject in right of payment upon any defeasance of this Note in accordance with the provisions of the Indenture.

Recovery under this Guarantee is limited to $500,000,000 of principal *plus* interest (including default interest) at the rates stated in the Notes and the Indenture, *plus* any and all fees, expenses, indemnifications, breakage costs, taxes, Liquidated Damages, enforcement costs or other amounts owing to the holders of the Notes, the Trustee, the Collateral Trustee or any Holder of any Note pursuant to the terms of the Indenture or this Guarantee.

Capitalized terms used but not defined herein have the meanings given to them in the Indenture.

[NAME OF KOREAN GUARANTOR]

By: _____

Name:
Title:

[Notation of Korean Guarantee]

[FORM OF SUPPLEMENTAL INDENTURE
TO BE DELIVERED BY SUBSEQUENT GUARANTORS]

SUPPLEMENTAL INDENTURE (this "*Supplemental Indenture*"), dated as of _____, 200__, among _____ (the "*Guaranteeing Subsidiary*"), a subsidiary of _____ (or its permitted successor), a [Delaware] corporation (the "*Company*"), the Company, the other Guarantors (as defined in the Indenture referred to herein) and _____, as trustee under the Indenture referred to below (the "*Trustee*").

W I T N E S S E T H

WHEREAS, the Issuers have heretofore executed and delivered to the Trustee an indenture (the "*Indenture*"), dated as of December 23, 2004 providing for the issuance of its Floating Rate Second Priority Senior Secured Notes due 2011 and its 6 7/8% Second Priority Senior Secured Notes due 2011 (collectively, the "*Notes*");

WHEREAS, the Indenture provides that under certain circumstances the Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiary shall unconditionally guarantee all of the Issuers' Obligations under the Notes and the Indenture on the terms and conditions set forth herein (the "*Note Guarantee*"); and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guaranteeing Subsidiary and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. AGREEMENT TO GUARANTEE. The Guaranteeing Subsidiary hereby agrees to provide an unconditional Guarantee on the terms and subject to the conditions set forth in the Note Guarantee and in the Indenture including but not limited to Article 12 thereof.

4. NO RECOURSE AGAINST OTHERS. No past, present or future director, officer, employee, incorporator, stockholder or agent of the Guaranteeing Subsidiary, as such, shall have any liability for any obligations of the Issuers or any Guaranteeing Subsidiary under the Notes, any Note Guarantees, the Indenture or this Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of the Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the SEC that such a waiver is against public policy.

5. NEW YORK LAW TO GOVERN. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

6. COUNTERPARTS. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

7. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

8. THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiary and the Company.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

Dated: _____, 20__

[GUARANTEEING SUBSIDIARY]

By: _____

Name:
Title:

[ISSUER]

By: _____

Name:
Title:

[ISSUER]

By: _____

Name:
Title:

[EXISTING GUARANTORS]

By: _____

Name:
Title:

[TRUSTEE],
as Trustee

By: _____

Authorized Signatory

[COLLATERAL TRUSTEE]
as Collateral Trustee

By: _____

Authorized Signatory

**Exhibit 4.4**

EXECUTION VERSION

REGISTRATION RIGHTS AGREEMENT

Dated as of December 23, 2004

By and Among

MAGNACHIP SEMICONDUCTOR S.A.

and

MAGNACHIP SEMICONDUCTOR FINANCE COMPANY

and

THE GUARANTORS NAMED HEREIN

as Issuers,

and

UBS SECURITIES LLC,
CITIGROUP GLOBAL MARKETS INC.,
GOLDMAN, SACHS & CO.,
J.P. MORGAN SECURITIES INC.,
and
DEUTSCHE BANK SECURITIES INC.
as Initial Purchasers

Floating Rate Second Priority Senior Secured Notes due 2011

6 7/8% Second Priority Senior Secured Notes due 2011

**TABLE OF CONTENTS**

**REGISTRATION RIGHTS AGREEMENT**

This Registration Rights Agreement (this "Agreement") is dated as of December 23, 2004, among MagnaChip Semiconductor S.A., a Luxembourg public limited liability company (*société anonyme*) ("MagnaChip"), its wholly owned subsidiary, MagnaChip Semiconductor Finance Company, a Delaware corporation (the "Co-Issuer," and together with MagnaChip, the "Company"), MagnaChip Semiconductor LLC, a Delaware limited liability company ("Parent"), each of the other Guarantors that are listed on Schedule I hereto (collectively with the Parent and any entity that in the future executes a supplemental indenture pursuant to which such entity agrees to guarantee the Notes (as hereinafter defined) the "Guarantors" and together with the Company, the "Issuers"), and UBS Securities LLC, Citigroup Global Markets Inc., Goldman, Sachs & Co., J.P. Morgan Securities Inc. and Deutsche Bank Securities Inc. (the "Initial Purchasers").

This Agreement is entered into in connection with the Purchase Agreement, dated as of December 16, 2004, by and among the Issuers, the Guarantors and the Initial Purchasers (the "Purchase Agreement"), relating to the offering of $300,000,000 of the Issuers' Floating Rate Second Priority Senior Secured Notes due 2011 and $200,000,000 of the Issuers' 6 7/8% Second Priority Senior Secured Notes due 2011 (the "Notes"). The execution and delivery of this Agreement is a condition to the Initial Purchasers' obligation to purchase the Notes under the Purchase Agreement.

The parties hereby agree as follows:

Section 1. Definitions

As used in this Agreement, the following terms shall have the following meanings:

"action" shall have the meaning set forth in Section 7(c) hereof.

"Advice" shall have the meaning set forth in Section 5 hereof.

"Agreement" shall have the meaning set forth in the first introductory paragraph hereto.

"Applicable Period" shall have the meaning set forth in Section 2(b) hereof.

"Board of Directors" shall have the meaning set forth in Section 5 hereof.

"Business Day" shall mean a day that is not a Legal Holiday.

"Commission" shall mean the Securities and Exchange Commission.

"Day" shall mean a calendar day.

"Damages Payment Date" shall have the meaning set forth in Section 4(b) hereof.

"Delay Period" shall have the meaning set forth in Section 5 hereof.

"Effectiveness Period" shall have the meaning set forth in Section 3(b) hereof.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder.

"Exchange Notes" shall have the meaning set forth in Section 2(a) hereof.

"Exchange Offer" shall have the meaning set forth in Section 2(a) hereof.

"Exchange Offer Registration Statement" shall have the meaning set forth in Section 2(a) hereof.

"Holder" shall mean any holder of a Registrable Note or Registrable Notes.

"Indenture" shall mean the Indenture, dated as of December 23, 2004, by and between the Issuers and The Bank of New York as trustee, pursuant to which the Notes are being issued, as amended or supplemented from time to time in accordance with the terms thereof.

"Initial Purchasers" shall have the meaning set forth in the first introductory paragraph hereof.

"Inspectors" shall have the meaning set forth in Section 5(n) hereof.

"Issue Date" shall mean December 23, 2004, the date of original issuance of the Notes.

"Issuers" shall have the meaning set forth in the introductory paragraph hereto and shall also include the Issuers' respective permitted successors and assigns.

"Legal Holiday" shall mean a Saturday, a Sunday or a day on which banking institutions in New York, New York are required by law, regulation or executive order to remain closed.

"Liquidated Damages" shall have the meaning set forth in Section 4(a) hereof.

"Losses" shall have the meaning set forth in Section 7(a) hereof.

"NASD" shall have the meaning set forth in Section 5(s) hereof.

"Notes" shall have the meaning set forth in the second introductory paragraph hereto.

"Participant" shall have the meaning set forth in Section 7(a) hereof.

"Participating Broker-Dealer" shall have the meaning set forth in Section 2(b) hereof.

"Person" shall mean an individual, corporation, partnership, joint venture association, joint stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"Private Exchange" shall have the meaning set forth in Section 2(b) hereof.

"Private Exchange Notes" shall have the meaning set forth in Section 2(b) hereof.

"Prospectus" shall mean the prospectus included in any Registration Statement (including, without limitation, any prospectus subject to completion and a prospectus that includes any information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A promulgated under the Securities Act), as amended or supplemented by any prospectus supplement, and all other amendments and supplements to the Prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such Prospectus.

"Purchase Agreement" shall have the meaning set forth in the second introductory paragraph hereof.

"Records" shall have the meaning set forth in Section 5(n) hereof.

"Registrable Notes" shall mean each Note upon its original issuance and at all times subsequent thereto, each Exchange Note as to which Section 2(c)(iii) hereof is applicable upon original issuance and at all times subsequent thereto and each Private Exchange Note upon original issuance thereof and at all times subsequent thereto, in each case until (i) a Registration Statement (other than, with respect to any Exchange Note as to which Section 2(c)(iii) hereof is applicable, the Exchange Offer Registration Statement) covering such Note, Exchange Note or Private Exchange Note has been declared effective by the Commission and such Note, Exchange Note or such Private Exchange Note, as the case may be, has been disposed of in accordance with such effective Registration Statement, (ii) such Note has been exchanged pursuant to the Exchange Offer for an Exchange Note or Exchange Notes that may be resold without restriction under state and federal securities laws, (iii) such Note, Exchange Note or Private Exchange Note, as the case may be, ceases to be outstanding for purposes of the Indenture or (iv) such Note, Exchange Note or Private Exchange Note has been sold in compliance with Rule 144 or is salable pursuant to Rule 144(k).

"Registration Default" shall have the meaning set forth in Section 4(a) hereof.

"Registration Statement" shall mean any appropriate registration statement of the Issuers covering any of the Registrable Notes filed with the Commission under the Securities Act, and all amendments and supplements to any such Registration Statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"Requesting Participating Broker-Dealer" shall have the meaning set forth in Section 2(b) hereof.

"Rule 144" shall mean Rule 144 promulgated under the Securities Act, as such Rule may be amended from time to time, or any similar rule (other than Rule 144A) or regulation hereafter adopted by the Commission providing for offers and sales of securities made in compliance therewith resulting in offers and sales by subsequent holders that are not affiliates of an issuer of such securities being free of the registration and prospectus delivery requirements of the Securities Act.

"Rule 144A" shall mean Rule 144A promulgated under the Securities Act, as such Rule may be amended from time to time, or any similar rule (other than Rule 144) or regulation hereafter adopted by the Commission.

"Rule 415" shall mean Rule 415 promulgated under the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission.

"Securities Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

"Shelf Filing Event" shall have the meaning set forth in Section 2(c) hereof.

"Shelf Registration" shall have the meaning set forth in Section 3(a) hereof.

"Shelf Registration Statement" shall mean a Registration Statement filed in connection with a Shelf Registration.

"TIA" shall mean the Trust Indenture Act of 1939, as amended.

"Trustee" shall mean the trustee under the Indenture and the trustee (if any) under any indenture governing the Exchange Notes and Private Exchange Notes.

"Underwritten registration or underwritten offering" shall mean a registration in which securities of any of the Issuers is sold to an underwriter for reoffering to the public.

Section 2. Exchange Offer

(a) The Issuers shall (i) file a Registration Statement (the "Exchange Offer Registration Statement") within 180 days after the Issue Date with the Commission on an appropriate registration form with respect to a registered offer (the "Exchange Offer") to exchange any and all of the Registrable Notes for a like aggregate principal amount of notes (the "Exchange Notes") that are identical in all material respects to the Notes (except that the Exchange Notes shall not contain terms with respect to transfer restrictions or Liquidated Damages upon a Registration Default), (ii) use all commercially reasonable efforts to cause the Exchange Offer Registration Statement to be declared effective under the Securities Act on or prior to 210 days after the Issue Date; *provided that*, the Issuers' obligations to have the Exchange Offer Registration Statement declared effective shall be suspended until the date which is 60 days following the date upon which audited financial statements for the year ended December 31, 2005 first become available, to the extent that the Exchange Offer Registration Statement is prevented from being declared effective due to Parent's (or the applicable Issuer's) inability

to produce five years of selected financial information as required by Item 301 of Commission Regulation S-K, and (iii) unless the Exchange Offer would not be permitted by applicable law or Commission policy, (a) commence the Exchange Offer and (b) use all commercially reasonable efforts to issue on or prior to 30 Business Days, or longer, if required by the federal securities laws, after the date on which the Exchange Offer Registration Statement was declared effective by the Commission, the Exchange Notes in exchange for surrender of all Notes validly tendered and not withdrawn prior thereto in the Exchange Offer.

Each Holder that participates in the Exchange Offer will be required to represent to the Issuers in writing that (i) any Exchange Notes to be received by it will be acquired in the ordinary course of its business, (ii) it has no arrangement or understanding with any Person to participate in the distribution (within the meaning of the Securities Act) of the Exchange Notes in violation of the provisions of the Securities Act, (iii) it is not an affiliate of the Issuers (within the meaning of the Securities Act) or, if it is such an affiliate, it will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable, (iv) if such Holder is not a broker-dealer, it is not engaged in, and does not intend to engage in, a distribution of Exchange Notes, (v) if such Holder is a broker-dealer that will receive Exchange Notes for its own account in exchange for Notes that were acquired as a result of market-making or other trading activities, it will deliver a prospectus in connection with any resale of such Exchange Notes and (vi) such Holder has full power and authority to transfer the Notes in exchange for the Exchange Notes and that MagnaChip and the Co-Issuer will acquire good and unencumbered title thereto free and clear of any liens, restrictions, charges or encumbrances and not subject to any adverse claims.

(b) The Issuers and the Initial Purchasers acknowledge that the staff of the Commission has taken the position that any broker-dealer that elects to exchange Notes that were acquired by such broker-dealer for its own account as a result of market-making or other trading activities for Exchange Notes in the Exchange Offer (a "Participating Broker-Dealer") may be deemed to be an "underwriter" within the meaning of the Securities Act and must deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such Exchange Notes (other than a resale of an unsold allotment resulting from the original offering of the Notes).

The Issuers and the Initial Purchasers also acknowledge that the staff of the Commission has taken the position that if the Prospectus contained in the Exchange Offer Registration Statement includes a plan of distribution containing a statement to the above effect and the means by which Participating Broker-Dealers may resell the Exchange Notes, without naming the Participating Broker-Dealers or specifying the amount of Exchange Notes owned by them, such Prospectus may be delivered by Participating Broker-Dealers to satisfy their prospectus delivery obligations under the Securities Act in connection with resales of Exchange Notes for their own accounts, so long as the Prospectus otherwise meets the requirements of the Securities Act.

In light of the foregoing, if requested by a Participating Broker-Dealer (a "Requesting Participating Broker-Dealer"), the Issuers agree to use all commercially reasonable efforts to keep the Exchange Offer Registration Statement continuously effective for a period not to exceed 180 days after the date on which the Exchange Registration Statement is declared effective, or such longer period if extended pursuant to the last paragraph of Section 5 hereof (such period, the "Applicable Period"),

or such earlier date as all Requesting Participating Broker-Dealers shall have notified the Issuer in writing that such Requesting Participating Broker-Dealers have resold all Exchange Notes acquired in the Exchange Offer. The Issuers shall include a plan of distribution in such Exchange Offer Registration Statement that meets the requirements set forth in the preceding paragraph.

If, prior to consummation of the Exchange Offer, the Initial Purchasers or any Holder, as the case may be, holds any Notes acquired by it that have, or that are reasonably likely to be determined to have, the status of an unsold allotment in an initial distribution, or if any Holder is not entitled to participate in the Exchange Offer, the Issuers upon the request of the Initial Purchasers or any such Holder, as the case may be, shall simultaneously with the delivery of the Exchange Notes in the Exchange Offer, issue and deliver to the Initial Purchasers or any such Holder, as the case may be, in exchange (the "Private Exchange") for such Notes held by the Initial Purchasers or any such Holder, as the case may be, a like principal amount of notes (the "Private Exchange Notes") of the Issuers that are identical in all material respects to the Exchange Notes except that the Private Exchange Notes may be subject to restrictions on transfer and bear a legend to such effect. The Private Exchange Notes shall bear the same CUSIP number as the Exchange Notes (if permitted by the CUSIP Service Bureau).

Interest on each Exchange Note and Private Exchange Note issued pursuant to the Exchange Offer and in the Private Exchange will accrue from the last interest payment date on which interest was paid on the Notes surrendered in exchange therefor or, if no interest has been paid on the Notes, from the Issue Date.

Upon consummation of the Exchange Offer in accordance with this Section 2, the Issuers shall have no further registration obligations other than the Issuers' continuing registration obligations with respect to (i) Private Exchange Notes, (ii) Exchange Notes held by Participating Broker-Dealers and (iii) Notes or Exchange Notes as to which clause (c)(iii) of this Section 2 applies.

In connection with the Exchange Offer, the Issuers shall:

(1) mail or cause to be mailed to each Holder of record entitled to participate in the Exchange Offer a copy of the Prospectus forming part of the Exchange Offer Registration Statement, together with an appropriate letter of transmittal and related documents;

(2) utilize the services of a depositary for the Exchange Offer with an address in the Borough of Manhattan, The City of New York, which may be the Trustee or an affiliate thereof;

(3) permit Holders to withdraw tendered Notes at any time prior to the close of business, New York time, on the last Business Day on which the Exchange Offer shall remain open; and

(4) otherwise comply in all material respects with all applicable laws, rules and regulations.

As soon as practicable after the close of the Exchange Offer and the Private Exchange, if any, the Issuers shall:

(1) accept for exchange all Registrable Notes validly tendered and not validly withdrawn by the Holders pursuant to the Exchange Offer and the Private Exchange, if any;

(2) deliver or cause to be delivered to the Trustee for cancellation all Notes so accepted for exchange; and

(3) cause the Trustee to authenticate and deliver promptly to each such Holder tendering such Registrable Notes, Exchange Notes or Private Exchange Notes, as the case may be, equal in principal amount to the Registrable Notes of such Holder so accepted for exchange; *provided that* in the case of any Registrable Notes held in global form by a depositary, authentication and delivery to such depositary of one or more replacement Exchange Notes or Private Exchange Notes in global form in an equivalent principal amount thereto for the account of such Holders in accordance with the Indenture shall satisfy such authentication and delivery requirement.

The Exchange Offer and the Private Exchange shall not be subject to any conditions, other than that (i) the Exchange Offer or Private Exchange, as the case may be, does not violate applicable law or any applicable interpretation of the staff of the Commission, (ii) no action or proceeding shall have been instituted or threatened in any court or by any governmental agency which might materially impair the ability of the Issuers to proceed with the Exchange Offer or the Private Exchange, and no material adverse development shall have occurred in any existing action or proceeding with respect to the Issuers and (iii) all governmental approvals shall have been obtained, which approvals the Issuers deems necessary for the consummation of the Exchange Offer or Private Exchange.

The Exchange Notes and the Private Exchange Notes shall be issued under (i) the Indenture or (ii) an indenture identical in all material respects to the Indenture (in either case, with such changes as are necessary to comply with any requirements of the Commission to effect or maintain the qualification thereof under the TIA or exemption from such qualification) and which, in either case, has been qualified under the TIA or is exempt from such qualification and shall provide that (a) the Exchange Notes shall not be subject to the transfer restrictions set forth in the Indenture and (b) the Private Exchange Notes shall be subject to the transfer restrictions set forth in the Indenture. The Indenture or such indenture shall provide that the Exchange Notes, the Private Exchange Notes and the Notes shall vote and consent together on all matters as one class and that none of the Exchange Notes, the Private Exchange Notes or the Notes will have the right to vote or consent as a separate class on any matter.

(c) In the event that (i) any changes in law or the applicable interpretations of the staff of the Commission do not permit the Issuers to effect the Exchange Offer, (ii) for any reason the Exchange Offer is not consummated within 20 days of the last day permitted by Section 2(a) hereof, (iii) prior to the 20th day following consummation of the Exchange Offer, any Holder, other than the Initial Purchasers, notifies the Issuers that it is prohibited by law or the applicable interpretations of the staff of the Commission from participating in the Exchange Offer or, that it may not resell the

Exchange Notes received by it in the Exchange Offer without delivering a prospectus and the Prospectus contained in the Exchange Offer Registration Statement is not appropriate or available for such resales (other than due solely to the status of such Holder as an affiliate of the Issuers within the meaning of the Securities Act) or (iv) in the case of any Initial Purchaser that participates in the Exchange Offer or acquires Private Exchange Notes, such Initial Purchaser notifies the Issuers that it will not or did not receive freely tradeable Exchange Notes in the Exchange Offer in exchange for Notes or Private Exchange Notes that have the status of unsold allotments in an initial distribution (provided that the requirement that a Participating Broker-Dealer deliver a Prospectus in connection with sales of Exchange Notes acquired in the Exchange Offer in exchange for Notes acquired as a result of market-making activities or other trading activities shall not result in such Exchange Notes being not "freely tradeable")(each such event referred to in clauses (i) through (iv) of this sentence, a "Shelf Filing Event"), then the Issuers shall file a Shelf Registration pursuant to Section 3 hereof.

Section 3. Shelf Registration

If at any time a Shelf Filing Event shall occur, then:

(a) Shelf Registration. The Issuers shall file with the Commission a Registration Statement for an offering to be made on a continuous basis pursuant to Rule 415 covering all of the Registrable Notes not exchanged in the Exchange Offer, Private Exchange Notes and Exchange Notes as to which Section 2(c)(iii) is applicable (the "Shelf Registration"). The Issuers shall use all commercially reasonable efforts to file with the Commission the Shelf Registration on or prior to 30 days after such filing obligation arises. The Shelf Registration shall be on Form S-1 or another appropriate form permitting registration of such Registrable Notes for resale by Holders in the manner or manners designated by them (including, without limitation, one or more underwritten offerings). The Issuers shall not permit any securities other than the Registrable Notes to be included in the Shelf Registration.

(b) The Issuers shall use all commercially reasonable efforts (x) to cause the Shelf Registration to be declared effective under the Securities Act on or prior to 90 days after the Shelf Registration is required to be filed with the Commission; provided that, the Issuers' obligations to have the Shelf Registration declared effective shall be suspended until the date which is 60 days following the date upon which audited financial statements for the year ended December 31, 2005 first become available, to the extent that the Shelf Registration is prevented from being declared effective due to Parent's (or the applicable Issuer's) inability to produce five years of selected financial information as required by Item 301 of Commission Regulation S-K and (y) to keep the Shelf Registration continuously effective under the Securities Act for the period ending on the date which is two years from the Issue Date, subject to extension pursuant to the penultimate paragraph of Section 5 hereof (the "Effectiveness Period"), or such shorter period ending when all Registrable Notes covered by the Shelf Registration have been sold in the manner set forth and as contemplated in the Shelf Registration; provided, however, that (i) the Effectiveness Period in respect of the Shelf Registration shall be extended to the extent required to permit dealers to comply with the applicable prospectus delivery requirements of Rule 174 under the Securities Act and as otherwise provided herein and (ii) the Issuers may suspend the effectiveness of the Shelf Registration Statement by written notice to the Holders solely as a result of (A) the filing of a post-effective amendment to the Shelf Registration Statement to

incorporate annual audited financial information with respect to the Issuers where such post-effective amendment is not yet effective and needs to be declared effective to permit Holders to use the related Prospectus or (B) during a Delay Period (as defined below) and (iii) no Holder (other than an Initial Purchaser) shall be entitled to have the Registrable Notes held by it covered by such Shelf Registration Statement unless such Holder agrees in writing to be bound by all the provisions of this Agreement applicable to such Holder and furnishes to the Issuers and the Trustee in writing, within 20 days after receipt of a request therefor, such information as the Issuers or the Trustee may reasonably request for inclusion in any Shelf Registration Statement.

(c) Supplements and Amendments. The Issuers agree to supplement or make amendments to the Shelf Registration Statement as and when required by the rules, regulations or instructions applicable to the registration form used for such Shelf Registration Statement or by the Securities Act or rules and regulations thereunder for shelf registration, or if reasonably requested in writing by the Holders of a majority in aggregate principal amount of the Registrable Notes covered by such Registration Statement or by any underwriter of such Registrable Notes.

Section 4. Liquidated Damages

(a) The Issuers and the Initial Purchasers agree that the Holders will suffer damages if the Issuers fail to fulfill their obligations under Section 2 or Section 3 hereof and that it would not be feasible to ascertain the extent of such damages with precision. Accordingly, the Issuers agree that if:

(i) the Exchange Offer Registration Statement is not filed with the Commission on or prior to the 180th day following the Issue Date or, if that day is not a Business Day, the next day that is a Business Day,

(ii) the Exchange Offer Registration Statement is not declared effective on or prior to the 210th day following the Issue Date or, if that day is not a Business Day, the next day that is a Business Day or is declared effective by such date but thereafter ceases to be effective or usable, except if the Exchange Offer Registration Statement ceases to be effective or usable as specifically permitted by the penultimate paragraph of Section 5 hereof; *provided that*, such date shall be extended until the date which is 60 days following the date upon which audited financial statements for the year ended December 31, 2005 first become available, to the extent that the Exchange Offer Registration Statement is prevented from being declared effective due to Parent's (or the applicable Issuer's) inability to produce five years of selected financial information as required by Item 301 of Commission Regulation S-K,

(iii) the Exchange Offer is not consummated within 30 Business Days, or if that day is not a Business Day, the next day that is a Business Day, after the Exchange Offer Registration Statement was declared effective by the Commission, or longer if required by federal securities laws; or

(iv) the Shelf Registration Statement is required to be filed but (A) is not declared effective on or prior to 90 days after the Shelf Registration is required to be filed with the Commission, or, if either such day is not a Business Day, the next day that is a Business Day; provided *that*, the Issuers' obligations to have the Shelf Registration Statement declared effective

shall be suspended until the date which is 60 days following the date upon which audited financial statements for the year ended December 31, 2005 first become available, to the extent that the Shelf Registration Statement is prevented from being declared effective due to Parent's (or the applicable Issuer's) inability to produce five years of selected financial information as required by Item 301 of Commission Regulation S-K or (B) is declared effective by such date but thereafter ceases to be effective or usable at any time prior to the second anniversary of its effective date, except if the Shelf Registration ceases to be effective or usable as specifically permitted by the penultimate paragraph of Section 5 hereof; provided, further, that such two year period shall be extended by the aggregate number of days of all Delay Periods

(each such event referred to in clauses (i) through (iv) a "Registration Default"), liquidated damages in the form of additional cash interest ("Liquidated Damages") will accrue on the affected Notes and the affected Exchange Notes, as applicable. The rate of Liquidated Damages will be 0.25% per annum for the first 90-day period immediately following the occurrence of a Registration Default, increasing by an additional 0.25% per annum with respect to each subsequent 90-day period up to a maximum amount of additional interest of 1.00% per annum, from and including the date on which any such Registration Default shall occur to, but excluding, the earlier of (1) the date on which all Registration Defaults have been cured or (2) the date on which all the Notes and Exchange Notes otherwise become freely transferable by Holders other than affiliates of the Issuers without further registration under the Securities Act.

Notwithstanding the foregoing, (1) the amount of Liquidated Damages payable shall not increase because more than one Registration Default has occurred and is pending and (2) a Holder of Notes or Exchange Notes who is not entitled to the benefits of the Shelf Registration Statement (i.e., such Holder has not elected to include information) shall not be entitled to Liquidated Damages with respect to a Registration Default that pertains to the Shelf Registration Statement. Liquidated Damages shall not accrue with respect to Notes that are not Registrable Notes.

(b) So long as Notes remain outstanding, the Issuers shall notify the Trustee within five Business Days after each and every date on which an event occurs in respect of which Liquidated Damages is required to be paid. Any amounts of Liquidated Damages due pursuant to clauses (a)(i), (a)(ii), (a)(iii) or (a)(iv) of this Section 4 will be payable in the manner provided for the payment of interest in the Indenture on each December 15 and June 15 (each a "Damages Payment Date"), as more fully set forth in the Indenture and the Notes, to Holders to whom regular interest is payable on such Damages Payment Date with respect to Notes that are Registrable Securities. The amount of Liquidated Damages for Registrable Notes will be determined by multiplying the applicable rate of Liquidated Damages by the aggregate principal amount of all such Registrable Notes outstanding on the Damages Payment Date following such Registration Default in the case of the first such payment of Liquidated Damages with respect to a Registration Default (and thereafter at the next succeeding Damages Payment Date until the cure of such Registration Default), multiplied by a fraction, the numerator of which is the number of days such Liquidated Damages rate was applicable during such period (determined on the basis of a 360-day year comprised of twelve 30-day months and, in the case of a partial month, the actual number of days elapsed), and the denominator of which is 360.

Section 5. Registration Procedures

In connection with the filing of any Registration Statement pursuant to Section 2 or 3 hereof, the Issuers shall effect such registrations to permit the sale of the securities covered thereby in accordance with the intended method or methods of disposition thereof, and pursuant thereto and in connection with any Registration Statement filed by the Issuers hereunder, the Issuers shall:

(a) Prepare and file with the Commission the Registration Statement or Registration Statements prescribed by Section 2 or 3 hereof, and use all commercially reasonable efforts to cause each such Registration Statement to become effective and remain effective as provided herein; provided, however, that if (1) such filing is pursuant to Section 3 hereof, or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Notes during the Applicable Period relating thereto, before filing any Registration Statement or Prospectus or any amendments or supplements thereto, the Issuers shall furnish to and afford the Holders of the Registrable Notes covered by such Registration Statement or each such Participating Broker-Dealer, as the case may be, its counsel (if such counsel is known to the Issuers) and the managing underwriters, if any, a reasonable opportunity to review copies of all such documents (including copies of any documents to be incorporated by reference therein and all exhibits thereto) proposed to be filed (in each case at least five Business Days prior to such filing or such later date as is reasonable under the circumstances). The Issuers shall not file any Registration Statement or Prospectus or any amendments or supplements thereto if the Holders of a majority in aggregate principal amount of the Registrable Notes covered by such Registration Statement, or any such Participating Broker-Dealer, as the case may be, its counsel, or the managing underwriters, if any, shall reasonably object on a timely basis.

(b) Prepare and file with the Commission such amendments and post-effective amendments to each Shelf Registration Statement or Exchange Offer Registration Statement, as the case may be, as may be necessary to keep such Registration Statement continuously effective for the Effectiveness Period or the Applicable Period, as the case may be, provided that none of the foregoing shall be required during a Delay Period; cause the related Prospectus to be supplemented by any Prospectus supplement required by applicable law, and as so supplemented to be filed pursuant to Rule 424 (or any similar provisions then in force) promulgated under the Securities Act, provided that none of the foregoing shall be required during a Delay Period; and comply with the provisions of the Securities Act and the Exchange Act applicable to it with respect to the disposition of all securities covered by such Registration Statement as so amended or in such Prospectus as so supplemented and with respect to the subsequent resale of any securities being sold by a Participating Broker-Dealer covered by any such Prospectus, in each case, in accordance with the intended methods of distribution set forth in such Registration Statement or Prospectus, as so amended.

(c) If (1) a Shelf Registration is filed pursuant to Section 3 hereof, or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer

who seeks to sell Exchange Notes during the Applicable Period relating thereto from whom the Issuers have received written notice that such Broker-Dealer will be a Participating Broker-Dealer in the applicable Exchange Offer, notify the selling Holders of Registrable Notes, or each such Participating Broker-Dealer, as the case may be, their counsel and the managing underwriters, if any, as promptly as possible, and, if requested by any such Person, confirm such notice in writing, (i) when a Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to a Registration Statement or any post-effective amendment, when the same has become effective under the Securities Act (including in such notice a written statement that any Holder may, upon request, obtain, at the sole expense of the Issuers, one conformed copy of such Registration Statement or post-effective amendment including financial statements and schedules, documents incorporated or deemed to be incorporated by reference and exhibits), (ii) of the issuance by the Commission of any stop order suspending the effectiveness of a Registration Statement or of any order preventing or suspending the use of any preliminary prospectus or the initiation of any proceedings for that purpose, (iii) if at any time when a Prospectus is required by the Securities Act to be delivered in connection with sales of the Registrable Notes or resales of Exchange Notes by Participating Broker-Dealers the representations and warranties of the Issuers contained in any agreement (including any underwriting agreement) contemplated by Section 5(m)(i) hereof cease to be true and correct in all material respects, (iv) of the receipt by the Issuers of any notification with respect to the suspension of the qualification or exemption from qualification of a Registration Statement or any of the Registrable Notes or the Exchange Notes for offer or sale in any jurisdiction, or the initiation or threatening of any proceeding for such purpose, (v) of the happening of any event, the existence of any condition or any information becoming known to the Issuers that makes any statement made in such Registration Statement or related Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires the making of any changes in or amendments or supplements to such Registration Statement, Prospectus or documents so that, in the case of the Registration Statement, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and that in the case of the Prospectus, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and (vi) of the Issuers' determination that a post-effective amendment to a Registration Statement would be appropriate.

(d) If (1) a Shelf Registration is filed pursuant to Section 3 hereof, or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Notes during the Applicable Period, use all commercially reasonable efforts to prevent the issuance of any order suspending the effectiveness of a Registration Statement or of any order preventing or suspending the use of a Prospectus or suspending the qualification (or exemption from qualification) of any of the Registrable Notes or the Exchange Notes, as the case may be, for sale in any jurisdiction, and, if any such order is issued, to use all commercially reasonable efforts to obtain the withdrawal of any such order at the earliest practicable moment.

(e) If (1) a Shelf Registration is filed pursuant to Section 3 hereof or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Notes during the Applicable Period and if reasonably requested by the managing underwriter or underwriters (if any), the Holders of a majority in aggregate principal amount of the Registrable Notes covered by such Registration Statement or any Participating Broker-Dealer, as the case may be, (i) promptly incorporate in such Registration Statement or Prospectus a prospectus supplement or post-effective amendment such information as the managing underwriter or underwriters (if any), such Holders or any Participating Broker-Dealer, as the case may be (based upon advice of counsel), determine is reasonably required to be included therein and request in writing to be included therein and (ii) make all required filings of such prospectus supplement or such post-effective amendment as soon as practicable after the Issuers have received notification of the matters to be incorporated in such prospectus supplement or post-effective amendment; provided, however, that the Issuers shall not be required to take any action hereunder that would, in the written opinion of counsel to the Issuers, violate applicable laws or, in any event, during any Delay Period.

(f) If (1) a Shelf Registration is filed pursuant to Section 3 hereof or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Notes during the Applicable Period, furnish to each selling Holder of Registrable Notes or each such Participating Broker-Dealer, as the case may be, who so requests, its counsel and each managing underwriter, if any, at the sole expense of the Issuers, one conformed copy of the Registration Statement or Registration Statements and each post-effective amendment thereto, including financial statements and schedules, and, if requested, all documents incorporated or deemed to be incorporated therein by reference and all exhibits.

(g) If (1) a Shelf Registration is filed pursuant to Section 3 hereof, or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Notes during the Applicable Period, deliver to each selling Holder of Registrable Notes or each such Participating Broker-Dealer, as the case may be, its respective counsel, and the underwriters, if any, at the sole expense of the Issuers, as many copies of the Prospectus or Prospectuses (including each form of preliminary prospectus) and each amendment or supplement thereto and any documents incorporated by reference therein as such Persons may reasonably request; and, subject to the last paragraph of this Section 5, the Issuers hereby consent to the use of such Prospectus and each amendment or supplement thereto by each of the selling Holders of Registrable Notes or each such Participating Broker-Dealer, as the case may be, and the underwriters or agents, if any, and dealers (if any), in connection with the offering and sale of the Registrable Notes covered by, or the sale by Participating Broker-Dealers of the Exchange Notes pursuant to, such Prospectus and any amendment or supplement thereto.

(h) Prior to any public offering of Registrable Notes or Exchange Notes or any delivery of a Prospectus contained in the Exchange Offer Registration Statement by any

Participating Broker-Dealer who seeks to sell Exchange Notes during the Applicable Period, use all commercially reasonable efforts to register or qualify, and to cooperate with the selling Holders of Registrable Notes or each such Participating Broker-Dealer, as the case may be, the managing underwriter or underwriters, if any, and its respective counsel in connection with the registration or qualification (or exemption from such registration or qualification) of such Registrable Notes or Exchange Notes, as the case may be, for offer and sale under the securities or Blue Sky laws of such jurisdictions within the United States as any selling Holder, Participating Broker-Dealer, or the managing underwriter or underwriters reasonably request in writing; provided, however, that where Exchange Notes or Registrable Notes are offered other than through an underwritten offering, the Issuers agree to use all commercially reasonable efforts to cause the Issuers' counsel to perform Blue Sky investigations and file registrations and qualifications required to be filed pursuant to this Section 5(h); keep each such registration or qualification (or exemption therefrom) effective during the period such Registration Statement is required to be kept effective and do any and all other acts or things reasonably necessary or advisable to enable the disposition in such jurisdictions of such Exchange Notes or Registrable Notes covered by the applicable Registration Statement; provided, however, that the Issuers shall not be required to (A) qualify generally to do business in any jurisdiction where it is not then so qualified, (B) take any action that would subject it to general service of process in any such jurisdiction where it is not then so subject or (C) subject itself to taxation in excess of a nominal dollar amount in any such jurisdiction where it is not then so subject.

(i) If a Shelf Registration is filed pursuant to Section 3 hereof, cooperate with the selling Holders of Registrable Notes and the managing underwriter or underwriters, if any, to facilitate the timely preparation and delivery of certificates representing Registrable Notes to be sold, which certificates shall not bear any restrictive legends and shall be in a form eligible for deposit with The Depository Trust Company and enable such Registrable Notes to be in such denominations (subject to applicable requirements contained in the Indenture) and registered in such names as the managing underwriter or underwriters, if any, or selling Holders may reasonably request in writing at least five Business Days prior to any sale of such Registrable Notes or Exchange Notes.

(j) Use all commercially reasonable efforts to cause the Registrable Notes or Exchange Notes covered by any Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be reasonably necessary to enable the seller or sellers thereof or the underwriter or underwriters, if any, to consummate the disposition of such Registrable Notes or Exchange Notes, except as may be required solely as a consequence of the nature of such selling Holder's business, in which case the Issuers will cooperate in all reasonable respects with the filing of such Registration Statement and the granting of such approvals.

(k) If (1) a Shelf Registration is filed pursuant to Section 3 hereof, or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Notes during the Applicable Period, upon the occurrence of any event contemplated by Section 5(c)(v) or 5(c)(vi) hereof, as promptly as practicable prepare

and file (subject to Section 5(a) and the penultimate paragraph of this Section 5) with the Commission, at the sole expense of the Issuers, a supplement or post-effective amendment to the Registration Statement or a supplement to the related Prospectus or any document incorporated or deemed to be incorporated therein by reference, or file any other required document so that, as thereafter delivered to the purchasers of the Registrable Notes being sold thereunder or to the purchasers of the Exchange Notes to whom such Prospectus will be delivered by a Participating Broker-Dealer, any such Prospectus will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(l) On or prior to the effective date of the first Registration Statement relating to the Registrable Notes, (i) provide the Trustee with certificates for the Registrable Notes in a form eligible for deposit with The Depository Trust Company and (ii) provide a CUSIP number for the Exchange Notes.

(m) In connection with any underwritten offering of Registrable Notes pursuant to a Shelf Registration, enter into an underwriting agreement as is customary in underwritten offerings of debt securities similar to the Notes and take all such other actions as are reasonably requested in writing by the managing underwriter or underwriters in order to expedite or facilitate the registration or the disposition of such Registrable Notes and, in such connection, (i) make such representations and warranties to, and covenants with, the underwriters with respect to the business of the Issuers and their subsidiaries, as then conducted (including any acquired business, properties or entity, if applicable), and the Registration Statement, Prospectus and documents, if any, incorporated or deemed to be incorporated by reference therein, in each case, as are customarily made by issuers to underwriters in underwritten offerings of debt securities similar to the Notes, and confirm the same in writing if and when reasonably requested; (ii) use all commercially reasonable efforts to obtain the written opinions of counsel to the Issuers and written updates thereof in form, scope and substance reasonably satisfactory to the managing underwriter or underwriters, addressed to the underwriters covering the matters customarily covered in opinions of counsel to issuers requested in underwritten offerings of debt securities similar to the Notes; (iii) use all commercially reasonable efforts to obtain "cold comfort" letters and updates thereof in form, scope and substance reasonably satisfactory to the managing underwriter or underwriters from the independent certified public accountants of the Issuers (and, if necessary, any other independent certified public accountants of any subsidiary of the Issuers or of any business acquired by the Issuers for which financial statements and financial data are, or are required to be, included or incorporated by reference in the Registration Statement), addressed to each of the underwriters, such letters to be in customary form and covering matters of the type customarily covered in "cold comfort" letters in connection with underwritten offerings of debt securities similar to the Notes; and (iv) if an underwriting agreement is entered into, the same shall contain indemnification provisions and procedures no less favorable than those set forth in Section 7 hereof (or such other provisions and procedures acceptable to Holders of a majority in aggregate principal amount of Registrable Notes covered by such Registration Statement and the managing underwriter or underwriters or agents) with respect to all parties to be indemnified pursuant to said Section; provided

that the Issuers shall not be required to provide indemnification to any underwriter selected in accordance with the provisions of Section 9 hereof with respect to information relating to such underwriter furnished in writing to the Issuers by or on behalf of such underwriter expressly for inclusion in such Registration Statement. The above shall be done at each closing under such underwriting agreement, or as and to the extent required thereunder.

(n) If (1) a Shelf Registration is filed pursuant to Section 3 hereof or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Notes during the Applicable Period, make available for inspection by any selling Holder of such Registrable Notes being sold or each such Participating Broker-Dealer, as the case may be, any underwriter participating in any such disposition of Registrable Notes, if any, and any attorney, accountant or other agent retained by any such selling Holder or each such Participating Broker-Dealer, as the case may be, or underwriter (collectively, the "Inspectors"), upon written request, at the offices where normally kept, during reasonable business hours, all pertinent financial and other records, pertinent corporate documents and instruments of the Issuers and its subsidiaries (collectively, the "Records") as shall be reasonably necessary to enable them to exercise any applicable due diligence responsibilities, and cause the officers, directors and employees of the Issuers and their subsidiaries to supply all information reasonably requested in writing by any such Inspector in connection with such Registration Statement and Prospectus. Each Inspector shall agree in writing that it will keep the Records confidential and that it will not disclose, or use in connection with any market transactions in violation of any applicable securities laws, any Records that the Issuers determine, in good faith, to be confidential unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in such Registration Statement or Prospectus in the reasonable opinion of counsel for an Inspector, (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction, (iii) disclosure of such information is necessary or advisable in the opinion of counsel for an Inspector in connection with any action, claim, suit or proceeding, directly or indirectly, involving or potentially involving such Inspector and arising out of, based upon, relating to, or involving this Agreement or the Purchase Agreement, or any transactions contemplated hereby or thereby or arising hereunder or thereunder, or (iv) the information in such Records has been made generally available to the public other than as a result of a disclosure or failure to safeguard by such Inspector; provided, however, that (i) each Inspector shall agree to use reasonable best efforts to provide notice to the Issuers of the potential disclosure of any information by such Inspector pursuant to clause (i), (ii) or (iii) of this sentence to permit the Issuers to obtain a protective order (or waive the provisions of this paragraph (n)) and (ii) each such Inspector shall take such actions as are reasonably necessary to protect the confidentiality of such information (if practicable) to the extent such action is otherwise not inconsistent with, an impairment of or in derogation of the rights and interests of the Holder or any Inspector. Each selling Holder of such Registrable Notes and each such Participating Broker-Dealer will be required to agree that information obtained by it as a result of such inspections shall be deemed confidential and shall not be used by it as the basis for any market transactions in the securities of the Parent, the Issuers or their respective subsidiaries unless and until such is made generally available to the public.

(o) Provide an indenture trustee for the Registrable Notes or the Exchange Notes, as the case may be, and cause the Indenture or the trust indenture provided for in Section 2(a) hereof to be qualified under the TIA not later than the effective date of the Exchange Offer or the first Registration Statement relating to the Registrable Notes; and in connection therewith, cooperate with the trustee under any such indenture and the Holders of the Registrable Notes or Exchange Notes, as applicable, to effect such changes to such indenture as may be required for such indenture to be so qualified in accordance with the terms of the TIA; and execute, and use all commercially reasonable efforts to cause such trustee to execute, all documents as may be required to effect such changes, and all other forms and documents required to be filed with the Commission to enable such indenture to be so qualified in a timely manner.

(p) Use all commercially reasonable efforts to comply with all applicable rules and regulations of the Commission and make generally available to the Issuers' securityholders earnings statements satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder (which need not be audited) (or any similar rule promulgated under the Securities Act) no later than 45 days after the end of any fiscal quarter (or 90 days after the end of any 12-month period if such period is a fiscal year) (i) commencing at the end of any fiscal quarter in which Registrable Notes or Exchange Notes are sold to underwriters in a firm commitment or best efforts underwritten offering and (ii) if not sold to underwriters in such an offering, commencing on the first day of the first fiscal quarter of the Issuers after the effective date of a Registration Statement, which statements shall cover said 12-month periods consistent with the requirements of Rule 158.

(q) Upon the request of a Holder, upon consummation of the Exchange Offer or a Private Exchange, use all commercially reasonable efforts to obtain an opinion of counsel to the Issuers, in form and substance customary for such underwritten transactions, addressed to the Trustee for the benefit of all Holders of Registrable Notes participating in the Exchange Offer or the Private Exchange, as the case may be, that the Exchange Notes or Private Exchange Notes, as the case may be, and the related indenture constitute legal, valid and binding obligations of the Issuers, enforceable against the Issuers in accordance with its respective terms, subject to customary exceptions and qualifications.

(r) If the Exchange Offer or a Private Exchange is to be consummated, upon delivery of the Registrable Notes by Holders to the Issuers (or to such other Person as directed by the Issuers) in exchange for the Exchange Notes or the Private Exchange Notes, as the case may be, mark, or cause to be marked, on such Registrable Notes that such Registrable Notes are being cancelled in exchange for the Exchange Notes or the Private Exchange Notes, as the case may be; provided that in no event shall such Registrable Notes be marked as paid or otherwise satisfied.

(s) Cooperate with each seller of Registrable Notes covered by any Registration Statement and each underwriter, if any, participating in the disposition of such Registrable Notes and their respective counsel in connection with any filings required to be made with the National Association of Securities Dealers, Inc. (the "NASD").

(t) Use all commercially reasonable efforts to take all other steps reasonably necessary or advisable to effect the registration of the Exchange Notes and/or Registrable Notes covered by a Registration Statement contemplated hereby.

The Issuers may require each seller of Registrable Notes or Exchange Notes as to which any registration is being effected to furnish to the Issuers such information regarding such seller or Participating Broker-Dealer and the distribution of such Registrable Notes or Exchange Notes as the Issuers may, from time to time, reasonably request. The Issuers may exclude from such registration the Registrable Notes of any seller or Participating Broker-Dealer so long as such seller or Participating Broker-Dealer fails to furnish such information within a reasonable time after receiving such request and in the event of such an exclusion, the Issuers shall have no further obligation under this Agreement (including, without limitation, the obligations under Section 4) with respect to such seller or Participating Broker-Dealer or any subsequent Holder of such Registrable Notes. Each seller or Participating Broker-Dealer as to which any Shelf Registration is being effected agrees to furnish promptly to the Issuers all information required to be disclosed in order to make any information previously furnished to the Issuers by such seller not materially misleading.

If any such Registration Statement refers to any Holder by name or otherwise as the holder of any securities of the Issuers, then such Holder shall have the right to require (i) the insertion therein of language, in form and substance reasonably satisfactory to such Holder, to the effect that the holding by such Holder of such securities is not to be construed as a recommendation by such Holder of the investment quality of the securities covered thereby and that such holding does not imply that such Holder will assist in meeting any future financial requirements of the Issuers, or (ii) in the event that such reference to such Holder by name or otherwise is not required by the Securities Act or any similar federal statute then in force, the deletion of the reference to such Holder in any amendment or supplement to the applicable Registration Statement filed or prepared subsequent to the time that such reference ceases to be required.

Each Holder of Registrable Notes and each Participating Broker-Dealer agrees by acquisition of such Registrable Notes or Exchange Notes that, upon actual receipt of any notice from the Issuers (x) of the happening of any event of the kind described in Section 5(c)(ii), 5(c)(iii), 5(c)(iv), or 5(c)(v) hereof, or (y) that the Board of Directors of the Issuers (the "Board of Directors") has resolved that the Issuers have a *bona fide* business purpose for doing so, then the Issuers may delay the filing or the effectiveness of the Exchange Offer Registration Statement or the Shelf Registration Statement (if not then filed or effective, as applicable) and shall not be required to maintain the effectiveness thereof or amend or supplement the Exchange Offer Registration Statement or the Shelf Registration, in all cases, for a period (a "Delay Period") expiring upon the earlier to occur of (i) in the case of the immediately preceding clause (x), such Holder's or Participating Broker-Dealer's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 5(k) hereof or until it is advised in writing (the "Advice") by the Issuers that the use of the applicable Prospectus may be resumed, and has received copies of any amendments or supplements thereto or (ii) in the case of the immediately preceding clause (y), the date which is the earlier of (A) the date on which such business purpose ceases to interfere with the Issuers' obligations to file or maintain the effectiveness of any such Registration Statement pursuant to this Agreement or (B) 60 days after the Issuers notify the Holders of such good faith determination. There shall not be more than 60 days of Delay Periods during any 12 month

period. Each of the Effectiveness Period and the Applicable Period, if applicable, shall be extended by the number of days during any Delay Period. Any Delay Period will not alter the obligations of the Issuers to pay Liquidated Damages under the circumstances set forth in Section 4 hereof (except as noted in Section 4).

In the event of any Delay Period pursuant to clause (y) of the preceding paragraph, notice shall be given as soon as practicable after the Board of Directors makes such a determination of the need for a Delay Period and shall state, to the extent practicable, an estimate of the duration of such Delay Period and shall advise the recipient thereof of the agreement of such Holder provided in the next succeeding sentence. Each Holder, by his acceptance of any Registrable Note, agrees that during any Delay Period, each Holder will discontinue disposition of such Notes or Exchange Notes covered by such Registration Statement or Prospectus or Exchange Notes to be sold by such Holder or Participating Broker-Dealer, as the case may be.

Section 6. Registration Expenses

All fees and expenses incident to the performance of or compliance with this Agreement by the Issuers (other than any underwriting discounts or commissions) shall be borne by the Issuers, whether or not the Exchange Offer Registration Statement or the Shelf Registration is filed or becomes effective or the Exchange Offer is consummated, including, without limitation, (i) all registration and filing fees (including, without limitation, (A) fees with respect to filings required to be made with the NASD in connection with an underwritten offering and (B) fees and expenses of compliance with state securities or Blue Sky laws (including, without limitation, reasonable fees and disbursements of counsel in connection with Blue Sky qualifications of the Registrable Notes or Exchange Notes and determination of the eligibility of the Registrable Notes or Exchange Notes for investment under the laws of such jurisdictions (x) where the holders of Registrable Notes are located, in the case of an Exchange Offer, or (y) as provided in Section 5(h) hereof, in the case of a Shelf Registration or in the case of Exchange Notes to be sold by a Participating Broker-Dealer during the Applicable Period)), (ii) printing expenses, including, without limitation, expenses of printing certificates for Registrable Notes or Exchange Notes in a form eligible for deposit with The Depository Trust Company and of printing prospectuses if the printing of prospectuses is requested by the managing underwriter or underwriters, if any, or by the Holders of a majority in aggregate principal amount of the Registrable Notes included in any Registration Statement or in respect of Exchange Notes to be sold by any Participating Broker-Dealer during the Applicable Period, as the case may be, (iii) messenger, telephone and delivery expenses, (iv) fees and disbursements of counsel for the Issuers and reasonable fees and disbursements of one special counsel for all of the sellers of Registrable Notes (exclusive of any counsel retained pursuant to Section 7 hereof), (v) fees and disbursements of all independent certified public accountants referred to in Section 5(m)(iii) hereof (including, without limitation, the expenses of any special audit and "cold comfort" letters required by or incident to such performance), (vi) Securities Act liability insurance, if the Issuers desire such insurance, (vii) fees and expenses of all other Persons retained by the Issuers, (viii) internal expenses of the Issuers (including, without limitation, all salaries and expenses of officers and employees of the Issuers performing legal or accounting duties), (ix) the expense of any annual audit, (x) the fees and expenses incurred in connection with the listing of the securities to be registered on any securities exchange, and the obtaining of a rating of the securities, in each case, if applicable, and (xi) the expenses relating to printing, word

processing and distributing all Registration Statements, underwriting agreements, indentures and any other documents necessary in order to comply with this Agreement. Notwithstanding the foregoing or anything to the contrary, each Holder shall pay all underwriting discounts and commissions of any underwriters with respect to any Registrable Notes sold by or on behalf of it.

Section 7. Indemnification

(a) Each of the Issuers and the Guarantors, jointly and severally, agrees to indemnify and hold harmless each Holder of Registrable Notes and each Participating Broker-Dealer selling Exchange Notes during the Applicable Period, each Person, if any, who controls any such Person within the meaning of Section 15 of the Securities Act or Section 20(a) of the Exchange Act, the agents, employees, officers and directors of each Holder and each such Participating Broker-Dealer and the agents, employees, officers and directors of any such controlling Person (each, a "Participant") from and against any and all losses, liabilities, claims, damages and expenses (including, but not limited to, reasonable attorneys' fees and any and all reasonable out-of-pocket expenses actually incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever, and any and all reasonable amounts paid in settlement of any claim or litigation (in the manner set forth in clause (c) below)) (collectively, "Losses") to which they or any of them may become subject under the Securities Act, the Exchange Act or otherwise insofar as such Losses (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement (or any amendment thereto) or Prospectus (as amended or supplemented if the Issuers shall have furnished any amendments or supplements thereto) or any preliminary prospectus, or caused by, arising out of or based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, provided that (i) the foregoing indemnity shall not be available to any Participant insofar as such Losses arise out of or are based upon any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with information relating to such Participant furnished to the Issuers in writing by or on behalf of such Participant expressly for use therein, and (ii) that the foregoing indemnity with respect to any preliminary prospectus shall not inure to the benefit of any Participant from whom the Person asserting such Losses purchased Registrable Notes if (x) it is established in the related proceeding that such Participant failed to send or give a copy of the Prospectus (as amended or supplemented if such amendment or supplement was furnished to such Participant prior to the written confirmation of such sale) to such Person with or prior to the written confirmation of such sale, if required by applicable law, and (y) the untrue statement or omission or alleged untrue statement or omission was corrected in the Prospectus (as amended or supplemented if amended or supplemented as aforesaid). This indemnity agreement will be in addition to any liability that the Issuers and Guarantors may otherwise have, including, but not limited to, liability under this Agreement.

(b) Each Participant agrees, severally and not jointly, to indemnify and hold harmless the Issuers, each Person, if any, who controls any of the Issuers or the Guarantors within the meaning of Section 15 of the Securities Act or Section 20(a) of the Exchange Act, and each of its agents, employees, officers and directors and the agents, employees, officers and directors of any such controlling Person from and against any Losses to which they or any of them may become subject under the Securities Act, the Exchange Act or otherwise insofar as such Losses (or actions in respect

thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement (or any amendment thereto) or Prospectus (as amended or supplemented if the Issuers shall have furnished any amendments or supplements thereto) or any preliminary prospectus, or caused by, arising out of or based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, in each case to the extent, but only to the extent, that any such Loss arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with information relating to such Participant furnished in writing to the Issuers by or on behalf of such Participant expressly for use therein. This indemnity agreement will be in addition to any liability that a Participant may otherwise have, including, but not limited to, liability under this Agreement.

(c) Promptly after receipt by an indemnified party under subsection 7(a) or 7(b) above of notice of the commencement of any action, suit or proceeding (collectively, an "action"), such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify each party against whom indemnification is to be sought in writing of the commencement of such action (but the failure so to notify an indemnifying party shall not relieve such indemnifying party from any liability that it may have under this Section 7 except to the extent that it has been prejudiced in any material respect by such failure). In case any such action is brought against any indemnified party, and it notifies an indemnifying party of the commencement of such action, the indemnifying party will be entitled to participate in such action, and to the extent it may elect by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense of such action with counsel reasonably satisfactory to such indemnified party. Notwithstanding the foregoing, the indemnified party or parties shall have the right to employ its or their own counsel in any such action, but the reasonable fees and expenses of such counsel shall be at the expense of such indemnified party or parties unless (i) the employment of such counsel shall have been authorized in writing by the indemnifying parties in connection with the defense of such action, (ii) the indemnifying parties shall not have employed counsel to take charge of the defense of such action within a reasonable time after notice of commencement of the action, or (iii) the named parties to such action (including any impleaded parties) include such indemnified party and the indemnifying party or parties (or such indemnifying parties have assumed the defense of such action), and such indemnified party or parties shall have reasonably concluded, that there may be defenses available to it or them that are different from or additional to those available to one or all of the indemnifying parties (in which case the indemnifying parties shall not have the right to direct the defense of such action on behalf of the indemnified party or parties), in any of which events such reasonable fees and expenses of counsel shall be borne by the indemnifying parties. In no event shall the indemnifying party be liable for the fees and expenses of more than one counsel (together with appropriate local counsel) at any time for all indemnified parties in connection with any one action or separate but substantially similar or related actions arising in the same jurisdiction out of the same general allegations or circumstances. Any such separate firm for the Participants shall be designated in writing by Participants who sold a majority in interest of Registrable Notes sold by all such Participants and shall be reasonably acceptable to the Issuers and any such separate firm for the Issuers, its affiliates, officers, directors, representatives, employees and agents and such control Person of the Issuers shall be designated in writing by the Issuers and shall be reasonably acceptable to the Holders. An indemnifying party shall not be liable for any settlement of any claim or action effected

without its written consent, which consent may not be unreasonably withheld. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(d) In order to provide for contribution in circumstances in which the indemnification provided for in this Section 7 is for any reason held to be unavailable from the indemnifying party, or is insufficient to hold harmless a party indemnified under this Section 7, each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such aggregate Losses (i) in such proportion as is appropriate to reflect the relative benefits received by each indemnifying party, on the one hand, and each indemnified party, on the other hand, from the sale of the Notes to the Initial Purchasers or the resale of the Registrable Notes by such Holder, as applicable, or (ii) if such allocation is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of each indemnified party, on the one hand, and each indemnifying party, on the other hand, in connection with the statements or omissions that resulted in such Losses, as well as any other relevant equitable considerations. The relative benefits received by the Issuers and the Guarantors, on the one hand, and each Participant, on the other hand, shall be deemed to be in the same proportion as (x) the total proceeds from the sale of the Notes to the Initial Purchasers (net of discounts and commissions but before deducting expenses) received by the Issuers and the Guarantors are to (y) the total discount and commissions received by such Participant in connection with the sale of the Registrable Notes. The relative fault of the parties shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by an Issuer or any Guarantor or such Participant and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission or alleged statement or omission.

(e) The parties agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to above. Notwithstanding the provisions of this Section 7, (i) in no case shall any Participant be required to contribute any amount in excess of the amount by which the total discount and commissions received by such Participant in connection with the sale of the Registrable Notes exceeds the amount of any damages that such Participant has otherwise been required to pay by reason of any untrue or alleged untrue statement or omission or alleged omission and (ii) no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. Any party entitled to contribution will, promptly after receipt of notice of commencement of any action against such party in respect of which a claim for contribution may be made against another party or parties under this Section 7, notify such party or parties from whom contribution may be sought, but the omission to so notify such party or parties shall not relieve the party or parties from whom contribution may be sought from any obligation it or they may have under this Section 7 or otherwise, except to the extent that it has been prejudiced in any material respect by such failure; provided, however, that no additional notice shall be required with respect to any

action for which notice has been given under this Section 7 for purposes of indemnification. Anything in this section to the contrary notwithstanding, no party shall be liable for contribution with respect to any action or claim settled without its written consent, provided, however, that such written consent was not unreasonably withheld.

Section 8. Rules 144 and 144A

The Issuers covenant that they will file the reports required, if any, to be filed by them under the Securities Act and the Exchange Act and the rules and regulations adopted by the Commission thereunder in a timely manner in accordance with the requirements of the Securities Act and the Exchange Act and, if at any time the Issuers are not required to file such reports, they will, upon the request of any Holder or beneficial owner of Registrable Notes, make available such information necessary to permit sales pursuant to Rule 144A under the Securities Act. The Issuers further covenant that for so long as any Registrable Notes remain outstanding they will take such further action as any Holder of Registrable Notes may reasonably request from time to time to enable such Holder to sell Registrable Notes without registration under the Securities Act within the limitation of the exemptions provided by (a) Rule 144(k) and Rule 144A under the Securities Act, as such Rules may be amended from time to time, or (b) any similar rule or regulation hereafter adopted by the Commission.

Section 9. Underwritten Registrations

If any of the Registrable Notes covered by any Shelf Registration are to be sold in an underwritten offering, the investment banker or investment bankers and manager or managers that will manage the offering will be selected by the Holders of a majority in aggregate principal amount of such Registrable Notes included in such offering and shall be reasonably acceptable to the Issuers.

No Holder of Registrable Notes may participate in any underwritten registration hereunder if such Holder does not (a) agree to sell such Holder's Registrable Notes on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements and (b) complete and execute all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents required under the terms of such underwriting arrangements.

Section 10. Submission to Jurisdiction; Waiver of Jury Trial. No proceeding related to this Agreement or the transactions contemplated hereby may be commenced, prosecuted or continued in any court other than the courts of the State of New York located in the City and County of New York or in the United States District Court for the Southern District of New York, which courts shall have jurisdiction over the adjudication of such matters, and the Issuers hereby consent to the jurisdiction of such courts and personal service with respect thereto. The Issuers shall irrevocably appoint CT Corporation System as an authorized agent pursuant to Section 8(l) of the Purchase Agreement, as their authorized agent in the City and County of New York upon which process may be served in any such suit or proceeding, and agrees that service of process upon such agent, and written notice of said service to each Issuer, by the person serving the same to the address provided in Section 12, shall be deemed in every respect effective service of process upon each Issuer, as applicable, in such suit or proceeding. The Issuers and each Guarantor hereby waive all right to trial by jury in any proceeding (whether based upon contract, tort or otherwise) in any way arising out of or relating to this Agreement.

The Issuers and each Guarantor agree that a final judgment in any such proceeding brought in any such court shall be conclusive and binding upon the Issuers and each Guarantor and may be enforced in any other courts in the jurisdiction of which any Issuer or any Guarantor is or may be subject, by suit upon such judgment.

Section 11. Judgment Currency. In respect of any judgment or order given or made for any amount due hereunder that is expressed and paid in a currency (the "**judgment currency**") other than United States dollars, the Issuer and the Guarantors, as applicable, will indemnify each Initial Purchaser, and the Initial Purchasers will indemnify the Issuers and the Guarantors, against any loss incurred by such Initial Purchaser as a result of any variation as between (i) the rate of exchange at which the United States dollar amount is converted into the judgment currency for the purpose of such judgment or order and (ii) the spot rate of exchange in The City of New York at which such party on the date of payment of such judgment or order is able to purchase United States dollars with the amount of the judgment currency actually received by such party. The foregoing indemnity shall constitute a separate and independent obligation of each of the Issuers and the Initial Purchasers and shall continue in full force and effect notwithstanding any such judgment or order as aforesaid. The term "**rate of exchange**" shall include any premiums and costs of exchange payable in connection with the purchase of or conversion into United States dollars.

Section 12. Miscellaneous

(a) No Inconsistent Agreements. The Issuers have not, as of the date hereof, and shall not have, after the date of this Agreement, entered into any agreement with respect to any of their securities that is inconsistent with the rights granted to the Holders of Registrable Notes in this Agreement or otherwise conflicts with the provisions hereof. The rights granted to the Holders hereunder do not conflict with and are not inconsistent with, in any material respect, the rights granted to the holders of any of the Issuers' other issued and outstanding securities under any such agreements. The Issuers have not entered and will not enter into any agreement with respect to any of their securities which will grant to any Person piggy-back registration rights with respect to any Registration Statement.

(b) Adjustments Affecting Registrable Notes. The Issuers shall not, directly or indirectly, take any action with respect to the Registrable Notes as a class that would adversely affect the ability of the Holders of Registrable Notes to include such Registrable Notes in a registration undertaken pursuant to this Agreement.

(c) Amendments and Waivers. The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given except pursuant to a written agreement duly signed and delivered by (I) the Issuers and (II)(A) the Holders of not less than a majority in aggregate principal amount of the then outstanding Registrable Notes and (B) in circumstances that would adversely affect the Participating Broker-Dealers, the Participating Broker-Dealers holding not less than a majority in aggregate principal amount of the Exchange Notes held by all Participating Broker-Dealers; provided, however, that Section 7 and this Section 10(c) may not be amended, modified or supplemented except pursuant to a written agreement duly signed and delivered by the Issuers and each Holder and each Participating

Broker-Dealer (including any Person who was a Holder or Participating Broker-Dealer of Registrable Notes or Exchange Notes, as the case may be, disposed of pursuant to any Registration Statement) affected by any such amendment, modification, supplement or waiver. Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of Holders of Registrable Notes whose securities are being sold pursuant to a Registration Statement and that does not directly or indirectly affect, impair, limit or compromise the rights of other Holders of Registrable Notes may be given by Holders of at least a majority in aggregate principal amount of the Registrable Notes being sold pursuant to such Registration Statement.

(d) Notices. All notices and other communications (including, without limitation, any notices or other communications to the Trustee) provided for or permitted hereunder shall be made in writing by hand-delivery, registered first-class mail, next-day air courier or telecopier:

(i) if to a Holder of the Registrable Notes or any Participating Broker-Dealer, at the most current address of such Holder or Participating Broker-Dealer, as the case may be, set forth on the records of the registrar under the Indenture.

(ii) if to the Issuers, at the address as follows:

MagnaChip Semiconductor, Ltd.
1 Hyangjeong-dong
hungduk-gu,
Cheongju-si, 361-725
Korea
Telephone: 82-2-3459-3073
Fax: 82-2-3459-3674
Attention: General Counsel

With a copy to:

Dechert LLP
4000 Bell Atlantic Tower
1717 Arch Street
Philadelphia, Pennsylvania 19103
Attention: Geraldine Sinatra, Fax: (215) 994-2222
and Sang Park, Fax: (212) 314-0061;

(iii) if to the Initial Purchasers, at the address as follows:

UBS Securities LLC
677 Washington Boulevard
Stamford, CT 06901
Telephone: (203) 719-8384
Fax number: (212) 719-5499
Attention: High Yield Capital Markets

With a copy at such address to the attention of Legal Department, fax number (203) 719-6177

All such notices and communications shall be deemed to have been duly given: when delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt is acknowledged by the recipient's telecopier machine, if telecopied; and on the next Business Day, if timely delivered to an air courier guaranteeing overnight delivery (if to a U.S. destination); and on the third Business Day, if timely delivered to an air courier guaranteeing three-day delivery (if to a non-U.S. destination).

Copies of all such notices, demands or other communications shall be concurrently delivered by the Person giving the same to the Trustee at the address and in the manner specified in such Indenture.

(e) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties hereto, the Holders and the Participating Broker-Dealers; provided, however, that this Agreement shall not inure to the benefit of or be binding upon a successor or assign of a Holder unless and to the extent such successor or assign holds Registrable Notes.

(f) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(g) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

**(h) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND PERFORMED WHOLLY WITHIN THE STATE OF NEW YORK.**

(i) Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their best efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

(j) Securities Held by the Issuers or Its Affiliates. Whenever the consent or approval of Holders of a specified percentage of Registrable Notes is required hereunder, Registrable Notes held by the Issuers or any of its affiliates (as such term is defined in Rule 405 under the Securities Act) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

(k) Third-Party Beneficiaries. Holders and beneficial owners of Registrable Notes and Participating Broker-Dealers are intended third-party beneficiaries of this Agreement, and this Agreement may be enforced by such Persons. No other Person is intended to be, or shall be construed as, a third-party beneficiary of this Agreement.

(l) Attorneys' Fees. As between the parties to this Agreement, in any action or proceeding brought to enforce any provision of this Agreement, or where any provision hereof is validly asserted as a defense, the successful party shall be entitled to recover reasonable attorneys' fees actually incurred in addition to its costs and expenses and any other available remedy.

(m) Entire Agreement. This Agreement, together with the Purchase Agreement and the Indenture, is intended by the parties as a final and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein and therein and any and all prior oral or written agreements, representations, or warranties, contracts, understandings, correspondence, conversations and memoranda between the Holders on the one hand and the Issuers on the other, or between or among any agents, representatives, parents, subsidiaries, affiliates, predecessors in interest or successors in interest with respect to the subject matter hereof and thereof are merged herein and replaced hereby.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

MagnaChip Semiconductor S.A.

By: _____

Name:
Title:

MagnaChip Semiconductor Finance Company

By: _____

Name:
Title:

MagnaChip Semiconductor LLC

By: _____

Name:
Title:

MagnaChip Semiconductor, Inc.

By: _____

Name:
Title:

MagnaChip Semiconductor Ltd (United Kingdom)

By: _____

Name:
Title:

MagnaChip Semiconductor Inc. (Japan)

By: _____

Name:
Title:

MagnaChip Semiconductor Ltd. (Hong Kong)

By: _____

Name:
Title:

MagnaChip Semiconductor Ltd. (Taiwan)

By: _____

Name:
Title:

MagnaChip Semiconductor B.V. (Netherlands)

By: _____

Name:
Title:

MagnaChip Semiconductor, Ltd. (Korea)

By: _____

Name:
Title:

MagnaChip Semiconductor SA Holdings LLC

By: _____

Name:
Title:

UBS SECURITIES, LLC,
CITIGROUP GLOBAL MARKETS INC.
GOLDMAN, SACHS & CO.
J.P. MORGAN SECURITIES INC.
DEUTSCHE BANK SECURITIES INC.

By: UBS Securities LLC

By: _____

Name:
Title:

By: _____

Name:
Title:

Schedule I

| Subsidiary | Jurisdiction of Organization |
|---|---|
| MagnaChip Semiconductor SA Holdings LLC (USA) | Delaware |
| MagnaChip Semiconductor, Inc. (USA) | Delaware |
| MagnaChip Semiconductor Inc. (Japan) | Japan |
| MagnaChip Semiconductor Ltd. (United Kingdom) | United Kingdom |
| MagnaChip Semiconductor Ltd. (Hong Kong) | Hong Kong |
| MagnaChip Semiconductor Ltd. (Taiwan) | Taiwan |
| MagnaChip Semiconductor, Ltd. (Korea) | Korea |
| MagnaChip Semiconductor B.V. (Netherlands) | Netherlands |
| MagnaChip Semiconductor SA Holdings LLC (USA) | Delaware |

**Exhibit 4.5**

MAGNACHIP SEMICONDUCTOR S.A.

AND

MAGNACHIP SEMICONDUCTOR FINANCE COMPANY

as Issuers,

AND

EACH OF THE GUARANTORS PARTY HERETO

8% SENIOR SUBORDINATED NOTES DUE 2014

---

INDENTURE

Dated as of December 23, 2004

---

THE BANK OF NEW YORK

Trustee

---

CROSS-REFERENCE TABLE*

| *Trust Indenture Act Section* | *Indenture Section* |
|---|---|
| 310(a)(1) | 7.10 |
| (a)(2) | 7.10 |
| (a)(3) | N.A. |
| (a)(4) | N.A. |
| (a)(5) | 7.10 |
| (b) | 7.10 |
| (c) | N.A. |
| 311(a) | 7.11 |
| (b) | 7.11 |
| (c) | N.A. |
| 312(a) | 2.05 |
| (b) | 12.03 |
| (c) | 12.03 |
| 313(a) | 7.06 |
| (b)(1) | 10.03 |
| (b)(2) | 7.06; 7.07 |
| (c) | 7.06; 10.03;14.02 |
| (d) | 7.06 |
| 314(a) | 4.03;12.02; 14.05 |
| (b) | 10.02 |
| (c)(1) | 12.04 |
| (c)(2) | 12.04 |
| (c)(3) | N.A. |
| (d) | 10.03; 10.04; 10.05 |
| (e) | 12.05 |
| (f) | N.A. |
| 315(a) | 7.01 |
| (b) | 7.05; 14.02 |
| (c) | 7.01 |
| (d) | 7.01 |
| (e) | 6.11 |
| 316(a) (last sentence) | 2.09 |
| (a)(1)(A) | 6.05 |
| (a)(1)(B) | 6.04 |
| (a)(2) | N.A. |
| (b) | 6.07 |
| (c) | 2.12 |
| 317(a)(1) | 6.08 |
| (a)(2) | 6.09 |
| (b) | 2.04 |
| 318(a) | 12.01 |
| (b) | N.A. |
| (c) | 14.01 |

N.A. means not applicable.

* This Cross Reference Table is not part of the Indenture.

TABLE OF CONTENTS

**ARTICLE 14.**
MISCELLANEOUS



EXHIBITS

INDENTURE dated as of December 23, 2004 among MAGNACHIP SEMICONDUCTOR S.A., a Luxembourg public limited liability company (*societe anonyme*) ("*MagnaChip*"), MAGNACHIP SEMICONDUCTOR FINANCE COMPANY, a Delaware corporation ("*Finance Company,*" and together with MagnaChip, the "*Issuers*"), the Guarantors (as defined), and THE BANK OF NEW YORK, as trustee (the "*Trustee*").

The Issuers, the Guarantors and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders (as defined) of the Issuers' 8% Senior Subordinated Notes due 2014 (the "*Notes*"):

**ARTICLE 1.**
DEFINITIONS AND INCORPORATION
BY REFERENCE

Section 1.01 *Definitions.*

*"144A Global Note"* means a Global Note substantially in the form of Exhibit A1 hereto bearing the Global Note Legend and the Private Placement Legend and deposited with or on behalf of, and registered in the name of, the Depositary or its nominee that will be issued in a denomination equal to the outstanding principal amount of the Notes, sold in reliance on Rule 144A.

*"Acquired Debt"* means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person; *provided* that Indebtedness of such Person that is redeemed, defeased, retired or otherwise repaid at the time, or immediately upon consummation, of the transaction by which such other Person is merged with or into or became a Restricted Subsidiary of such Person shall not be Acquired Debt; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person; *provided* that the amount of such Indebtedness shall be deemed to be the lesser of the value of such asset and the amount of the obligation so secured.

*"Acquisition"* means the purchase of the Systems IC division from Hynix Semiconductor Inc.

*"Additional Notes"* means additional Notes (other than the Initial Notes) issued under this Indenture in accordance with Sections 2.02 and 4.09 hereof, as part of the same series as the Initial Notes.

*"Advisory Agreements"* means the advisory agreements dated as of October 6, 2004, by and between US LLC, MagnaChip and each of (i) Francisco Partners Management, LLC, (ii) CVC Management LLC and (iii) CVC Capital Partners Asia Limited, as each may be amended, supplemented, modified, renewed, extended or replaced from time to time.

*"Affiliate"* of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; *provided* that beneficial ownership of 10% or more of the Voting Stock of a Person will be deemed to be control. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

*"Agent"* means any Registrar or Paying Agent.

*"Applicable Premium"* means, with respect to any Note on any redemption date, the greater of:

(1) 1.0% of the principal amount of the Note; or

(2) the excess of:

(a) the present value at the redemption date of (i) the redemption price of the Note at December 15, 2009, (such redemption price being set forth in the table appearing in Section 3.07 hereof) plus (ii) all required interest payments due on the Note through December 15, 2009, (excluding accrued but unpaid interest to the applicable redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over

(b) the principal amount of the Note, if greater.

*"Applicable Procedures"* means, with respect to any transfer or exchange of or for beneficial interests in any Global Note, the rules and procedures of the Depositary, Euroclear and Clearstream that apply to such transfer or exchange.

"*Asset Sale*" means:

(1) the sale, lease, conveyance or other disposition of any assets or rights; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of MagnaChip and its Restricted Subsidiaries taken as a whole will be governed by the provisions of Section 4.15 hereof and/or the provisions of Section 5.01 hereof and not by the provisions of Section 4.10 hereof; and

(2) the issuance or sale of Equity Interests in any of MagnaChip's Subsidiaries, other than directors' qualifying shares or shares required by applicable law to be held by a Person other than MagnaChip or a Restricted Subsidiary.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than $2.5 million;

(2) a transfer of assets between or among MagnaChip and its Restricted Subsidiaries (including to a Person that becomes a Restricted Subsidiary upon such transfer);

(3) an issuance of Equity Interests by a Restricted Subsidiary of MagnaChip to MagnaChip or to a Restricted Subsidiary of MagnaChip;

(4) the sale, lease, conveyance or other disposition of products, inventory, services or accounts receivable in the ordinary course of business and any sale or other disposition of damaged, worn-out, uneconomical, surplus or obsolete assets in the ordinary course of business;

(5) the sale or other disposition of cash or Cash Equivalents;

(6) a Restricted Payment that does not violate Section 4.07 hereof or a Permitted Investment;

(7) Permitted Liens; and

(8) grants of licenses in intellectual property on terms customary for the semiconductor industry.

*"Bankruptcy Law"* means Title 11, U.S. Code or any similar foreign, federal or state law for the relief of debtors.

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act. The terms "Beneficially Owns" and "Beneficially Owned" have a corresponding meaning.

"*Board of Directors*" means:

(1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the Board of Directors of the general partner of the partnership;

(3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

*"Broker-Dealer"* means a broker or dealer registered under the Exchange Act.

*"Business Day"* means any day other than a Legal Holiday.

*"Capital Lease Obligation"* means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with GAAP, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"*Capital Stock*" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"*Cash Equivalents*" means:

(1) United States dollars, Korean Won, Pound Sterling, Hong Kong Dollars, New Taiwan dollars, Euros and Japanese Yen;

(2) securities issued or directly and fully guaranteed or insured by the United States government, Korean government, EU member states with a sovereign credit rating of A or better, the Japanese government, the Taiwan government, the Hong Kong government, or any agency or instrumentality of any such government (*provided* that the full faith and credit of any such government is pledged in support of those securities) having maturities of not more than one year from the date of acquisition;

(3) United States dollar denominated and Korean Won denominated certificates of deposit, eurodollar time deposits with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding one year and overnight bank deposits, in each case, with any lender party to the Senior Credit Agreement or with any domestic commercial bank having capital and surplus in excess of $500.0 million and a Thomson Bank Watch Rating of "B" or better or a comparable rating by a comparable rating agency in the relevant jurisdiction if a Moody's or S&P rating is unavailable;

(4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (3) above;

(5) commercial paper having one of the two highest ratings obtainable from Moody's or one of the three highest ratings attainable from S&P or a comparable rating by a comparable rating agency in the relevant jurisdiction if a Moody's or S&P rating is unavailable and, in each case, maturing within one year after the date of acquisition; and

(6) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (5) of this definition.

*"Change of Control"* means the occurrence of any of the following:

(1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of US LLC and its Subsidiaries taken as a whole to any "person" (as that term is used in Section 13(d) of the Exchange Act) other than a Principal or a Related Party of a Principal;

(2) the adoption of a plan relating to the liquidation or dissolution of MagnaChip;

(3) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any "person" (as defined above), other than the Principals and their Related Parties, becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of MagnaChip, measured by voting power rather than number of shares; or

(4) after an initial public offering of MagnaChip or any direct or indirect parent of MagnaChip, the first day on which a majority of the members of the Board of Directors of such public company are not Continuing Directors.

*"Clearstream"* means Clearstream Banking, S.A.

*"Consolidated Cash Flow"* means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period *plus*, without duplication:

(1) an amount equal to any extraordinary loss *plus* any net loss realized by such Person or any of its Restricted Subsidiaries in connection with an Asset Sale, to the extent such losses were deducted in computing such Consolidated Net Income; *plus*

(2) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; *plus*

(3) the Fixed Charges of such Person and its Restricted Subsidiaries for such period, to the extent that such Fixed Charges were deducted in computing such Consolidated Net Income; *plus*

(4) depreciation, amortization (including amortization of intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash expenses (excluding any such non-cash expense to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period) of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Net Income; *plus*

(5) other expenses incurred in connection with the Acquisition on or prior to the Issue Date; *minus*

(6) non-cash items increasing such Consolidated Net Income for such period, other than the accrual of revenue in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with GAAP.

Notwithstanding the preceding, the provision for taxes based on the income or profits of, and the depreciation and amortization and other non-cash expenses of, a Restricted Subsidiary of MagnaChip will be added to Consolidated Net Income to compute Consolidated Cash Flow of MagnaChip only to the extent that a corresponding amount would be permitted at the date of determination to be dividended to MagnaChip by such Restricted Subsidiary without prior governmental approval (that has not been obtained), and without direct or indirect restriction pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to that Restricted Subsidiary or its stockholders.

*"Consolidated Net Income"* means, with respect to any specified Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP; *provided* that:

(1) the Net Income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary of the Person;

(2) the Net Income of any Restricted Subsidiary will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders, except to the extent that any dividend or similar distribution is actually and lawfully made and not otherwise included in Consolidated Net Income of such Person;

(3) the cumulative effect of a change in accounting principles will be excluded;

(4) any expenses associated with the Acquisition and the transactions contemplated thereby will be excluded;

(5) any transaction gains and losses due to fluctuations in currency values and the related tax effect will be excluded; and

(6) notwithstanding clause (1) above, the Net Income of any Unrestricted Subsidiary will be excluded, whether or not distributed to the specified Person or one of its Subsidiaries.

*"Continuing Directors"* means, as of any date of determination, any member of the Board of Directors of such Person who:

(1) was a member of such Board of Directors on the Issue Date;

(2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election; or

(3) was elected to the Board of Directors under the Securityholders' Agreement.

*"Corporate Trust Office of the Trustee"* means the office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office as of the date of this instrument is located at 101 Barclay Street, 8W, New York, New York 10286; Attention: Corporate Trust Division - Corporate Finance Unit, or such other address as the Trustee may designate from time to time by notice to the Holders and the Issuers.

*"Credit Agreement Agent"* means, at any time, the Person serving at such time as the "Agent" or "Administrative Agent" under the Senior Credit Agreement or any other representative then most recently designated in accordance with the applicable provisions of the Senior Credit Agreement, together with its successors in such capacity.

*"Credit Facilities"* means, one or more debt facilities (including, without limitation, the Senior Credit Agreement) or commercial paper facilities, in each case, with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time.

*"Custodian"* means the Trustee, as custodian with respect to the Notes in global form, or any successor entity thereto.

*"Default"* means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

*"Definitive Note"* means a certificated Note registered in the name of the Holder thereof and issued in accordance with Section 2.06 hereof, substantially in the form of Exhibit A1 hereto except that such Note shall not bear the Global Note Legend and shall not have the "Schedule of Exchanges of Interests in the Global Note" attached thereto.

*"Depositary"* means, with respect to the Notes issuable or issued in whole or in part in global form, the Person specified in Section 2.03 hereof as the Depositary with respect to the Notes, and any and all successors thereto appointed as depositary hereunder and having become such pursuant to the applicable provision of this Indenture.

"*Designated Senior Debt*" means:

(1) Indebtedness outstanding under the Credit Facilities; and

(2) after payment in full of all Obligations under the Senior Credit Agreement, any other Senior Debt permitted under this Indenture the principal amount of which is $25.0 million or more and that has been designated by the Issuers as "Designated Senior Debt."

*"Disqualified Stock"* means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require MagnaChip to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that MagnaChip may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with Section 4.07 hereof. The amount of Disqualified Stock deemed to be outstanding at any time for purposes of this Indenture will be the maximum amount that MagnaChip and its Restricted Subsidiaries may become obligated to pay upon the maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock, exclusive of accrued dividends.

*"Equity Interests"* means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

*"Euroclear"* means Euroclear Bank, S.A./N.V., as operator of the Euroclear system.

*"Exchange Act"* means the Securities Exchange Act of 1934, as amended.

*"Exchange Notes"* means the Notes issued in the Exchange Offer pursuant to Section 2.06(f) hereof.

*"Exchange Offer"* has the meaning set forth in the Registration Rights Agreement.

*"Exchange Offer Registration Statement"* has the meaning set forth in the Registration Rights Agreement.

*"Existing Indebtedness"* means Indebtedness of US LLC and its Subsidiaries (other than Indebtedness under the Senior Credit Agreement) in existence on the Issue Date, until such amounts are repaid.

*"Fair Market Value"* means the value that would be paid by a willing buyer to an unaffiliated willing seller, determined in good faith by the Board of Directors of MagnaChip (unless otherwise provided in this Indenture).

*"Fixed Charge Coverage Ratio"* means with respect to any specified Person and its Restricted Subsidiaries for any period, the ratio of the Consolidated Cash Flow of such Person and its Restricted Subsidiaries for such period to the Fixed Charges of such Person and its Restricted Subsidiaries for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, Guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "*Calculation Date*"), then the Fixed Charge Coverage Ratio will be calculated giving pro forma effect to such incurrence, assumption, Guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Restricted Subsidiaries, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date will be given pro forma effect (in accordance with Regulation S-X under the Securities Act) as if they had occurred on the first day of the four-quarter reference period.

(2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date or that becomes a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date or would cease to be a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period; and

(6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months).

*"Fixed Charges"* means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortization of original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations in respect of interest rates; *plus*

(2) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period; *plus*

(3) any interest on Indebtedness of another Person that is guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries, whether or not such Guarantee or Lien is called upon; *plus*

(4) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of such Person or any of its Restricted Subsidiaries, other than dividends on Equity Interests payable solely in Equity Interests of MagnaChip (other than Disqualified Stock) or to MagnaChip or a Restricted Subsidiary of MagnaChip, *times* (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, determined on a consolidated basis in accordance with GAAP.

*"GAAP"* means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect on the Issue Date.

*"Global Note Legend"* means the legend set forth in Section 2.06(g)(2) hereof, which is required to be placed on all Global Notes issued under this Indenture.

*"Global Notes"* means, individually and collectively, each of the Restricted Global Notes and the Unrestricted Global Notes deposited with or on behalf of and registered in the name of the Depository or its nominee, substantially in the form of Exhibit A1 hereto and that bears the Global Note Legend and that has the "Schedule of Exchanges of Interests in the Global Note" attached thereto, issued in accordance with Section 2.01, 2.06(b)(3), 2.06(b)(4), 2.06(d)(2) or 2.06(f) hereof.

*"Government Securities"* means securities that are

(1) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged, or

(2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America,

which, in either case, are not callable or redeemable at the option of the issuers thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act), as custodian with respect to any such Government Securities or a specific payment of principal of or interest on any such Government Securities held by such custodian for the account of the holder of such depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Securities or the specific payment of principal of or interest on the Government Securities evidenced by such depository receipt.

"*Governmental Authority*" shall mean the government of the United States of America or any other nation, or of any political subdivision thereof, whether state, provincial or local, and any agency, authority, instrumentality, regulatory body, court central bank or other entity exercising executive, legislative, judicial taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

*"Guarantee"* means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

*"Guarantors"* means each of:

(1) MagnaChip Semiconductor LLC (USA), MagnaChip Semiconductor, Inc. (USA), MagnaChip Semiconductor B.V. (Netherlands), MagnaChip Semiconductor SA Holdings LLC (USA), MagnaChip Semiconductor Ltd. (UK), MagnaChip Semiconductor Inc. (Japan), MagnaChip Semiconductor Ltd. (Hong Kong) and MagnaChip Semiconductor Ltd. (Taiwan); and

(2) any other Subsidiary of MagnaChip that executes a Note Guarantee in accordance with the provisions of this Indenture,

and their respective successors and assigns, in each case, until the Note Guarantee of such Person has been released in accordance with the provisions of this Indenture.

*"Hedging Obligations"* means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(2) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices,

in each case, in reasonable relation to the business of MagnaChip and the Restricted Subsidiaries, and not for speculative purposes.

*"Holder"* means a Person in whose name a Note is registered.

*"Hynix Agreements"* means each of the following as the same may be amended, restated, supplemented, modified, renewed, extended or replaced from time to time:

(1) Business Transfer Agreement dated as of June 12, 2004 by and between Hynix and MagnaChip Korea;

(2) First Amendment to Business Transfer Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea;

(3) General Services Supply Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea;

(4) each of the Overseas Sales Services Agreements dated as of October 6, 2004 by and between a Subsidiary of Hynix and a Subsidiary of MagnaChip;

(5) R&D Equipment Utilization Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea;

(6) IT & FA Service Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea;

(7) Wafer Foundry Service Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea;

(8) Mask Production and Supply Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea;

(9) each of the Building Lease Agreements dated as of October 6, 2004 by and between Hynix and MagnaChip Korea;

(10) Trademark License Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea; and

(11) Intellectual Property Licensing Agreement dated as of October 6, 2004 by and between Hynix and MagnaChip Korea.

*"IAI Global Note"* means a Global Note substantially in the form of Exhibit A1 hereto bearing the Global Note Legend and the Private Placement Legend and deposited with or on behalf of and registered in the name of the Depositary or its nominee that will be issued in a denomination equal to the outstanding principal amount of the Notes sold to Institutional Accredited Investors.

*"Immaterial Subsidiary"* means, as of any date, any Restricted Subsidiary whose total assets, as of that date, are less than $250,000 and whose total revenues for the most recent 12-month period do not exceed $250,000; *provided* that a Restricted Subsidiary will not be considered to be an Immaterial Subsidiary if it, directly or indirectly, guarantees or otherwise provides direct credit support for any Indebtedness of MagnaChip; *provided*, *further*, that the revenues and total assets of all such subsidiaries shall not exceed $2.5 million in the aggregate.

*"Indebtedness"* means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent:

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);

(3) in respect of banker's acceptances;

(4) representing Capital Lease Obligations;

(5) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed; or

(6) representing any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person and the amount of such obligation being deemed to be the lesser of the value of such asset and the amount of the obligation so secured) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person.

*"Indenture"* means this Indenture, as amended or supplemented from time to time.

*"Indirect Participant"* means a Person who holds a beneficial interest in a Global Note through a Participant.

*"Initial Notes"* means the first $500,000,000 aggregate principal amount of Notes issued under this Indenture on the date hereof.

*"Initial Purchasers"* means UBS Securities LLC, Seoul Branch, UBS Securities LLC, Citigroup Global Market Inc., Goldman, Sachs & Co., J.P. Morgan Securities Inc., and Deutsche Bank Securities LLC.

*"Institutional Accredited Investor"* means an institution that is an "accredited investor" as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act, who are not also QIBs.

*"Investments"* means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations), advances or capital contributions (excluding (A) advances to customers in the ordinary course of business that are recorded as accounts receivable on the consolidated balance sheet of such

Person and (B) commission, travel, moving and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. If MagnaChip or any Subsidiary of MagnaChip sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of MagnaChip such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of MagnaChip, MagnaChip will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of MagnaChip's Investments in such Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of Section 4.07 hereof. The acquisition by MagnaChip or any Subsidiary of MagnaChip of a Person that holds an Investment in a third Person will be deemed to be an Investment by MagnaChip or such Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of Section 4.07 hereof. Except as otherwise provided in this Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value.

*"Issue Date"* means the date of this Indenture.

*"Legal Holiday"* means a Saturday, a Sunday or a day on which banking institutions in The City of New York, Seoul, Korea or at a place of payment of any payment due in respect of any Notes are authorized by law, regulation or executive order to remain closed. If a payment date is a Legal Holiday, payment may be made on the next succeeding day that is not a Legal Holiday, and no interest shall accrue on such payment for the intervening period.

*"Letter of Transmittal"* means the letter of transmittal to be prepared by the Issuers and sent to all Holders of the Notes for use by such Holders in connection with the Exchange Offer.

*"Lien"* means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

*"Liquidated Damages"* means all liquidated damages then owing pursuant to the Registration Rights Agreement.

*"Moody's"* means Moody's Investors Service, Inc.

*"Net Income"* means, with respect to any specified Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however:

(1) any gain (or loss), together with any related provision for taxes on such gain (or loss), realized in connection with: (a) any Asset Sale; or (b) the disposition of any securities by such Person or any of its Restricted Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Restricted Subsidiaries; and

(2) any extraordinary gain (or loss), together with any related provision for taxes on such extraordinary gain (or loss).

*"Net Proceeds"* means the aggregate cash proceeds received by MagnaChip or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, and any repayment of Indebtedness that was permitted to be secured by the assets sold in such Asset Sale, after taking into account any available tax credits or deductions and any tax sharing arrangements, and any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with GAAP.

"*Non-Recourse Debt*" means Indebtedness:

(1) as to which neither MagnaChip nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender;

(2) no default with respect to which (including any rights that the holders of the Indebtedness may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness of MagnaChip or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment of the Indebtedness to be accelerated or payable prior to its Stated Maturity; and

(3) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of MagnaChip or any of its Restricted Subsidiaries.

*"Non-U.S. Person"* means a Person who is not a U.S. Person.

*"Note Guarantee"* means the Guarantee by each Guarantor of MagnaChip's obligations under this Indenture and the Notes, executed pursuant to the provisions of this Indenture.

*"Notes"* has the meaning assigned to it in the preamble to this Indenture. The Initial Notes and the Additional Notes shall be treated as a single class for all purposes under this Indenture, and unless the context otherwise requires, all references to the Notes shall include the Initial Notes and any Additional Notes.

*"Obligations"* means any principal (including reimbursement obligations with respect to letters of credit whether or not drawn), interest, premium, if any, fees, indemnifications, reimbursements, expenses and other liabilities payable under the documentation governing any Indebtedness.

*"Officer"* means, with respect to any Person, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Controller, the Secretary, any Vice-President, any Director, any Manager, any Managing Director, or any Person authorized by any of the foregoing as set forth in an Officers' Certificate.

*"Officers' Certificate"* means a certificate signed on behalf of MagnaChip by two Officers of MagnaChip, one of whom must be the principal executive officer, the principal financial officer, the treasurer or the principal accounting officer of MagnaChip, that meets the requirements of Section 14.05 hereof and is delivered to the Trustee.

*"Opinion of Counsel"* means an opinion from legal counsel who is reasonably acceptable to the Trustee, that meets the requirements of Section 14.05 hereof. The counsel may be an employee of or counsel to MagnaChip or any Restricted Subsidiary of MagnaChip.

*"Participant"* means, with respect to the Depositary, Euroclear or Clearstream, a Person who has an account with the Depositary, Euroclear or Clearstream, respectively (and, with respect to DTC, shall include Euroclear and Clearstream).

*"Permitted Business"* means the businesses of MagnaChip, its direct and indirect parents, and their respective subsidiaries as of the Issue Date and any other business ancillary or supplementary to the semiconductor business.

"*Permitted Investments*" means:

(1) any Investment in MagnaChip or in a Restricted Subsidiary of MagnaChip;

(2) any Investment in Cash Equivalents;

(3) any Investment by MagnaChip or any Restricted Subsidiary of MagnaChip in a Person, if as a result of such Investment:

(a) such Person becomes a Restricted Subsidiary of MagnaChip; or

(b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, MagnaChip or a Restricted Subsidiary of MagnaChip;

(4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with Section 4.10 hereof;

(5) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of MagnaChip or any of its direct or indirect parents;

(6) any Investments received in compromise or resolution of (A) obligations that were incurred in the ordinary course of business of MagnaChip or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (B) litigation, arbitration or other disputes with Persons who are not Affiliates;

(7) Investments represented by Hedging Obligations;

(8) loans or advances to employees, directors, officers or consultants made in the ordinary course of business of MagnaChip or any Restricted Subsidiary of MagnaChip in an aggregate principal amount not to exceed $5.0 million at any one time outstanding;

(9) repurchases of the Second Priority Notes and the Notes;

(10) (A) advances to customers in the ordinary course of business that are recorded as accounts receivable on the consolidated balance sheet of such Person and (B) payroll, travel and similar advances to cover matters that are expected at the time of the advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(11) receivables owing to MagnaChip or any Restricted Subsidiary of MagnaChip if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided, however*, that such trade terms may include the concessionaire trade terms as MagnaChip or the Restricted Subsidiary deems reasonable under the circumstances;

(12) Investments in existence on the Issue Date;

(13) Investments in any Person to the extent such Investments consist of prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and other similar deposits made in the ordinary course of business by MagnaChip or any Restricted Subsidiary;

(14) Investment in any Person where such Investment was acquired by MagnaChip or any of the Restricted Subsidiaries (A) in exchange for any other Investment or accounts receivable held by MagnaChip or any such Restricted Subsidiary in connection with or as a result of a bankruptcy, workout, reorganization or recapitalization of the issuer of such other Investment or accounts receivable or (B) as a result of a foreclosure by MagnaChip or any of the Restricted Subsidiaries with respect to any secured Investment or other transfer of title with respect to any secured Investment in default; and

(15) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (15) that are at the time outstanding that does not exceed the greater of (A) $50.0 million and (B) 5.0% of Total Assets (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value). Provided that any cash return on capital in any such Permitted Investment (including through any dividend, distribution, repayment, redemption, payment of interest or other transfer) made pursuant to this clause (15) will reduce the amount of any such Permitted Investment for purposes of calculating the amount of Permitted Investments under this clause (15) and will be excluded from clauses (3)(A), (D) and (E) of the first paragraph of Section 4.07(a); provided, that the total reduction may not exceed the amount of the original investment.

"*Permitted Junior Securities*" means:

(1) Equity Interests in the Issuers or any Guarantor; or

(2) debt securities that are subordinated to all Senior Debt and any debt securities issued in exchange for Senior Debt to substantially the same extent as, or to a greater extent than, the Notes and the Note Guarantees are subordinated to Senior Debt under this Indenture.

"*Permitted Liens*" means:

(1) Liens on assets of MagnaChip or any of its Restricted Subsidiaries securing Senior Debt that was permitted by the terms of this Indenture to be incurred;

(2) Liens in favor of MagnaChip or the Restricted Subsidiaries;

(3) Liens on property of a Person existing at the time such Person is merged with or into or consolidated with MagnaChip or any Subsidiary of MagnaChip; *provided* that such Liens were in existence prior to the contemplation of such merger or consolidation and do not extend to any assets other than those of the Person merged into or consolidated with MagnaChip or the Subsidiary;

(4) Liens on property (including Capital Stock) existing at the time of acquisition of the property by MagnaChip or any Subsidiary of MagnaChip; *provided* that such Liens were in existence prior to, such acquisition, and not incurred in contemplation of, such acquisition;

(5) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business;

(6) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by Section 4.09(b)(5) hereof covering only the assets acquired with or financed by such Indebtedness;

(7) Liens existing on the Issue Date;

(8) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor;

(9) Liens imposed by law, such as carriers', warehousemen's, landlord's and mechanics' Liens, in each case, incurred in the ordinary course of business;

(10) pledges or deposits by a Person under worker's compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent, in each case incurred in the ordinary course of business;

(11) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(12) Liens created for the benefit of (or to secure) the Notes (or the guarantees thereof);

(13) attachment or judgment Liens not giving rise to an Event of Default;

(14) Liens arising solely by virtue of any statutory or common law provision relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; *provided, however*, that (A) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by MagnaChip or any of its Restricted Subsidiaries in excess of those set forth by regulations promulgated by the Federal Reserve Board and (B) such deposit account is not intended by MagnaChip or any Restricted Subsidiary to provide collateral to the depository institution;

(15) Liens securing Hedging Obligations so long as such Hedging Obligations relate to Indebtedness that is permitted to be incurred under this Indenture;

(16) Liens arising from the filing of Uniform Commercial Code financing statements regarding leases;

(17) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under this Indenture; *provided, however,* that:

(a) the new Lien shall be limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (*plus* improvements and accessions to, such property or proceeds or distributions thereof); and

(b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;

(18) Leases or subleases granted to others that do not materially interfere with the ordinary course of business of MagnaChip and its Restricted Subsidiaries;

(19) Liens on deposits, in an aggregate amount not to exceed $250,000 at any one time outstanding, made in the ordinary course of business to secure liability to insurance carriers;

(20) Liens under licensing agreements for use of intellectual property entered into in the ordinary course of business;

(21) Customary liens on deposits required in connection with the purchase of property, plant, equipment, inventory and other assets;

(22) Liens to secure all loans which may not be prepaid prior to one year following the date such loan is made under the Senior Credit Facility between MagnaChip Semiconductor, Ltd. (Korea) and certain institutional lenders with the Korean Exchange Bank, as agent, and liens on deposits made in order to secure the payment of such debt when prepayment is permitted;

(23) Liens to secure Indebtedness permitted by Section 4.09(b)(2) and (17) hereof, provided, that with respect to such Section 4.09(b)(17), such Liens cover only the assets owned by the Subsidiary incurring such Indebtedness;

(24) Liens incurred or deposits made in the ordinary course of business in connection with worker's compensation, unemployment insurance and other types of social security;

(25) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by MagnaChip or any of the Restricted Subsidiaries in the ordinary course of business; and

(26) Liens incurred in the ordinary course of business of MagnaChip or any Restricted Subsidiary of MagnaChip with respect to obligations that do not exceed $5.0 million at any one time outstanding.

*"Permitted Refinancing Indebtedness"* means any Indebtedness of MagnaChip or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, extend, defease or discharge other Indebtedness of MagnaChip or any of its Restricted Subsidiaries (other than intercompany Indebtedness); *provided* that:

(1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness renewed, refunded, refinanced, replaced, extended, defeased or discharged (*plus* all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being renewed, refunded, refinanced, replaced, extended, defeased or discharged;

(3) if the Indebtedness being renewed, refunded, refinanced, replaced, extended, defeased or discharged is subordinated in right of payment to the Notes, such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and is subordinated in right of payment to, the Notes on terms at least as favorable to the holders of Notes as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, extended, defeased or discharged; and

(4) such Indebtedness is incurred either by MagnaChip or by the Restricted Subsidiary who is the obligor on the Indebtedness being renewed under Section 951 of the code, refunded, refinanced, replaced, extended, defeased or discharged.

*"Permitted Tax Payments"* means, for so long as US LLC is treated as a partnership for U.S. federal income tax purposes, payments in respect of tax liabilities of US LLC's investors arising from direct or indirect ownership of US LLC's equity interests under Section 951 of the Code. Permitted Tax Payments shall be calculated by reference to the amount of US LLC's and its Subsidiaries' income determined to be an amount required to be included in income under section 951 of the Code times 35%. A nationally recognized accounting firm chosen by US LLC shall determine the amount of Permitted Tax Payments.

*"Person"* means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*Principals*" means

(1) (A) Francisco Partners, L.P. ("*FP*"), any FP fund or co-investment partnership, (B) any general partner of any FP fund or co-investment partnership (collectively, an "*FP Partner*"), and any corporation, partnership or other entity that is an Affiliate of any FP Partner (collectively "*FP Affiliates*"), (C) any managing director, general partner, director, officer or employee of an FP fund, any FP Partner or any FP Affiliate, or any spouse, lineal descendant, sibling, parent, heir, executor, administrator, testamentary trustee, legatee or beneficiary of any of the foregoing persons described in this clause (1)(A) (collectively, "*FP Associates*") and (D) any trust, the beneficiaries of which, any charitable trust, the grantor of which, or any corporation, limited liability company or partnership, the stockholders, members or general or limited partners of which include only FP, FP Partners, FP Affiliates, FP Associates, their spouses or their lineal descendants;

(2) (A) Citigroup Venture Capital Equity Partners, L.P. ("*CVC*"), CVC/SSB Employee Fund, L.P., CVC Executive Fund LLC, Natasha Foundation, Citicorp Venture Capital Ltd., any CVC fund or co-investment partnership, Citigroup, any affiliate of Citigroup or any general partner of any CVC fund or co-investment partnership (collectively, a "*CVC Partner*"), and any corporation, partnership or other entity that is an Affiliate of Citigroup or any CVC

Partner (collectively "*CVC Affiliates*"), (B) any managing director, general partner, director, officer or employee of any CVC fund, any CVC Partner or any CVC Affiliate, or any spouse, lineal descendant, sibling, parent, heir, executor, administrator, testamentary trustee, legatee or beneficiary of any of the foregoing persons described in this clause (B) (collectively, "*CVC Associates*") and (C) any trust, the beneficiaries of which, any charitable trust, the grantor of which, or any corporation, limited liability company or partnership, the stockholders, members or general or limited partners of which include only CVC, CVC Partners, CVC Affiliates, CVC Associates, their spouses or their lineal descendants;

(3) (A) CVC Capital Partners Asia II Limited ("*CVC Asia Pacific*"), CVC Capital Partners Asia Pacific LP, Asia Investors LLC, any CVC Asia Pacific fund or co-investment partnership, or any general partner of any CVC Asia Pacific fund or co-investment partnership (collectively, a "*CVC Asia Pacific Partner*"), and any corporation, partnership or other entity that is an Affiliate of any CVC Asia Pacific Partner (collectively "*CVC Asia Pacific Affiliates*"), (B) any managing director, general partner, director, officer or employee of any CVC Asia Pacific fund, any CVC Asia Pacific Partner or any CVC Asia Pacific Affiliate, or any spouse, lineal descendant, sibling, parent, heir, executor, administrator, testamentary trustee, legatee or beneficiary of any of the foregoing persons described in this clause (B) (collectively, "*CVC Asia Pacific Associates*") and (C) any trust, the beneficiaries of which, any charitable trust, the grantor of which, or any corporation, limited liability company or partnership, the stockholders, members or general or limited partners of which include only CVC Asia Pacific, CVC Asia Pacific Partners, CVC Asia Pacific Affiliates, CVC Asia Pacific Associates, their spouses or their lineal descendants; and

(4) officers and directors of US LLC or its Subsidiaries on the Issue Date.

Except for a Principal specifically identified by name, in determining whether Voting Stock is owned by a Principal, only Voting Stock acquired by a Principal in its described capacity shall be treated as "beneficially owned" by such Principal.

*"Private Placement Legend"* means the legend set forth in Section 2.06(g)(1) hereof to be placed on all Notes issued under this Indenture except where otherwise permitted by the provisions of this Indenture.

*"Public Equity Offering"* means an offer and sale of Capital Stock (other than Disqualified Stock) of MagnaChip or any of its direct or indirect parents pursuant to a registration statement that has been declared effective by the SEC pursuant to the Securities Act (other than a registration statement on Form S-8 or otherwise relating to equity securities issuable under any employee benefit plan of MagnaChip).

*"QIB"* means a "qualified institutional buyer" as defined in Rule 144A.

*"Registration Rights Agreement"* means the Registration Rights Agreement, dated as of December 23, 2004, among the Issuers, the Guarantors and the other parties named on the signature pages thereof, as such agreement may be amended, modified or supplemented from time to time and, with respect to any Additional Notes, one or more registration rights agreements among the Issuers, the Guarantors and the other parties thereto, as such agreement(s) may be amended, modified or supplemented from time to time, relating to rights given by the Issuers to the purchasers of Additional Notes to register such Additional Notes under the Securities Act.

*"Regulation S"* means Regulation S promulgated under the Securities Act.

*"Regulation S Global Note"* means a Regulation S Temporary Global Note or Regulation S Permanent Global Note, as appropriate.

*"Regulation S Permanent Global Note"* means a permanent Global Note in the form of Exhibit A1 hereto bearing the Global Note Legend and the Private Placement Legend and deposited with or on behalf of and registered in the name of the Depositary or its nominee, issued in a denomination equal to the outstanding principal amount of the Regulation S Temporary Global Note upon expiration of the Restricted Period.

*"Regulation S Temporary Global Note"* means a temporary Global Note in the form of Exhibit A2 hereto deposited with or on behalf of and registered in the name of the Depositary or its nominee, issued in a denomination equal to the outstanding principal amount of the Notes initially sold in reliance on Rule 903 of Regulation S.

"*Related Party*" means:

(1) any controlling stockholder, 80% (or more) owned Subsidiary, or immediate family member (in the case of an individual) of any Principal; or

(2) any trust, corporation, partnership, limited liability company or other entity, the beneficiaries, stockholders, partners, members, owners or Persons beneficially holding an 80% or more controlling interest of which consist of any one or more Principals and/or such other Persons referred to in the immediately preceding clause (1).

"*Requirements of Law*" means, collectively, any and all requirements of any Government Authority including any and all laws, judgments, orders, decrees, ordinances, rules, regulations, statutes of case law.

*"Responsible Officer,"* when used with respect to the Trustee, means any officer within the Corporate Trust Division - Corporate Finance Unit of the Trustee (or any successor unit or department of the Trustee) located at the Corporate Trust Office of the Trustee who has direct responsibility for the administration of this Indenture and, for the purposes of Section 7.01(c)(2) and Section 7.05 (for the purposes of Section 315(b) of the TIA), shall also include any officer of the Trustee to whom any corporate trust matter is referred because of his knowledge of and familiarity with the particular subject.

*"Restricted Definitive Note"* means a Definitive Note bearing the Private Placement Legend.

*"Restricted Global Note"* means a Global Note bearing the Private Placement Legend.

*"Restricted Investment"* means an Investment other than a Permitted Investment.

*"Restricted Period"* means the 40-day distribution compliance period as defined in Regulation S.

*"Restricted Subsidiary*" of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary; *provided*, that each of US LLC, MagnaChip Semiconductor SA Holdings LLC (USA) and MagnaChip Semiconductor, Inc. (USA) shall be deemed to be a Restricted Subsidiary of MagnaChip.

*"Rule 144"* means Rule 144 promulgated under the Securities Act.

*"Rule 144A"* means Rule 144A promulgated under the Securities Act.

*"Rule 903"* means Rule 903 promulgated under the Securities Act.

*"Rule 904"* means Rule 904 promulgated under the Securities Act.

*"S&P"* means Standard & Poor's Ratings Group.

*"SEC"* means the Securities and Exchange Commission.

*"Securities Act"* means the Securities Act of 1933, as amended.

*"Second Priority Notes"* means the Issuers' Floating Rate Second Priority Senior Secured Notes due 2011 and Fixed Rate Second Priority Senior Secured Notes due 2011 to be issued on the Issue Date.

*"Second Priority Notes Indenture"* means the indenture governing the Issuers' Second Priority Notes.

*"Securityholders' Agreement"* means the Amended and Restated Securityholders' Agreement dated as of October 6, 2004 by and among US LLC and the other parties thereto, as the same may be amended, restated, supplemented, modified or replaced from time to time.

*"Senior Credit Agreement"* means that certain Credit Agreement, to be dated as of December 23, 2004, by and among MagnaChip and the lenders thereto, providing for up to $100.0 million of revolving credit borrowings, including any related notes, Guarantees, collateral documents, instruments and agreements executed in connection therewith, and, in each case, as amended, restated, modified, extended, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time.

"*Senior Debt*" means:

(1) all Indebtedness of the Issuers or any Guarantor outstanding under Credit Facilities and all Hedging Obligations with respect thereto;

(2) any other Indebtedness of the Issuers or any Guarantor permitted to be incurred under the terms of this Indenture, unless the instrument under which such Indebtedness is incurred expressly provides that it is on a parity with or subordinated in right of payment to the Notes or any Note Guarantee; and

(3) all Obligations with respect to the items listed in the preceding clauses (1) and (2).

Notwithstanding anything to the contrary in the preceding, Senior Debt will not include:

(1) any liability for federal, state, local or other taxes owed or owing by the Issuers;

(2) any intercompany Indebtedness of the Issuers or any of their Subsidiaries or direct or indirect parents or to the Issuers or any of its Affiliates;

(3) any trade payables;

(4) the portion of any Indebtedness that is incurred in violation of this Indenture; or

(5) Indebtedness which is classified as non-recourse in accordance with GAAP or any unsecured claim arising in respect thereof by reason of the application of section 1111(b)(1) of the Bankruptcy Code.

*"Shelf Registration Statement"* means the Shelf Registration Statement as defined in the Registration Rights Agreement.

*"Significant Subsidiary"* means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Issue Date.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Issue Date, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

*"Subordinated Obligations"* means any Indebtedness of MagnaChip, whether outstanding on the Issue Date or thereafter incurred, which is subordinate or junior in right of payment to, in the case of the Issuers, the Notes or, in the case of any Subsidiary Guarantor, its Guarantee, under a written agreement to that effect.

*"Subsidiary"* means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

*"Tax"* means any tax, duty, levy, impost, assessment or other governmental charge (including penalties and interest related thereto).

*"Taxes"* and "*Taxation*" shall be construed to have corresponding meanings to Tax.

*"TIA"* means the Trust Indenture Act of 1939 (15 U.S.C. §§ 77aaa-77bbbb), as in effect on the date on which this Indenture is qualified under the TIA.

*"Total Assets"* means the total amount of all assets of a Person, determined on a consolidated basis in accordance with GAAP as shown on such Person's most recent consolidated balance sheet prepared in accordance with GAAP.

*"Treasury Rate"* means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (or, if such Statistical Release is no longer published, any

publicly available source of similar market data)) most nearly equal to the period from the redemption date to December 15, 2014; *provided, however*, that if the period from the redemption date to December 15, 2014, is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

*"Trustee"* means The Bank of New York until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means the successor serving hereunder.

*"Unrestricted Definitive Note"* means a Definitive Note that does not bear and is not required to bear the Private Placement Legend.

*"Unrestricted Global Note"* means a Global Note that does not bear and is not required to bear the Private Placement Legend.

"*Unrestricted Subsidiary*" means any Subsidiary of US LLC (other than the Issuers or any successor to them) that is designated by the Board of Directors of MagnaChip as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors, but only to the extent that such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) except as permitted by Section 4.11 hereof, on the date of such designation, is not party to any agreement, contract, arrangement or understanding with MagnaChip or any Restricted Subsidiary of MagnaChip unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to MagnaChip or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of MagnaChip;

(3) is a Person with respect to which neither MagnaChip nor any of its Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and

(4) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of MagnaChip or any of its Restricted Subsidiaries.

*"US LLC"* refers to MagnaChip Semiconductor LLC (USA), the direct parent company of MagnaChip, and any successor thereto.

*"U.S. Person"* means a U.S. Person as defined in Rule 902(k) promulgated under the Securities Act.

*"Voting Stock"* of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

*"Weighted Average Life to Maturity"* means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; *by*

(2) the then outstanding principal amount of such Indebtedness.

"*Wholly-Owned Restricted Subsidiary*" of any specified Person means a Subsidiary of such Person all of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) will at the time be owned by such Person or by one or more Wholly-Owned Restricted Subsidiaries of such Person.

Section 1.02 *Other Definitions*.

| Term | Defined in Section |
|---|---|
| *"Affiliate Transaction"* | 4.11 |
| *"Asset Sale Offer"* | 3.09 |
| *"Authentication Order"* | 2.02 |
| *"Change of Control Offer"* | 4.15 |
| *"Change of Control Payment"* | 4.15 |
| *"Change of Control Payment Date"* | 4.15 |
| *"Covenant Defeasance"* | 8.03 |
| *"DTC"* | 2.03 |
| *"Event of Default"* | 6.01 |
| *"Excess Proceeds"* | 4.10 |
| *"incur"* | 4.09 |
| *"Legal Defeasance"* | 8.02 |
| *"Offer Amount"* | 3.09 |
| *"Offer Period"* | 3.09 |
| *"Paying Agent"* | 2.03 |
| *"Permitted Debt"* | 4.09 |
| *"Payment Default"* | 6.01 |
| *"Purchase Date"* | 3.09 |
| *"Redemption Date"* | 3.10 |
| *"Registrar"* | 2.03 |
| *"Restricted Payments"* | 4.07 |

Section 1.03 *Incorporation by Reference of Trust Indenture Act*.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture.

The following TIA terms used in this Indenture have the following meanings:

"*indenture securities*" means the Notes;

"*indenture security Holder*" means a Holder of a Note;

"*indenture to be qualified*" means this Indenture;

"*indenture trustee*" or "*institutional trustee*" means the Trustee; and

*"obligor"* on the Notes and the Note Guarantees means the Issuers and the Guarantors, respectively, and any successor obligor upon the Notes and the Note Guarantees, respectively.

All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule under the TIA have the meanings so assigned to them.

Section 1.04 *Rules of Construction*.

Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) words in the singular include the plural, and in the plural include the singular;

(5) "will" shall be interpreted to express a command;

(6) provisions apply to successive events and transactions; and

(7) references to sections of or rules under the Securities Act will be deemed to include substitute, replacement of successor sections or rules adopted by the SEC from time to time.

**ARTICLE 2.**
THE NOTES

Section 2.01 *Form and Dating*.

(a) *General*. The Notes and Trustee's certificate of authentication will be substantially in the form of Exhibit A hereto. The Notes may have notations, legends or endorsements required by law, stock exchange rule or usage. The Issuer shall reasonably approve the form of the Notes and any notation, legend or endorsement on them. Each Note will be dated the date of its authentication. The Notes shall be in denominations of $1,000 and integral multiples thereof.

The terms and provisions contained in the Notes will constitute, and are hereby expressly made, a part of this Indenture and the Issuers, the Guarantors and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby. However, to the extent any provision of any Note conflicts with the express provisions of this Indenture, the provisions of this Indenture shall govern and be controlling.

(b) *Global Notes*. Notes issued in global form will be substantially in the form of Exhibits A1 or A2 hereto (including the Global Note Legend thereon and the "Schedule of Exchanges of Interests in the Global Note" attached thereto). Notes issued in definitive form will be substantially in the form of Exhibit A1 hereto (but without the Global Note Legend thereon and without the "Schedule of Exchanges of Interests in the Global Note" attached thereto). Each Global Note will represent such of the outstanding Notes as will be specified therein and each shall provide that it represents the aggregate principal amount of outstanding Notes, from time to time endorsed thereon and that the aggregate principal amount of outstanding Notes represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges and redemptions. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the aggregate principal amount of outstanding Notes represented thereby will be made by the Trustee or the Custodian, at the direction of the Trustee, in accordance with instructions given by the Holder thereof as required by Section 2.06 hereof.

(c) *Temporary Global Notes.* Notes offered and sold in reliance on Regulation S will be issued initially in the form of the Regulation S Temporary Global Notes, which will be deposited on behalf of the purchasers of the Notes represented thereby with the Trustee, at its New York Corporate Trust Office, as custodian for the Depositary, and registered in the name of the Depositary or the nominee of the Depositary for the accounts of designated agents holding on behalf of Euroclear or Clearstream, duly executed by the Issuers and authenticated by the Trustee as hereinafter provided. The Restricted Period with respect to the Regulation S Temporary Global Notes will be terminated upon the receipt by the Trustee of:

(1) a written certificate from the Depositary, together with copies of certificates from Euroclear and Clearstream certifying that they have received certification of non-United States beneficial ownership of 100% of the aggregate principal amount of the relevant Regulation S Temporary Global Note (except to the extent of any beneficial owners thereof who acquired an interest therein during the Restricted Period pursuant to another exemption from registration under the Securities Act and who will take delivery of a beneficial ownership interest in a 144A Global Note or an IAI Global Note bearing a Private Placement Legend, all as contemplated by Section 2.06(b) hereof); and

(2) an Officers' Certificate from the Issuers.

Following the termination of the Restricted Period, beneficial interests in the Regulation S Temporary Global Note will be exchanged for beneficial interests in the Regulation S Permanent Global Note, pursuant to the Applicable Procedures. Simultaneously with the authentication of any Regulation S Permanent Global Note, the Trustee will cancel the relevant Regulation S Temporary Global Note. The aggregate principal amount of the Regulation S Permanent Global Note and the Regulation S Temporary Global Note may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depositary or its nominee, as the case may be, in connection with transfers of interest as hereinafter provided.

(d) *Euroclear and Clearstream Procedures Applicable.* The provisions of the "Operating Procedures of the Euroclear System" and "Terms and Conditions Governing Use of Euroclear" and the "General Terms and Conditions of Clearstream Banking" and "Customer Handbook" of Clearstream will be applicable to transfers of beneficial interests in the Regulation S Temporary Global Notes and the Regulation S Permanent Global Notes that are held by Participants through Euroclear or Clearstream.

Section 2.02 *Execution and Authentication.*

At least one Officer must sign the Notes for the Issuers by manual or facsimile signature.

If an Officer whose signature is on a Note no longer holds that office at the time a Note is authenticated, the Note will nevertheless be valid.

A Note will not be valid until authenticated by the manual signature of the Trustee. The signature will be conclusive evidence that the Note has been authenticated under this Indenture.

The Trustee will, upon receipt of a written order of the Issuers signed by one Officer of each Issuer (an "*Authentication Order*"), authenticate Notes for original issue that may be validly issued under this Indenture, including any Additional Notes from time to time as permitted under this Indenture. The

aggregate principal amount of Notes outstanding at any time may not exceed the aggregate principal amount of Notes authorized for issuance by the Issuers pursuant to one or more Authentication Orders, except as provided in Section 2.07 hereof.

The Trustee may appoint an authenticating agent acceptable to the Issuers to authenticate Notes. An authenticating agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with Holders or an Affiliate of the Issuers.

Section 2.03 *Registrar and Paying Agent*.

The Issuers will maintain or cause to be maintained an office or agency where Notes may be presented for registration of transfer or for exchange ("*Registrar*") and an office or agency where Notes may be presented for payment ("*Paying Agent*"). The Registrar will keep a register of the Notes and of their transfer and exchange. The Issuers may appoint one or more co-registrars and one or more additional paying agents. The term "Registrar" includes any co-registrar and the term "Paying Agent" includes any additional paying agent. The Issuers may change any Paying Agent or Registrar without notice to any Holder. The Issuers will notify the Trustee in writing of the name and address of any Agent not a party to this Indenture. If the Issuers fail to appoint or maintain another entity as Registrar or Paying Agent, the Trustee shall act as such. The Issuers or any of their Subsidiaries may act as Paying Agent or Registrar.

The Issuers initially appoint The Depository Trust Company (*"DTC"*) to act as Depositary with respect to the Global Notes.

The Issuers initially appoints the Trustee to act as the Registrar and Paying Agent and to act as Custodian with respect to the Global Notes.

Section 2.04 *Paying Agent to Hold Money in Trust*.

The Issuers will require each Paying Agent other than the Trustee to agree in writing that the Paying Agent will hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal, premium or Liquidated Damages, if any, or interest on the Notes, and will notify the Trustee of any default by the Issuers in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Issuers at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Issuers, MagnaChip Semiconductor LLC or a Subsidiary) will have no further liability for the money. If the Issuers, MagnaChip Semiconductor LLC or a Subsidiary acts as Paying Agent, it will segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent. Upon any bankruptcy or reorganization proceedings relating to the Issuers, the Trustee will serve as Paying Agent for the Notes.

Section 2.05 *Holder Lists*.

The Trustee will preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of all Holders and shall otherwise comply with TIA § 312(a). If the Trustee is not the Registrar, the Issuers will furnish to the Trustee at least seven Business Days before each interest payment date and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of the Holders of Notes and the Issuers shall otherwise comply with TIA § 312(a).

Section 2.06 *Transfer and Exchange*.

(a) *Transfer and Exchange of Global Notes*. A Global Note may not be transferred except as a whole by the Depositary to a nominee of the Depositary, by a nominee of the Depositary to the Depositary or to another nominee of the Depositary, or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary. All Global Notes will be exchanged by the Issuers for Definitive Notes if:

(1) the Issuers deliver to the Trustee notice from the Depositary that it is unwilling or unable to continue to act as Depositary or that it is no longer a clearing agency registered under the Exchange Act and, in either case, a successor Depositary is not appointed by the Issuers within 120 days after the date of such notice from the Depositary;

(2) the Issuers in their sole discretion determine that the Global Notes (in whole but not in part) should be exchanged for Definitive Notes and delivers a written notice to such effect to the Trustee; *provided* that in no event shall the Regulation S Temporary Global Note be exchanged by the Issuers for Definitive Notes prior to (A) the expiration of the Restricted Period and (B) the receipt by the Registrar of any certificates required pursuant to Rule 903(b)(3)(ii)(B) under the Securities Act; or

(3) there has occurred and is continuing a Default or Event of Default with respect to the Notes.

Upon the occurrence of either of the preceding events in (1), (2) or (3) above, Definitive Notes shall be issued in such names as the Depositary shall instruct the Trustee. Global Notes also may be exchanged or replaced, in whole or in part, as provided in Sections 2.07 and 2.10 hereof. Every Note authenticated and delivered in exchange for, or in lieu of, a Global Note or any portion thereof, pursuant to this Section 2.06 or Section 2.07 or 2.10 hereof, shall be authenticated and delivered in the form of, and shall be, a Global Note. A Global Note may not be exchanged for another Note other than as provided in this Section 2.06(a), however, beneficial interests in a Global Note may be transferred and exchanged as provided in Section 2.06(b), (c) or (f) hereof.

(b) *Transfer and Exchange of Beneficial Interests in the Global Notes*. The transfer and exchange of beneficial interests in the Global Notes will be effected through the Depositary, in accordance with the provisions of this Indenture and the Applicable Procedures. Beneficial interests in the Restricted Global Notes will be subject to restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act. Transfers of beneficial interests in the Global Notes also will require compliance with either subparagraph (1) or (2) below, as applicable, as well as one or more of the other following subparagraphs, as applicable:

(1) *Transfer of Beneficial Interests in the Same Global Note*. Beneficial interests in any Restricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Restricted Global Note in accordance with the transfer restrictions set forth in the Private Placement Legend; *provided, however*, that prior to the expiration of the Restricted Period, transfers of beneficial interests in the Regulation S Temporary Global Note may not be made to a U.S. Person or for the account or benefit of a U.S. Person (other than an Initial Purchaser). Beneficial interests in any Unrestricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note. No written orders or instructions shall be required to be delivered to the Registrar to effect the transfers described in this Section 2.06(b)(1).

(2) *All Other Transfers and Exchanges of Beneficial Interests in Global Notes.* In connection with all transfers and exchanges of beneficial interests that are not subject to Section 2.06(b)(1) above, the transferor of such beneficial interest must deliver to the Registrar either:

(A) both:

(i) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to credit or cause to be credited a beneficial interest in another Global Note in an amount equal to the beneficial interest to be transferred or exchanged; and

(ii) instructions given in accordance with the Applicable Procedures containing information regarding the Participant account to be credited with such increase; or

(B) both:

(i) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to cause to be issued a Definitive Note in an amount equal to the beneficial interest to be transferred or exchanged; and

(ii) instructions given by the Depositary to the Registrar containing information regarding the Person in whose name such Definitive Note shall be registered to effect the transfer or exchange referred to in (1) above;

*provided* that in no event shall Definitive Notes be issued upon the transfer or exchange of beneficial interests in the Regulation S Temporary Global Note prior to (A) the expiration of the Restricted Period and (B) the receipt by the Registrar of any certificates required pursuant to Rule 903 or Rule 904 under the Securities Act.

Upon consummation of an Exchange Offer by the Issuers in accordance with Section 2.06(f) hereof, the requirements of this Section 2.06(b)(2) shall be deemed to have been satisfied upon receipt by the Registrar of the instructions contained in the Letter of Transmittal delivered by the Holder of such beneficial interests in the Restricted Global Notes. Upon satisfaction of all of the requirements for transfer or exchange of beneficial interests in Global Notes contained in this Indenture and the Notes or otherwise applicable under the Securities Act, the Trustee shall adjust the principal amount of the relevant Global Note(s) pursuant to Section 2.06(h) hereof.

(3) *Transfer of Beneficial Interests to Another Restricted Global Note.* A beneficial interest in any Restricted Global Note may be transferred to a Person who takes delivery thereof in the form of a beneficial interest in another Restricted Global Note if the transfer complies with the requirements of Section 2.06(b)(2) above and the Registrar receives the following:

(A) if the transferee will take delivery in the form of a beneficial interest in the 144A Global Note, then the transferor must deliver a certificate in the form of Exhibit C hereto, including the certifications in item (1) thereof;

(B) if the transferee will take delivery in the form of a beneficial interest in the Regulation S Temporary Global Note or the Regulation S Permanent Global Note, then the transferor must deliver a certificate in the form of Exhibit C hereto, including the certifications in item (2) thereof; and

(C) if the transferee will take delivery in the form of a beneficial interest in the IAI Global Note, then the transferor must deliver a certificate in the form of Exhibit C hereto, including the certifications, certificates and Opinion of Counsel required by item (3) thereof, if applicable.

(4) Transfer and Exchange of Beneficial Interests in a Restricted Global Note for Beneficial Interests in an Unrestricted Global Note. A beneficial interest in any Restricted Global Note may be exchanged by any holder thereof for a beneficial interest in an Unrestricted Global Note or transferred to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note if the exchange or transfer complies with the requirements of Section 2.06(b)(2) above and:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the holder of the beneficial interest to be transferred, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (i) a Broker-Dealer, (ii) a Person participating in the distribution of the Exchange Notes or (iii) a Person who is an affiliate (as defined in Rule 144) of either Issuer;

(B) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(i) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit D hereto, including the certifications in item (1)(a) thereof; or

(ii) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

If any such transfer is effected pursuant to subparagraph (B) or (D) above at a time when an Unrestricted Global Note has not yet been issued, the Issuers shall issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the aggregate principal amount of beneficial interests transferred pursuant to subparagraph (B) or (D) above.

Beneficial interests in an Unrestricted Global Note cannot be exchanged for, or transferred to Persons who take delivery thereof in the form of, a beneficial interest in a Restricted Global Note.

(c) Transfer or Exchange of Beneficial Interests for Definitive Notes.

(1) *Beneficial Interests in Restricted Global Notes to Restricted Definitive Notes.* If any holder of a beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Restricted Definitive Note, then, upon receipt by the Registrar of the following documentation:

(A) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Definitive Note, a certificate from such holder in the form of Exhibit D hereto, including the certifications in item (2)(a) thereof;

(B) if such beneficial interest is being transferred to a QIB in accordance with Rule 144A, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(C) if such beneficial interest is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;

(D) if such beneficial interest is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate to the effect set forth in Exhibit C hereto, including the certifications in item (3)(a) thereof;

(E) if such beneficial interest is being transferred to an Institutional Accredited Investor in reliance on an exemption from the registration requirements of the Securities Act other than those listed in subparagraphs (B) through (D) above, a certificate to the effect set forth in Exhibit C hereto, including the certifications, certificates and Opinion of Counsel required by item (3) thereof, if applicable;

(F) if such beneficial interest is being transferred to an Issuer or any of its Subsidiaries, a certificate to the effect set forth in Exhibit C hereto, including the certifications in item (3)(b) thereof; or

(G) if such beneficial interest is being transferred pursuant to an effective registration statement under the Securities Act, a certificate to the effect set forth in Exhibit C hereto, including the certifications in item (3)(c) thereof,

the Trustee shall cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.06(h) hereof, and the Issuers shall execute and the Trustee shall

authenticate and deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.06(c) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Registrar through instructions from the Depositary and the Participant or Indirect Participant. The Trustee shall deliver such Definitive Notes to the Persons in whose names such Notes are so registered. Any Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.06(c)(1) shall bear the Private Placement Legend and shall be subject to all restrictions on transfer contained therein.

(2) *Beneficial Interests in Regulation S Temporary Global Note to Definitive Notes.* Notwithstanding Sections 2.06(c)(1)(A) and (C) hereof, a beneficial interest in the Regulation S Temporary Global Note may not be exchanged for a Definitive Note or transferred to a Person who takes delivery thereof in the form of a Definitive Note prior to (A) the expiration of the Restricted Period and (B) the receipt by the Registrar of any certificates required pursuant to Rule 903(b)(3)(ii)(B) under the Securities Act, except in the case of a transfer pursuant to an exemption from the registration requirements of the Securities Act other than Rule 903 or Rule 904.

(3) *Beneficial Interests in Restricted Global Notes to Unrestricted Definitive Notes.* A holder of a beneficial interest in a Restricted Global Note may exchange such beneficial interest for an Unrestricted Definitive Note or may transfer such beneficial interest to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note only if:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the holder of such beneficial interest, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (i) a Broker-Dealer, (ii) a Person participating in the distribution of the Exchange Notes or (iii) a Person who is an affiliate (as defined in Rule 144) of either Issuer;

(B) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(i) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for an Unrestricted Definitive Note, a certificate from such holder in the form of Exhibit D hereto, including the certifications in item (1)(b) thereof; or

(ii) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(4) *Beneficial Interests in Unrestricted Global Notes to Unrestricted Definitive Notes.* If any holder of a beneficial interest in an Unrestricted Global Note proposes to exchange such beneficial interest for a Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Definitive Note, then, upon satisfaction of the conditions set forth in Section 2.06(b)(2) hereof, the Trustee will cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.06(h) hereof, and the Issuers will execute and the Trustee will authenticate and deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(4) will be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest requests through instructions to the Registrar from or through the Depositary and the Participant or Indirect Participant. The Trustee will deliver such Definitive Notes to the Persons in whose names such Notes are so registered. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(4) will not bear the Private Placement Legend.

Transfers and exchanges of Global Notes for Definitive Notes pursuant to this Section 2.06(c) shall be made if, and only if, such transfer or exchange is permitted pursuant to Section 2.06(a) hereof.

(d) Transfer and Exchange of Definitive Notes for Beneficial Interests.

(1) *Restricted Definitive Notes to Beneficial Interests in Restricted Global Notes.* If any Holder of a Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note or to transfer such Restricted Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in a Restricted Global Note, then, upon receipt by the Registrar of the following documentation:

(A) if the Holder of such Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note, a certificate from such Holder in the form of Exhibit D hereto, including the certifications in item (2)(b) thereof;

(B) if such Restricted Definitive Note is being transferred to a QIB in accordance with Rule 144A, a certificate to the effect set forth in Exhibit C hereto, including the certifications in item (1) thereof;

(C) if such Restricted Definitive Note is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate to the effect set forth in Exhibit C hereto, including the certifications in item (2) thereof;

(D) if such Restricted Definitive Note is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(a) thereof;

(E) if such Restricted Definitive Note is being transferred to an Institutional Accredited Investor in reliance on an exemption from the registration requirements of the Securities Act other than those listed in subparagraphs (B) through (D) above, a certificate to the effect set forth in Exhibit C hereto, including the certifications, certificates and Opinion of Counsel required by item (3) thereof, if applicable;

(F) if such Restricted Definitive Note is being transferred to an Issuer or any of its Subsidiaries, a certificate to the effect set forth in Exhibit C hereto, including the certifications in item (3)(b) thereof; or

(G) if such Restricted Definitive Note is being transferred pursuant to an effective registration statement under the Securities Act, a certificate to the effect set forth in Exhibit C hereto, including the certifications in item (3)(c) thereof,

the Trustee will cancel the Restricted Definitive Note, increase or cause to be increased the aggregate principal amount of, in the case of clause (A) above, the appropriate Restricted Global Note, in the case of clause (B) above, the 144A Global Note, in the case of clause (C) above, the Regulation S Global Note, and in all other cases, the IAI Global Note.

(2) *Restricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes.* A Holder of a Restricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note or transfer such Restricted Definitive Note to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note only if:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the Holder, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (i) a Broker-Dealer, (ii) a Person participating in the distribution of the Exchange Notes or (iii) a Person who is an affiliate (as defined in Rule 144) of the Issuers;

(B) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(i) if the Holder of such Definitive Notes proposes to exchange such Notes for a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit D hereto, including the certifications in item (1)(c) thereof; or

(ii) if the Holder of such Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

Upon satisfaction of the conditions of any of the subparagraphs in this Section 2.06(d)(2), the Trustee will cancel the Definitive Notes and increase or cause to be increased the aggregate principal amount of the Unrestricted Global Note.

(3) *Unrestricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes.* A Holder of an Unrestricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note or transfer such Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note at any time. Upon receipt of a request for such an exchange or transfer, the Trustee will cancel the applicable Unrestricted Definitive Note and increase or cause to be increased the aggregate principal amount of one of the Unrestricted Global Notes.

If any such exchange or transfer from a Definitive Note to a beneficial interest is effected pursuant to subparagraphs (2)(B), (2)(D) or (3) above at a time when an Unrestricted Global Note has not yet been issued, the Issuers will issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee will authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the principal amount of Definitive Notes so transferred.

(e) *Transfer and Exchange of Definitive Notes for Definitive Notes.* Upon request by a Holder of Definitive Notes and such Holder's compliance with the provisions of this Section 2.06(e), the Registrar will register the transfer or exchange of Definitive Notes. Prior to such registration of transfer or exchange, the requesting Holder must present or surrender to the Registrar the Definitive Notes duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Registrar duly executed by such Holder or by its attorney, duly authorized in writing. In addition, the requesting Holder must provide any additional certifications, documents and information, as applicable, required pursuant to the following provisions of this Section 2.06(e).

(1) *Restricted Definitive Notes to Restricted Definitive Notes.* Any Restricted Definitive Note may be transferred to and registered in the name of Persons who take delivery thereof in the form of a Restricted Definitive Note if the Registrar receives the following:

(A) if the transfer will be made pursuant to Rule 144A, then the transferor must deliver a certificate in the form of Exhibit C hereto, including the certifications in item (1) thereof;

(B) if the transfer will be made pursuant to Rule 903 or Rule 904, then the transferor must deliver a certificate in the form of Exhibit C hereto, including the certifications in item (2) thereof; and

(C) if the transfer will be made pursuant to any other exemption from the registration requirements of the Securities Act, then the transferor must deliver a certificate in the form of Exhibit C hereto, including the certifications, certificates and Opinion of Counsel required by item (3) thereof, if applicable.

(2) *Restricted Definitive Notes to Unrestricted Definitive Notes.* Any Restricted Definitive Note may be exchanged by the Holder thereof for an Unrestricted Definitive Note or transferred to a Person or Persons who take delivery thereof in the form of an Unrestricted Definitive Note if:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the Holder, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (i) a Broker-Dealer, (ii) a Person participating in the distribution of the Exchange Notes or (iii) a Person who is an affiliate (as defined in Rule 144) of the Issuers;

(B) any such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) any such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(i) if the Holder of such Restricted Definitive Notes proposes to exchange such Notes for an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit D hereto, including the certifications in item (1)(d) thereof; or

(ii) if the Holder of such Restricted Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar so requests, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(3) *Unrestricted Definitive Notes to Unrestricted Definitive Notes.* A Holder of Unrestricted Definitive Notes may transfer such Notes to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note. Upon receipt of a request to register such a transfer, the Registrar shall register the Unrestricted Definitive Notes pursuant to the instructions from the Holder thereof.

(f) *Exchange Offer.* Upon the occurrence of the Exchange Offer in accordance with the Registration Rights Agreement, the Issuers will issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee will authenticate:

(1) one or more Unrestricted Global Notes in an aggregate principal amount equal to the principal amount of the beneficial interests in the Restricted Global Notes accepted for exchange in the Exchange Offer by Persons that certify in the applicable Letters of Transmittal that (A) they are not Broker-Dealers, (B) they are not participating in a distribution of the Exchange Notes and (C) they are not affiliates (as defined in Rule 144) of the Issuers; and

(2) Unrestricted Definitive Notes in an aggregate principal amount equal to the principal amount of the Restricted Definitive Notes accepted for exchange in the Exchange Offer by Persons that certify in the applicable Letters of Transmittal that (A) they are not Broker-Dealers, (B) they are not participating in a distribution of the Exchange Notes and (C) they are not affiliates (as defined in Rule 144) of the Issuers.

Concurrently with the issuance of such Notes, the Trustee will cause the aggregate principal amount of the applicable Restricted Global Notes to be reduced accordingly, and the Issuers will execute and the Trustee will authenticate and deliver to the Persons designated by the Holders of Definitive Notes so accepted Unrestricted Definitive Notes in the appropriate principal amount.

(g) *Legends.* The following legends will appear on the face of all Global Notes and Definitive Notes issued under this Indenture unless specifically stated otherwise in the applicable provisions of this Indenture.

(1) Private Placement Legend.

(A) Except as permitted by subparagraph (B) below, each Global Note and each Definitive Note (and all Notes issued in exchange therefor or substitution thereof) shall bear the legend in substantially the following form:

"THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (A "QIB"), (B) IT IS NOT A U.S. PERSON, IS NOT ACQUIRING THIS NOTE FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT OR (C) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT) (AN "IAI"), (2) AGREES THAT IT WILL NOT, WITHIN THE TIME PERIOD REFERRED TO UNDER RULE 144(k) (TAKING INTO ACCOUNT THE PROVISIONS OF RULE 144(d) UNDER THE SECURITIES ACT, IF APPLICABLE) UNDER THE SECURITIES ACT AS IN EFFECT ON THE DATE OF THE TRANSFER OF THIS NOTE, RESELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE ISSUERS OR ANY SUBSIDIARY THEREOF, (B) TO A PERSON WHOM THE HOLDER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (D) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (E) TO AN IAI THAT, PRIOR TO SUCH TRANSFER, FURNISHES TO THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE REGISTRATION OF TRANSFER OF THIS NOTE (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM THE TRUSTEE) AND, IF SUCH TRANSFER IS IN RESPECT OF AN AGGREGATE PRINCIPAL AMOUNT OF NOTES AT THE TIME OF TRANSFER OF LESS THAN $250,000, AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUERS THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT OR (F) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND, IN EACH CASE, IN ACCORDANCE WITH APPLICABLE

STATE SECURITIES LAWS, AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS NOTE OR ANY INTEREST HEREIN WITHIN THE TIME PERIOD REFERRED TO ABOVE, THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS CERTIFICATE TO THE TRUSTEE. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE IN VIOLATION OF THE FOREGOING RESTRICTIONS."

(B) Notwithstanding the foregoing, any Global Note or Definitive Note issued pursuant to subparagraphs (b)(4), (c)(3), (c)(4), (d)(2), (d)(3), (e)(2), (e)(3) or (f) of this Section 2.06 (and all Notes issued in exchange therefor or substitution thereof) will not bear the Private Placement Legend.

(2) *Global Note Legend*. Each Global Note will bear a legend in substantially the following form:

"THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (1) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.06 OF THE INDENTURE, (2) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (3) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (4) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE ISSUERS.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) ("DTC"), TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN."

(3) *Regulation S Temporary Global Note Legend.* The Regulation S Temporary Global Note will bear a Legend in substantially the following form:

"THE RIGHTS ATTACHING TO THIS REGULATION S TEMPORARY GLOBAL NOTE, AND THE CONDITIONS AND PROCEDURES GOVERNING ITS EXCHANGE FOR CERTIFICATED NOTES, ARE AS SPECIFIED IN THE INDENTURE (AS DEFINED HEREIN). NEITHER THE HOLDER NOR THE BENEFICIAL OWNERS OF THIS REGULATION S TEMPORARY GLOBAL NOTE SHALL BE ENTITLED TO RECEIVE PAYMENT OF INTEREST HEREON."

(h) *Cancellation and/or Adjustment of Global Notes.* At such time as all beneficial interests in a particular Global Note have been exchanged for Definitive Notes or a particular Global Note has been redeemed, repurchased or canceled in whole and not in part, each such Global Note will be returned to or retained and canceled by the Trustee in accordance with Section 2.11 hereof. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note or for Definitive Notes, the principal amount of Notes represented by such Global Note will be reduced accordingly and an endorsement will be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note, such other Global Note will be increased accordingly and an endorsement will be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such increase.

(i) General Provisions Relating to Transfers and Exchanges.

(1) To permit registrations of transfers and exchanges, the Issuers will execute and the Trustee will authenticate Global Notes and Definitive Notes upon receipt of an Authentication Order in accordance with Section 2.02 hereof or at the Registrar's request.

(2) No service charge will be made to a Holder of a beneficial interest in a Global Note or to a Holder of a Definitive Note for any registration of transfer or exchange, but the Issuers may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchange or transfer pursuant to Sections 2.10, 3.06, 3.09, 4.10, 4.15 and 9.05 hereof).

(3) The Registrar will not be required to register the transfer of or exchange of any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part.

(4) All Global Notes and Definitive Notes issued upon any registration of transfer or exchange of Global Notes or Definitive Notes will be the valid obligations of the Issuers, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Global Notes or Definitive Notes surrendered upon such registration of transfer or exchange.

(5) Neither the Registrar nor the Issuers will be required:

(A) to issue, to register the transfer of or to exchange any Notes during a period beginning at the opening of business 15 days before the day of any selection of Notes for redemption under Section 3.02 hereof and ending at the close of business on the day of selection;

(B) to register the transfer of or to exchange any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part; or

(C) to register the transfer of or to exchange a Note between a record date and the next succeeding interest payment date.

(6) Prior to due presentment for the registration of a transfer of any Note, the Trustee, any Agent and the Issuers may deem and treat the Person in whose name any Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Notes and for all other purposes, and none of the Trustee, any Agent or the Issuers shall be affected by notice to the contrary.

(7) The Trustee will authenticate Global Notes and Definitive Notes in accordance with the provisions of Section 2.02 hereof.

(8) All certifications, certificates and Opinions of Counsel required to be submitted to the Registrar pursuant to this Section 2.06 to effect a registration of transfer or exchange may be submitted by facsimile.

(9) None of the Trustee or any Agent shall have any responsibility or obligation to any beneficial owner in a Global Note, a member of, or a participant in the Depository or other Person with respect to the accuracy of the records of the Depository or its nominee or of any participant or member thereof, with respect to any ownership interest in the Notes or with respect to the delivery to any participant, member, beneficial owner or other Person (other than the Depository) of any notice (including any notice of redemption) or the payment of any amount, under or with respect to such Notes. All notices and communications to be given to the Holders and all payments to be made to Holders under the Notes shall be given or made only to or upon the order of the registered Holders (which shall be the Depository or its nominee in the case of Global Notes). The rights of beneficial owners in the Global Notes shall be exercised only through the Depository subject to the applicable rules and procedures of the Depository. The Trustee, any Paying Agent and the Registrar may rely and shall be fully protected in relying upon information furnished by the Depository with respect to its members, participants and any beneficial owners. The Trustee, each Paying Agent and the Registrar shall be entitled to deal with any depositary (including the Depository), and any nominee thereof, that is the Holder of any Global Note for all purposes of this Indenture relating to such Global Note (including the payment of principal, premium, if any, and interest and additional amounts, if any, and the giving of instructions or directions by or to the owner or holder of a beneficial ownership interest in such Global Note) as the sole Holder of such Global Note and shall have no obligations to the beneficial owners thereof. None of the Trustee, any Paying Agent or the Registrar shall have any responsibility or liability for any acts or omissions of any such depositary with respect to such Global Note, for the records of any such depositary, including records in respect of beneficial ownership interests in respect of any such Global Note, for any transactions between such depositary and any participant in such depositary or between or among any such depositary, any such participant and/or any holder or owner of a beneficial interest in such Global Note or for any transfers of beneficial interests in any such Global Note.

The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Note (including any transfers between or among Depository participants, members or beneficial owners in the Global Notes) other than to make any required delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

Section 2.07 *Replacement Notes*.

If any mutilated Note is surrendered to the Trustee or the Issuers and the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, the Issuers will issue and the Trustee, upon receipt of an Authentication Order, will authenticate a replacement Note if the Trustee's requirements are met. If required by the Trustee or the Issuers, an indemnity bond must be supplied by the Holder that is sufficient in the judgment of the Trustee and the Issuers to protect the Issuers, the Trustee, any Agent and any authenticating agent from any loss that any of them may suffer if a Note is replaced. The Issuers may charge for its expenses in replacing a Note, including reasonable fees and expenses of counsel and of the Trustee and its counsel.

Every replacement Note is an additional obligation of the Issuers and will be entitled to all of the benefits of this Indenture equally and proportionately with all other Notes duly issued hereunder.

Section 2.08 *Outstanding Notes*.

The Notes outstanding at any time are all the Notes authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation, those reductions in the interest in a Global Note effected by the Trustee in accordance with the provisions hereof, and those described in this Section 2.08 as not outstanding. Except as set forth in Section 2.09 hereof, a Note does not cease to be outstanding because the Issuers or an Affiliate of the Issuers holds the Note; however, Notes held by an Issuer or a Subsidiary of an Issuer shall not be deemed to be outstanding for purposes of Section 3.07(a) hereof.

If a Note is replaced pursuant to Section 2.07 hereof, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Note is held by a protected purchaser.

If the principal amount of any Note is considered paid under Section 4.01 hereof, it ceases to be outstanding and interest on it ceases to accrue.

If the Paying Agent (other than MagnaChip or any of its Subsidiaries or MagnaChip Semiconductor LLC or an Affiliate of any thereof) holds, on a redemption date or maturity date, money sufficient to pay Notes payable on that date, then on and after that date such Notes will be deemed to be no longer outstanding and will cease to accrue interest.

Section 2.09 *Treasury Notes*.

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Issuers or any Guarantor, or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuers or any Guarantor, will be considered as though not outstanding, except that for the purposes of determining whether the Trustee will be protected in relying on any such direction, waiver or consent, only Notes that the Trustee knows are so owned will be so disregarded.

Section 2.10 *Temporary Notes*.

Until certificates representing Notes are ready for delivery, the Issuers may prepare and the Trustee, upon receipt of an Authentication Order, will authenticate temporary Notes. Temporary Notes will be substantially in the form of certificated Notes but may have variations that the Issuers considers appropriate for temporary Notes and as may be reasonably acceptable to the Trustee. Without unreasonable delay, the Issuers will prepare and the Trustee will authenticate definitive Notes in exchange for temporary Notes.

Holders of temporary Notes will be entitled to all of the benefits of this Indenture.

Section 2.11 *Cancellation*.

The Issuers at any time may deliver Notes to the Trustee for cancellation. The Registrar and Paying Agent will forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else will cancel all Notes surrendered for registration of transfer, exchange, payment, replacement or cancellation and will destroy canceled Notes (subject to the record retention requirement of the Exchange Act). Certification of the disposition of all canceled Notes will be delivered to the Issuers upon request. The Issuers may not issue new Notes to replace Notes that it has paid or that have been delivered to the Trustee for cancellation.

Section 2.12 *Defaulted Interest*.

If the Issuers default in a payment of interest on the Notes, it will pay the defaulted interest in any lawful manner *plus*, to the extent lawful, interest payable on the defaulted interest, to the Persons who are Holders on a subsequent special record date, in each case at the rate provided in the Notes and in Section 4.01 hereof. The Issuers will notify the Trustee in writing of the amount of defaulted interest proposed to be paid on each Note and the date of the proposed payment. The Issuers will fix or cause to be fixed each such special record date and payment date; *provided* that no such special record date may be less than 10 days prior to the related payment date for such defaulted interest. At least 15 days before the special record date, the Issuers (or, upon the written request of the Issuers, the Trustee in the name and at the expense of the Issuers) will mail or cause to be mailed to Holders a notice that states the special record date, the related payment date and the amount of such interest to be paid.

## ARTICLE 3.
## REDEMPTION AND PREPAYMENT

Section 3.01 *Notices to Trustee*.

If the Issuers elect to redeem Notes pursuant to the optional redemption provisions of Section 3.07 hereof, they must furnish to the Trustee, at least 30 days but not more than 60 days before a redemption date, an Officers' Certificate setting forth:

(1) the clause of this Indenture pursuant to which the redemption shall occur;

(2) the redemption date;

(3) the principal amount of Notes to be redeemed; and

(4) the redemption price.

Section 3.02 *Selection of Notes to Be Redeemed or Purchased*.

If less than all of the Notes are to be redeemed or purchased in an offer to purchase at any time, the Trustee will select Notes for redemption or purchase on a *pro rata* basis unless otherwise required by law or applicable stock exchange requirements.

The Trustee will promptly notify the Issuers in writing of the Notes selected for redemption or purchase and, in the case of any Note selected for partial redemption or purchase, the principal amount thereof to be redeemed or purchased. Notes and portions of Notes selected will be in amounts equal to

$1,000 or an integral multiple of $1,000 in excess of $1,000; except that if all of the Notes of a Holder are to be redeemed or purchased, the entire outstanding amount of Notes held by such Holder, even if not a multiple of $1,000, shall be redeemed or purchased. Except as provided in the preceding sentence, provisions of this Indenture that apply to Notes called for redemption or purchase also apply to portions of Notes called for redemption or purchase.

Section 3.03 *Notice of Redemption*.

Subject to the provisions of Section 3.09 hereof, at least 30 days but not more than 60 days before a redemption date, the Issuers will mail or cause to be mailed, by first class mail, a notice of redemption to each Holder whose Notes are to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of this Indenture pursuant to Articles 8 or 11, respectively, hereof.

The notice will identify the Notes to be redeemed and will state:

(1) the redemption date;

(2) the redemption price;

(3) if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed and that, after the redemption date upon surrender of such Note, a new Note or Notes in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note;

(4) the name and address of the Paying Agent;

(5) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(6) that, unless the Issuers default in making such redemption payment, interest on Notes called for redemption ceases to accrue on and after the redemption date;

(7) the paragraph of the Notes and/or Section of this Indenture pursuant to which the Notes called for redemption are being redeemed; and

(8) that no representation is made as to the correctness or accuracy of the CUSIP or ISIN number, if any, listed in such notice or printed on the Notes.

At the Issuers' request, the Trustee will give the notice of redemption in the Issuers' name and at its expense; *provided, however*, that the Issuers have delivered to the Trustee, at least 45 days prior to the redemption date, an Officers' Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in the preceding paragraph.

Section 3.04 *Effect of Notice of Redemption*.

Once notice of redemption is mailed in accordance with Section 3.03 hereof, Notes called for redemption become irrevocably due and payable on the redemption date at the redemption price. A notice of redemption may not be conditional.

Section 3.05 *Deposit of Redemption or Purchase Price*.

One Business Day prior to the redemption or purchase date, the Issuers will deposit with the Trustee or with the Paying Agent money sufficient to pay the redemption or purchase price of and accrued interest and Liquidated Damages, if any, on all Notes to be redeemed or purchased on that date. The Trustee or the Paying Agent will promptly return to the Issuers any money deposited with the Trustee or the Paying Agent by the Issuers in excess of the amounts necessary to pay the redemption or purchase price of, and accrued interest and Liquidated Damages, if any, on, all Notes to be redeemed or purchased.

If the Issuers comply with the provisions of the preceding paragraph, on and after the redemption or purchase date, interest will cease to accrue on the Notes or the portions of Notes called for redemption or purchase. If a Note is redeemed or purchased on or after an interest record date but on or prior to the related interest payment date, then any accrued and unpaid interest shall be paid to the Person in whose name such Note was registered at the close of business on such record date. If any Note called for redemption or purchase is not so paid upon surrender for redemption or purchase because of the failure of the Issuers to comply with the preceding paragraph, interest shall be paid on the unpaid principal, from the redemption or purchase date until such principal is paid, and to the extent lawful on any interest not paid on such unpaid principal, in each case at the rate provided in the Notes and in Section 4.01 hereof.

Section 3.06 *Notes Redeemed or Purchased in Part*.

Upon surrender of a Note that is redeemed or purchased in part, the Issuers will issue and, upon receipt of an Authentication Order, the Trustee will authenticate for the Holder at the expense of the Issuers a new Note equal in principal amount to the unredeemed or unpurchased portion of the Note surrendered.

Section 3.07 *Optional Redemption*.

(a) At any time prior to December 15, 2007, MagnaChip may on any one or more occasions redeem up to 35% of the aggregate principal amount of Notes issued under this Indenture (including any Additional Notes issued after the Issue Date) at a redemption price of 108% of the principal amount thereof, *plus* accrued and unpaid interest and Liquidated Damages, if any, to the redemption date, with the net cash proceeds of one or more Public Equity Offerings or a contribution to MagnaChip's common equity capital made with the net cash proceeds of a concurrent Public Equity Offering of US LLC or any of its Subsidiaries; *provided* that:

(1) at least 65% of the aggregate principal amount of Notes originally issued under this Indenture (including any Additional Notes issued after the Issue Date) (excluding Notes held by MagnaChip and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 90 days of the date of the closing of such Public Equity Offering or equity contributions.

(b) On or after December 15, 2009, MagnaChip may redeem all or a part of the Notes, upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at the redemption prices (expressed as percentages of principal amount) set forth below *plus* accrued and unpaid interest and Liquidated Damages, if any, on the Notes redeemed, to the applicable redemption date, if redeemed during the twelve-month period beginning on December 15 of the years indicated below, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date:

| Year | Percentage |
|---|---|
| 2009 | 104.000% |
| 2010 | 102.667% |
| 2011 | 101.333% |
| 2012 and thereafter | 100.000% |

Notwithstanding the foregoing, at any time prior to December 15, 2009, MagnaChip may also redeem all or a part of the Notes (including any Additional Notes issued after the Issue Date), upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at a redemption price equal to 100% of the principal amount of Notes redeemed *plus* the Applicable Premium as of, and accrued and unpaid interest and Liquidated Damages, if any, to the redemption date, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date.

Unless MagnaChip defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

(c) Any redemption pursuant to this Section 3.07 shall be made pursuant to the provisions of Sections 3.01 through 3.06 hereof.

Section 3.08 *Mandatory Redemption*.

The Issuers are not required to make mandatory redemption or sinking fund payments with respect to the Notes.

Section 3.09 *Offer to Purchase by Application of Excess Proceeds*.

In the event that, pursuant to Section 4.10 hereof, the Issuers are required to commence an offer to all Holders to purchase Notes (an "*Asset Sale Offer*"), it will follow the procedures specified below.

The Asset Sale Offer shall be made to all Holders and all holders of other *pari passu* Indebtedness containing provisions similar to those set forth in this Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets casualty or condemnation events. The Asset Sale Offer will remain open for a period of at least 20 Business Days following its commencement and not more than 30 Business Days, except to the extent that a longer period is required by applicable law (the "*Offer Period*"). No later than three Business Days after the termination of the Offer Period (the "*Purchase Date*"), the Issuers will apply all Excess Proceeds remaining after any required application of such Excess Proceeds (such remaining amount, the *"Offer Amount"*) to the purchase of Notes and such other *pari passu* Indebtedness (on a *pro rata* basis, if applicable) or, if less than the Offer Amount has been tendered, all Notes and other *pari passu* Indebtedness tendered in response to the Asset Sale Offer. Payment for any Notes so purchased will be made in the same manner as interest payments are made.

If the Purchase Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest and Liquidated Damages, if any, will be paid to the Person in whose name a Note is registered at the close of business on such record date, and no additional interest will be payable to Holders who tender Notes pursuant to the Asset Sale Offer.

Upon the commencement of an Asset Sale Offer, the Issuers will send, by first class mail, a notice to the Trustee and each of the Holders, with a copy to the Trustee. The notice will contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Asset Sale Offer. The notice, which will govern the terms of the Asset Sale Offer, will state:

(1) that the Asset Sale Offer is being made pursuant to this Section 3.09 and Section 4.10 hereof and the length of time the Asset Sale Offer will remain open;

(2) the Offer Amount, the purchase price and the Purchase Date;

(3) that any Note not tendered or accepted for payment will continue to accrue interest;

(4) that, unless the Issuers default in making such payment, any Note accepted for payment pursuant to the Asset Sale Offer will cease to accrue interest after the Purchase Date;

(5) that Holders electing to have a Note purchased pursuant to an Asset Sale Offer may elect to have Notes purchased in integral multiples of $1,000 only;

(6) that Holders electing to have Notes purchased pursuant to any Asset Sale Offer will be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" attached to the Notes completed, or transfer by book-entry transfer, to the Issuers, a Depositary, if appointed by the Issuers, or a Paying Agent at the address specified in the notice at least three days before the Purchase Date;

(7) that Holders will be entitled to withdraw their election if the Issuers, the Depositary or the Paying Agent, as the case may be, receives, not later than the expiration of the Offer Period, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Note the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Note purchased;

(8) that, if the aggregate principal amount of Notes or other *pari passu* Indebtedness surrendered by holders thereof exceeds the Offer Amount, the Issuers will select the Notes and other *pari passu* Indebtedness to be purchased on a *pro rata* basis based on the principal amount of Notes and such other *pari passu* Indebtedness surrendered (with such adjustments as may be deemed appropriate by the Issuers so that only Notes in denominations of $1,000, or integral multiples thereof, will be purchased); and

(9) that Holders whose Notes were purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered (or transferred by book-entry transfer).

On or before the Purchase Date, the Issuers will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Offer Amount of Notes or portions thereof tendered pursuant to the Asset Sale Offer, or if less than the Offer Amount has been tendered, all Notes tendered, and will deliver or cause to be delivered to the Trustee the Notes properly accepted with an Officers' Certificate stating that such Notes or portions thereof were accepted for payment by the Issuers in accordance with the terms of this Section 3.09. The Issuers, the Depositary or the Paying Agent, as the case may be, will promptly (but in any case not later than five days after the Purchase Date) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes tendered by such Holder and accepted by the Issuers for purchase, and the Issuers will promptly issue a new Note, and the Trustee, upon written request from the Issuers, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered. Any Note not so accepted shall be promptly mailed or delivered by the Issuers to the Holder thereof. The Issuers will publicly announce the results of the Asset Sale Offer on the Purchase Date.

Other than as specifically provided in this Section 3.09, any purchase pursuant to this Section 3.09 shall be made pursuant to the provisions of Sections 3.01 through 3.06 hereof.

Section 3.10 *Redemption for Changes in Taxes*. The Issuers may redeem the Notes, in whole but not in part, at their discretion at any time at a redemption price equal to the principal amount thereof, together with accrued and unpaid interest and Liquidated Damages, if any, to the date fixed by the Issuers for redemption (a *"Tax Redemption Date"*) and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of Holders on the relevant record date to receive interest due on the relevant Interest Payment Date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Notes, the Issuers have or would be required to pay Additional Amounts, and the Issuers cannot avoid any such payment obligation taking reasonable measures available to them, as a result of:

(1) any change in, or amendment to, the laws or treaties (or any regulations, or rulings promulgated thereunder) of the relevant Tax Jurisdiction affecting taxation which change or amendment has not been publicly announced as formally adopted and which becomes effective on or after the Issue Date (or, if the relevant Tax Jurisdiction has changed since the Issue Date, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under this Indenture); or

(2) any change in, or amendment to, the existing official position or the introduction of an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change, amendment, application or interpretation has not been publicly announced as formally adopted and becomes effective on or after the Issue Date (or, if the relevant Tax Jurisdiction has changed since the Issue Date, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under this Indenture).

The Issuers will not give any such notice of redemption earlier than 90 days prior to the earliest date on which the Issuers would be obligated to make such payment or withholding if a payment in respect of the Notes were then due. Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuers will deliver the Trustee an opinion of counsel, the choice of such counsel to be subject to the prior written approval of the Trustee (such approval not to be unreasonably withheld) to the effect that there has been such change or amendment which would entitle the Issuers to redeem the Notes hereunder and the Issuers cannot avoid any obligation to pay Additional Amounts taking reasonable measures available.

## **ARTICLE 4.**
## COVENANTS

Section 4.01 *Payment of Notes*.

The Issuers will pay or cause to be paid the principal of, premium, if any, and interest and Liquidated Damages, if any, on, the Notes on the dates and in the manner provided in the Notes. Principal, premium, if any, and interest and Liquidated Damages, if any will be considered paid on the date due if the Paying Agent, if other than MagnaChip or any Subsidiary thereof, holds as of 10:00 a.m. Eastern Time on the due date money deposited by the Issuers in immediately available funds and designated for and sufficient to pay all principal, premium, if any, and interest then due. The Issuers will pay all Liquidated Damages, if any, in the same manner on the dates and in the amounts set forth in the Registration Rights Agreement.

The Issuers will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal at the rate equal to 1% per annum in excess of the then applicable interest rate on the Notes to the extent lawful; it will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Liquidated Damages (without regard to any applicable grace period) at the same rate to the extent lawful.

Section 4.02 *Maintenance of Office or Agency*.

The Issuers will maintain in the Borough of Manhattan, the City of New York, an office or agency (which may be an office of the Trustee or an affiliate of the Trustee, Registrar or co-registrar) where Notes may be surrendered for registration of transfer or for exchange and where notices and demands to or upon the Issuers in respect of the Notes and this Indenture may be served. The Issuers will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Issuers fail to maintain any such required office or agency or fails to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

The Issuers may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided, however*, that no such designation or rescission will in any manner relieve the Issuers of their obligation to maintain an office or agency in the Borough of Manhattan, the City of New York for such purposes. The Issuers will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Issuers hereby designate the Corporate Trust Office of the Trustee as one such office or agency of the Issuers in accordance with Section 2.03 hereof.

Section 4.03 *Reports*.

(a) Whether or not required by the rules and regulations of the SEC, so long as any Notes are outstanding, MagnaChip will furnish to the Holders of Notes and the Initial Purchasers or cause to be furnished to the Holders of Notes and the Initial Purchasers, within the time periods specified in the SEC's rules and regulations:

(1) all quarterly and annual reports that would be required to be filed with the SEC on Forms 10-Q and 10-K if MagnaChip were required to file such reports; and

(2) all current reports that would be required to be filed with the SEC on Form 8-K if MagnaChip were required to file such reports.

All such reports will be prepared in all material respects in accordance with all of the rules and regulations applicable to such reports. Each annual report on Form 10-K will include a report on US LLC's consolidated financial statements by US LLC's certified independent accountants. In addition, following the consummation of the Exchange Offer contemplated by the Registration Rights Agreement, MagnaChip will file a copy of each of the reports referred to in clauses (1) and (2) above with the SEC for public availability within the time periods specified in the rules and regulations applicable to such reports (unless the SEC will not accept such a filing) and will post the reports on its website within those time periods. US LLC's reporting obligations with respect to clauses (1) and (2) above shall be deemed satisfied in the event the Issuers file such reports with the SEC on EDGAR and deliver a copy of such reports to the Trustee.

If, at any time after consummation of the Exchange Offer contemplated by the Registration Rights Agreement, MagnaChip is no longer subject to the periodic reporting requirements of the Exchange Act for any reason, MagnaChip will nevertheless continue filing the reports specified in the preceding paragraphs of this covenant with the SEC within the time periods specified above unless the SEC will not accept such a filing. MagnaChip will not take any action for the purpose of causing the SEC not to accept any such filings. If, notwithstanding the foregoing, the SEC will not accept MagnaChip's filings for any reason, MagnaChip will post the reports referred to in the preceding paragraphs on its website within the time periods that would apply if MagnaChip were required to file those reports with the SEC.

(b) In addition, MagnaChip and the Guarantors agree that, for so long as any Notes remain outstanding, if at any time they are not required to file with the SEC the reports required by the preceding paragraphs, they will furnish to the Holders of Notes and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

(c) The Issuers shall file with the Trustee, within 15 days after the date that the Issuers are required to file same with the SEC, copies of all reports, information and documents which the Issuers are required to file with the SEC pursuant to Section 314(a) of the TIA. Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of same shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuers' compliance with any of their covenants hereunder (as to the which the Trustee is entitled to rely exclusively on Officers' Certificates).

Section 4.04 *Compliance Certificate*.

(a) The Issuers and each Guarantor (to the extent that such Guarantor is so required under the TIA) shall deliver to the Trustee, within 90 days after the end of each fiscal year, an Officers' Certificate stating that a review of the activities of the Issuers and its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Issuers have kept, observed, performed and fulfilled its obligations under this Indenture, and further stating, as to each such Officer signing such certificate, that to the best of their knowledge the Issuers have kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions of this Indenture (or, if a Default or Event of Default has occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Issuers are taking or propose to take with respect thereto) and that to the best of his or her knowledge no event has occurred and remains in existence by reason of which payments on account of the principal of or interest, if any, on the Notes is prohibited or if such event has occurred, a description of the event and what action the Issuers are taking or propose to take with respect thereto.

(b) So long as not contrary to the then current recommendations of the American Institute of Certified Public Accountants, the year-end financial statements delivered pursuant to Section 4.03 above shall be accompanied by a written statement of MagnaChip's independent public accountants (who shall be a firm of established national reputation) that in making the examination necessary for certification of such financial statements, nothing has come to their attention that would lead them to believe that MagnaChip has violated any provisions of Article 4 or Article 5 hereof or, if any such violation has occurred, specifying the nature and period of existence thereof, it being understood that such accountants shall not be liable directly or indirectly to any Person for any failure to obtain knowledge of any such violation.

(c) So long as any of the Notes are outstanding, the Issuers will deliver to the Trustee, forthwith upon any Officer becoming aware of any Default or Event of Default, an Officers' Certificate specifying such Default or Event of Default and what action the Issuers are taking or propose to take with respect thereto.

Section 4.05 *Taxes*.

The Issuers will pay, and will cause each of their Subsidiaries and MagnaChip Semiconductor LLC to pay, prior to delinquency, all material taxes, assessments, and governmental levies except such as are contested in good faith and by appropriate proceedings or where the failure to effect such payment is not adverse in any material respect to the Holders of the Notes.

Section 4.06 *Stay, Extension and Usury Laws*.

The Issuers and each of the Guarantors covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Issuers and each of the Guarantors (to the extent that they may lawfully do so) hereby expressly waive all benefit or advantage of any such law, and covenants that they will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law has been enacted.

Section 4.07 *Restricted Payments*.

(a) MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of MagnaChip's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving MagnaChip or any of its Restricted Subsidiaries) or to the direct or indirect holders of MagnaChip's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends, payments, or distributions payable in Equity Interests (other than Disqualified Stock) of MagnaChip, any of its direct or indirect parent entities or any of its Restricted Subsidiaries and other than dividends, payments, or distributions payable to MagnaChip, any of its direct or indirect parent entities or a Restricted Subsidiary of MagnaChip);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving MagnaChip) any Equity Interests of US LLC;

(3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of MagnaChip or any Restricted Subsidiary that is contractually subordinated to the Notes or to any Note Guarantee (excluding any intercompany Indebtedness between or among MagnaChip, any of its direct or indirect parent entities and any of its Restricted Subsidiaries), except a payment of interest or principal at the Stated Maturity thereof; or

(4) make any Restricted Investment (all such payments and other actions set forth in these clauses (1) through (4) above being collectively referred to as "*Restricted Payments*"),

unless, at the time of and after giving effect to such Restricted Payment:

(1) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(2) MagnaChip would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Section 4.09(a) hereof; and

(3) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by MagnaChip and its Restricted Subsidiaries since the Issue Date (excluding Restricted Payments permitted by clauses (2), (5), (6), (8), (9), (10) and (11) of paragraph (b) of this Section 4.07), is less than the sum, without duplication of:

(A) 50% of the Consolidated Net Income of US LLC for the period (taken as one accounting period) from the beginning of the first fiscal quarter commencing after the Issue Date to the end of US LLC's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*

(B) 100% of the aggregate net cash proceeds or Fair Market Value of assets (as to which an opinion or appraisal issued by an accounting, appraisal or investment bank firm of national standing shall be required if the Fair Market Value exceeds $15.0 million) received by MagnaChip or any of the Restricted Subsidiaries since the Issue Date as a contribution to its common equity capital or from the issue or sale of Equity Interests of MagnaChip or any of the Restricted Subsidiaries (other than Disqualified Stock) or from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of MagnaChip or any of the Restricted Subsidiaries that have been converted into or exchanged for such Equity Interests (other than Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of US LLC); *plus*

(C) to the extent that any Restricted Investment that was made after the Issue Date is sold for cash or otherwise liquidated or repaid for cash, the lesser of (i) the cash return of capital with respect to such Restricted Investment (less the cost of disposition, if any) and (ii) the initial amount of such Restricted Investment; *plus*

(D) to the extent that any Unrestricted Subsidiary of MagnaChip designated as such after the Issue Date is redesignated as a Restricted Subsidiary after the Issue Date, the lesser of (i) the Fair Market Value of MagnaChip's Investment in such Subsidiary as of the date of such redesignation or (ii) such Fair Market Value as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary after the Issue Date; *plus*

(E) 100% of any dividends received by MagnaChip or a Restricted Subsidiary of MagnaChip after the Issue Date from an Unrestricted Subsidiary of US LLC, to the extent that such dividends were not otherwise included in the Consolidated Net Income of US LLC for such period.

(b) The provisions of Section 4.07(a) hereof will not prohibit:

(1) the payment of any dividend or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of this Indenture;

(2) dividends or advances made with the proceeds of the Notes to any direct or indirect parent of MagnaChip, the proceeds of which are used by such Person to redeem its preferred equity interests as described in the offering memorandum and made within 90 days of the Issue Date; *provided*, that such dividends or advances shall be excluded from the calculation of the amount of Restricted Payments;

(3) upon the occurrence of a Change of Control and within 60 days after the completion of the offer to repurchase the Notes pursuant to Section 4.15 hereof, any purchase or redemption of Subordinated Obligations required pursuant to the terms thereof as a result of such Change of Control at a purchase or redemption price not to exceed the outstanding principal amount thereof, *plus* any accrued and unpaid interest; *provided, however*, that (A) at the time of such purchase or redemption no Event of Default shall have occurred and be continuing (or would result therefrom); (B) MagnaChip would be able to incur an additional $1.00 of Indebtedness pursuant to Section 4.09(a) hereof after giving pro forma effect to such Restricted Payment and the Change of Control; and (C) such purchase or redemption shall be included in the calculation of the amount of Restricted Payments;

(4) any purchase or redemption of Disqualified Stock of MagnaChip or a Restricted Subsidiary made by exchange for, or out of the proceeds of the substantially concurrent sale of, Disqualified Stock of MagnaChip or a Restricted Subsidiary which is permitted to be incurred pursuant to Section 4.09 hereof; *provided, however*, that such purchase or redemption shall be excluded in the calculation of the amount of Restricted Payments;

(5) the making of any Restricted Payment in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of MagnaChip) of, Equity Interests of MagnaChip (other than Disqualified Stock) or from the substantially concurrent contribution of common equity capital to MagnaChip; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clause (3)(B) of the first paragraph of Section 4.07(a);

(6) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of MagnaChip or any Restricted Subsidiary that is contractually subordinated to the Notes or to any Note Guarantee with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness;

(7) payments to fund the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of MagnaChip, any Restricted Subsidiary of MagnaChip, or any direct or indirect parent of MagnaChip held by any current or former officer, director or employee of MagnaChip or any of its Restricted Subsidiaries or any direct or indirect Parent of MagnaChip pursuant to any equity subscription agreement, stock option agreement, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed,

acquired or retired Equity Interests may not exceed $7,000,000 *plus* the amount of cash proceeds from any key man life insurance; *provided*, *further*, that such amount may be increased by an amount not to exceed the cash proceeds from the sale of Equity Interests of MagnaChip and, to the extent contributed to MagnaChip, Equity Interests of any of MagnaChip's direct or indirect parent corporations, in each case to current or former members of management, directors, managers or consultants of MagnaChip, any of its Subsidiaries or any of its direct or indirect parent corporations that occurs after the Issue Date, to the extent the cash proceeds from the sale of such Equity Interests have not otherwise been applied to the payment of Restricted Payments by virtue of clause (3)(B) of the first paragraph of Section 4.07(a);

(8) the repurchase of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;

(9) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of MagnaChip or any Restricted Subsidiary issued on or after the Issue Date in accordance with the Fixed Charge Coverage Ratio test set forth in Section 4.09(a) hereof;

(10) any purchase or redemption of Subordinated Obligations from Net Proceeds upon completion of an Asset Sale Offer; *provided, however*, that the purchase or redemption shall be excluded in the calculation of the amount of Restricted Payments; *provided*, *further*, that MagnaChip could, on the date of such transaction after giving pro forma effect thereto as if the same had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Section 4.09(a) hereof;

(11) Permitted Tax Payments;

(12) the repurchase of, or payments in lieu of, fractional shares of Equity Interests in an amount not to exceed $200,000 in the aggregate; and

(13) other Restricted Payments in an aggregate amount not to exceed $15.0 million since the Issue Date.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by MagnaChip or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The Fair Market Value of any assets or securities that are required to be valued by this Section 4.07 will be determined by the Board of Directors of MagnaChip whose resolution with respect thereto will be delivered to the Trustee. For purposes of determining compliance with this Section 4.07, in the event that a Restricted Payment meets the criteria of more than one of the exceptions described in (1) through (13) above or is entitled to be made pursuant to Section 4.07(a), MagnaChip shall be permitted, in its sole discretion to classify (but not later reclassify) such Restricted Payment in any manner that complies with this Section 4.07.

Section 4.08 *Dividend and Other Payment Restrictions Affecting Subsidiaries.*

(a) MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to MagnaChip or any of its Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any indebtedness owed to MagnaChip or any of its Restricted Subsidiaries;

(2) make loans or advances to MagnaChip or any of its Restricted Subsidiaries; or

(3) sell, lease or transfer any of its properties or assets to MagnaChip or any of its Restricted Subsidiaries.

(b) The restrictions in Section 4.08(a) hereof will not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements governing Existing Indebtedness and any other agreements, including the Senior Credit Agreement, as in effect on the Issue Date and any amendments, restatements, modifications, renewals, increases, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, increases, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date;

(2) this Indenture, the Notes and the Note Guarantees, the Second Priority Notes, and the intercreditor agreement and security documents with respect to the Second Priority Notes;

(3) applicable law, rule, regulation or order;

(4) any instrument governing Indebtedness or Capital Stock of a Person acquired by MagnaChip or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of this Indenture to be incurred;

(5) customary non-assignment provisions in contracts and licenses entered into in the ordinary course of business;

(6) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (3) of Section 4.08(a);

(7) any agreement for the sale or other disposition of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending the sale or other disposition;

(8) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(9) restrictions contained in security agreements or mortgages securing Indebtedness of a Restricted Subsidiary permitted to be incurred under this Indenture so long as the restrictions solely restrict the transfer of the property governed by the security agreements or mortgages;

(10) Liens permitted to be incurred under the provisions of Section 4.12 hereof that limit the right of the debtor to dispose of the assets subject to such Liens;

(11) provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements entered into with the approval of MagnaChip's Board of Directors, which limitation is applicable only to the assets that are the subject of such agreements;

(12) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business; and

(13) any restriction in any agreement that is not more restrictive than the restrictions under the terms of the Senior Credit Agreement as in effect on the Issue Date.

Section 4.09 *Incurrence of Indebtedness and Issuance of Preferred Stock.*

(a) MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "*incur*") any Indebtedness (including Acquired Debt), and MagnaChip and US LLC will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries (other than US LLC) to issue any shares of preferred stock; *provided, however*, that MagnaChip and US LLC may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, and the Restricted Subsidiaries may incur Indebtedness (including Acquired Debt) or issue preferred stock, if the Fixed Charge Coverage Ratio for US LLC's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or such preferred stock is issued, as the case may be, would have been at least 2.0 to 1, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or the preferred stock had been issued, as the case may be, at the beginning of such four-quarter period.

(b) The provisions of Section 4.09(a) hereof will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "*Permitted Debt*"):

(1) the incurrence by MagnaChip and any Restricted Subsidiary of additional revolving credit Indebtedness and letters of credit under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of MagnaChip and its Restricted Subsidiaries thereunder) not to exceed the greater of (x) $100.0 million or (y) as of the date of the incurrence, the aggregate of (i) 85% of the book value, net of reserves, of all accounts receivable owned by MagnaChip and its Restricted Subsidiaries, as shown on US LLC's most recent consolidated balance sheet prepared in accordance with GAAP, as of the end of the most recent fiscal quarter preceding such date, *plus* (ii) 50% of the book value of all inventory, net of reserves, owned by MagnaChip and its Restricted Subsidiaries, as shown on US LLC's most recent consolidated balance sheet prepared in accordance with GAAP, as of the end of the most recent fiscal quarter preceding such date, *plus* (iii) $20.0 million; *less* the aggregate amount of all Net Proceeds of Asset Sales applied by MagnaChip or any of the Restricted Subsidiaries after the

Issue Date to repay any term Indebtedness under a Credit Facility or to repay any revolving credit Indebtedness under a Credit Facility and effect a corresponding commitment reduction thereunder, in each case as to Indebtedness incurred under this clause (1) of the definition of Permitted Debt and as to Net Proceeds applied pursuant to Section 4.10(b)(1) hereof;

(2) the incurrence by MagnaChip and any Restricted Subsidiary of up to $100.0 million under one or more debt facilities or commercial paper facilities, in each case, with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced (but not including by means of sales of debt securities to institutional investors) in whole or in part from time to time; *less* the aggregate amount of all Net Proceeds of Asset Sales applied by MagnaChip or any of the Restricted Subsidiaries after the Issue Date to repay any term Indebtedness under debt facilities or commercial paper facilities or to repay any revolving credit Indebtedness under a Credit Facility and effect a corresponding commitment reduction thereunder, in each case as to Indebtedness incurred under this clause (2) of the definition of Permitted Debt and as to Net Proceeds applied pursuant to Section 4.10(b)(1) hereof;

(3) the incurrence by MagnaChip and its Restricted Subsidiaries of the Existing Indebtedness;

(4) the incurrence on the Issue Date by MagnaChip and the Restricted Subsidiaries of

(A) Indebtedness represented by the Notes and this Indenture and guarantees thereof by the Guarantors and the related Exchange Notes to be issued pursuant to the Registration Rights Agreement; and

(B) Indebtedness represented by the Second Priority Notes and the Second Priority Notes Indenture and guarantees thereof by MagnaChip's Restricted Subsidiaries and the related exchange notes to be issued pursuant to the registration rights agreement with respect to the Second Priority Notes;

(5) the incurrence by MagnaChip or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property (real or personal), plant or equipment used in the business of MagnaChip or any of its Restricted Subsidiaries (whether through the direct purchase of assets or the Equity interests of any Person owning such assets), in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (5), not to exceed the greater of (a) $25.0 million at any time outstanding and (b) 5% of Total Assets as shown on US LLC's most recent consolidated balance sheet prepared in accordance with GAAP;

(6) the incurrence by MagnaChip or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by this Indenture to be incurred under Section 4.09(a) or clauses (3), (4), (5), (6) or (14) of this Section 4.09(b);

(7) the incurrence by MagnaChip or any of its Restricted Subsidiaries of intercompany Indebtedness between or among MagnaChip and any of its Restricted Subsidiaries; *provided, however*, that:

(A) if MagnaChip or any Restricted Subsidiary is the obligor on such Indebtedness and the payee is not MagnaChip or a Restricted Subsidiary, such Indebtedness must be expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Notes, in the case of MagnaChip, or the Note Guarantee, in the case of a Guarantor; and

(B) (1) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than MagnaChip or a Restricted Subsidiary of MagnaChip and (2) any sale or other transfer of any such Indebtedness to a Person that is not either MagnaChip or a Restricted Subsidiary of MagnaChip, will be deemed, in each case, to constitute an incurrence of such Indebtedness by MagnaChip or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (7);

(8) the issuance by any Restricted Subsidiary to MagnaChip or to any other Restricted Subsidiary of shares of preferred stock; *provided, however*, that:

(A) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than MagnaChip or a Restricted Subsidiary; and

(B) any sale or other transfer of any such preferred stock to a Person that is not either MagnaChip or a Restricted Subsidiary,

will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause (8);

(9) the incurrence by MagnaChip or any Restricted Subsidiaries of Hedging Obligations in the ordinary course of business;

(10) the guarantee by MagnaChip or any Restricted Subsidiary of Indebtedness of MagnaChip or a Restricted Subsidiary that was permitted to be incurred by another provision of this Section 4.09; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes, then the Guarantee shall be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;

(11) the incurrence of Indebtedness by MagnaChip or any of its Restricted Subsidiaries in the form of performance bonds, completion guarantees and surety or appeal bonds entered into by MagnaChip or any of its Restricted Subsidiaries in the ordinary course of their business;

(12) the incurrence of Indebtedness by MagnaChip or any of its Restricted Subsidiaries owed to any Person in connection with worker's compensation, self-insurance, health, disability or other employee benefits or property, casualty or liability insurance provided by such Person to MagnaChip or such Restricted Subsidiary, pursuant to reimbursement or indemnification obligations to such person, in each case incurred in the ordinary course of business;

(13) the incurrence by MagnaChip or any of the Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within five business days;

(14) Indebtedness of MagnaChip or any Restricted Subsidiary issued to any of its directors, employees, officers or consultants or a Restricted Subsidiary in connection with the redemption or purchase of Capital Stock that, by its terms, is subordinated to the Notes, is not secured by any of the assets of MagnaChip or the Restricted Subsidiaries and does not require cash payments prior to the Stated Maturity of the Notes and Refinancing Indebtedness of the Indebtedness, in an aggregate principal amount which, when added with the amount of Indebtedness Incurred under this clause (14) and then outstanding, does not exceed $5.0 million;

(15) the incurrence by MagnaChip or any of the Restricted Subsidiaries of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (15), not to exceed $25.0 million;

(16) the incurrence of Indebtedness by MagnaChip or any of the Restricted Subsidiaries arising from agreements of MagnaChip or any of the Restricted Subsidiaries providing for adjustment of purchase price or other similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business, assets or a Restricted Subsidiary of MagnaChip LLC;

(17) Indebtedness of a Restricted Subsidiary organized outside the United States or Korea incurred to finance the working capital of such Restricted Subsidiary, in an aggregate principal amount at any time outstanding not to exceed $30.0 million; and

(18) Indebtedness incurred by MagnaChip or any of the Restricted Subsidiaries constituting reimbursement obligations under letters of credit issued in the ordinary course of business, including, without limitation, letters of credit to procure raw materials or relating to workers' compensation claims or self-insurance, or other Indebtedness relating to reimbursement-type obligations regarding workers' compensation claims.

MagnaChip will not incur, and will not permit any Guarantor to incur, any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of MagnaChip or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Note Guarantee on substantially identical terms; *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of MagnaChip solely by virtue of being unsecured or by virtue of being secured on a first or junior Lien basis.

(c) For purposes of determining compliance with this Section 4.09, in the event that an item of proposed Indebtedness (or any portion thereof) meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (18) above, or is entitled to be incurred pursuant to Section 4.09(a), MagnaChip, in its sole discretion, will be permitted to classify such item of Indebtedness (or any portion thereof) on the date of its incurrence, or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this Section 4.09 and will only be required to include the amount and type of such Indebtedness in one of the above clauses. The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of

additional Indebtedness with the same terms, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on Disqualified Stock or preferred stock in the form of additional shares of the same class of Disqualified Stock or preferred stock, and the accrual of dividends on Disqualified Stock or preferred stock, will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Stock or preferred stock for purposes of this Section 4.09; *provided*, in each such case, that the amount of any such accrual, accretion or payment is included in Fixed Charges of US LLC as accrued. Notwithstanding any other provision of this Section 4.09, the maximum amount of Indebtedness that MagnaChip or any Restricted Subsidiary may incur pursuant to this Section 4.09 shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

(d) The amount of any Indebtedness outstanding as of any date will be:

(1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;

(2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

(A) the Fair Market Value of such assets at the date of determination; and

(B) the amount of the Indebtedness of the other Person.

Section 4.10 *Asset Sales*.

(a) MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(1) MagnaChip (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75% of the consideration received in the Asset Sale by MagnaChip or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:

(A) any liabilities, as shown on US LLC's most recent consolidated balance sheet, of MagnaChip or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Note Guarantee) that are assumed by the transferee of any such assets pursuant to a customary arrangement that releases MagnaChip or such Restricted Subsidiary from further liability;

(B) any securities, notes or other obligations received by MagnaChip or any such Restricted Subsidiary from such transferee that are contemporaneously, subject to ordinary settlement periods, converted by MagnaChip or such Restricted Subsidiary into cash or Cash Equivalents, to the extent of the cash or Cash Equivalents received in that conversion; and

(C) any stock or assets of the kind referred to in Section 4.10(b)(2) or (4) hereof.

(b) Within 365 days after the receipt of any Net Proceeds from an Asset Sale, MagnaChip (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Proceeds at its option:

(1) to repay Senior Debt and, if the Senior Debt repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto;

(2) to acquire all or substantially all of the assets of, or any Capital Stock of, a Person engaged in a Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary of US LLC;

(3) to make a capital expenditure;

(4) to acquire other assets that are not classified as current assets under GAAP and that are used or useful in a Permitted Business; or

(5) any combination of (1) – (4) of this Section 4.10(b).

In the case of clauses (2) and (4) MagnaChip will also comply with its obligations above if it enters into a binding commitment to acquire such assets or Capital Stock within the required time frame above, provided that such binding commitment shall be subject only to customary conditions and such acquisition shall be consummated within six months from the date of signing such binding commitment. Pending the final application of any Net Proceeds pursuant to this paragraph, MagnaChip and the Restricted Subsidiaries may apply such Net Proceeds to temporarily reduce Indebtedness outstanding under a revolving credit facility or otherwise invest such Net Proceeds in any manner that is not prohibited by this Indenture.

(c) Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second and third paragraphs of this Section 4.10 will constitute "*Excess Proceeds*." When the aggregate amount of Excess Proceeds exceeds $10 million, within 30 days thereof, MagnaChip will make an Asset Sale Offer to all holders of Notes and all holders of other Indebtedness that is *pari passu* with the Notes containing provisions similar to those set forth in this Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets to purchase the maximum principal amount of Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount *plus* accrued and unpaid interest and Liquidated Damages, if any, to the date of purchase (or, in respect of such other *pari passu* Indebtedness of MagnaChip, such lesser price, if any, as may be provided for by the terms of such *pari passu* Indebtedness), and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, MagnaChip may use those Excess Proceeds for any purpose not otherwise prohibited by this Indenture. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee will select the Notes and such other *pari passu* Indebtedness to be purchased on a pro rata basis. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

(d) MagnaChip will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of Section 3.09 hereof or this section 4.10, MagnaChip will comply with the Asset Sale provisions of this Indenture, MagnaChip will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under Section 3.09 hereof or this Section 4.10 by virtue of such compliance.

Section 4.11 *Transactions with Affiliates.*

(a) MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of MagnaChip (each, an "*Affiliate Transaction*"), unless:

(1) the Affiliate Transaction is on terms that are no less favorable to MagnaChip or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by MagnaChip or such Restricted Subsidiary with an unrelated Person; and

(2) MagnaChip delivers to the Trustee:

(A) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $10.0 million, a resolution of the Board of Directors of MagnaChip set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this Section 4.11(a) and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of MagnaChip; and

(B) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $20.0 million, an opinion by (A) a nationally recognized investment banking firm that such Affiliate Transaction is fair, from a financial standpoint, to MagnaChip and the Restricted Subsidiaries or (B) an accounting or appraisal firm nationally recognized in making determinations of this kind that such Affiliate Transaction is on terms that are not less favorable to MagnaChip and the Restricted Subsidiaries than the terms that could be obtained in an arms-length transaction from a Person that is not an Affiliate.

(b) The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of Section 4.11(a) hereof:

(1) any employment agreement, employee benefit plan, stock options, stock ownership plans, officer or director indemnification agreement or any similar arrangement entered into by MagnaChip or any of its Restricted Subsidiaries in the ordinary course of business and payments pursuant thereto;

(2) transactions between or among MagnaChip and/or the Restricted Subsidiaries;

(3) transactions with a Person (other than an Unrestricted Subsidiary of MagnaChip) that is an Affiliate of MagnaChip solely because MagnaChip owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

(4) payment of reasonable directors' fees;

(5) any issuance of Equity Interests (other than Disqualified Stock) of US LLC or any of its Subsidiaries to Affiliates of such Person;

(6) Restricted Payments that do not violate Section 4.07 hereof;

(7) transactions pursuant to any contract or agreement with MagnaChip or any of the Restricted Subsidiaries in effect on the Issue Date, as the same may be amended, modified or replaced from time to time so long as any such amendment, modification or replacement is not less favorable in any material respect to MagnaChip and the Restricted Subsidiaries than the original agreement as in effect on the Issue Date;

(8) the Note Guarantees;

(9) transactions pursuant to or under the Securityholders' Agreement, The MagnaChip LLC Equity Incentive Plan, the Restricted Unit Agreements or Option Agreements as in effect on the Issue Date or any similar agreement or any amendment, modification or replacement of the Securityholders' Agreement, The MagnaChip LLC Equity Incentive Plan, the Restricted Unit Agreements or the Option Agreements or similar agreement; provided that the terms of such amendment, modification or replacement are not more disadvantageous to the holders of the Notes in any material respect than the terms contained in the Securityholders' Agreement, The MagnaChip LLC Equity Incentive Plan, the Restricted Unit Agreements or the Option Agreements, as the case may be, as in effect on the Issue Date;

(10) the payment of management, consulting and advisory fees and related expenses made pursuant to the Advisory Agreements and the payment of other customary management, consulting and advisory fees and related expenses to the Principals and any of their respective Affiliates in connection with transactions of US LLC or its Subsidiaries or pursuant to any management, consulting, financial advisory, financing, underwriting or placement agreement or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which fees and expenses are made pursuant to arrangements approved by the Board of Directors of US LLC or such Subsidiary in good faith;

(11) the provision by an Affiliate of commercial banking or lending services or other similar services on terms that are no less favorable to MagnaChip or the relevant Restricted Subsidiary than those that would have been obtained by an unaffiliated party and that are approved in good faith by the Board of Directors;

(12) loans or advances to employees, directors, officers or consultants (i) in the ordinary course of business or (ii) otherwise not to exceed $5.0 million in the aggregate at any one time outstanding; and

(13) Permitted Tax Payments.

Section 4.12 *Liens.*

MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly create, incur, assume or suffer to exist any Lien of any kind on any asset now owned or hereafter acquired, except Permitted Liens.

Section 4.13 *Business Activities.*

MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, engage in any business other than Permitted Businesses, except to such extent as would not be material to MagnaChip and its Restricted Subsidiaries taken as a whole.

Section 4.14 *Corporate Existence.*

Subject to Article 5 hereof, the Issuers shall do or cause to be done all things necessary to preserve and keep in full force and effect:

(1) its corporate existence, and the corporate, partnership or other existence of each of, MagnaChip Semiconductor LLC and its Subsidiaries, in accordance with the respective organizational documents (as the same may be amended from time to time) of the Issuers or any such Subsidiary; and

(2) the rights (charter and statutory), licenses and franchises of the Issuers and its Subsidiaries; *provided, however,* that the Issuers shall not be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any of, MagnaChip Semiconductor LLC and its Subsidiaries, if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Issuers, MagnaChip Semiconductor LLC and its Subsidiaries, taken as a whole, and that the loss thereof is not adverse in any material respect to the Holders of the Notes.

Section 4.15 *Offer to Repurchase Upon Change of Control.*

(a) If a Change of Control occurs, the Issuers will make an offer (a *"Change of Control Offer"*) to each Holder to repurchase all or any part (equal to $1,000 or an integral multiple of $1,000 in excess of $1,000) of that Holder's Notes at a purchase price in cash equal to 101% of the aggregate principal amount of Notes repurchased *plus* accrued and unpaid interest and Liquidated Damages, if any, on the Notes repurchased to the date of purchase, subject to the rights of Holders on the relevant record date to receive interest due on the relevant interest payment date (the *"Change of Control Payment"*). Within 30 days following any Change of Control, the Issuers will mail a notice to each Holder describing the transaction or transactions that constitute the Change of Control and stating:

(1) that the Change of Control Offer is being made pursuant to this Section 4.15 and that all Notes tendered will be accepted for payment;

(2) the purchase price and the purchase date, which shall be no earlier than 30 days and no later than 60 days from the date such notice is mailed (the *"Change of Control Payment Date"*);

(3) that any Note not tendered will continue to accrue interest;

(4) that, unless the Issuers defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer will cease to accrue interest and Liquidated Damages after the Change of Control Payment Date;

(5) that Holders electing to have any Notes purchased pursuant to a Change of Control Offer will be required to surrender the Notes, with the form entitled "Option of Holder to Elect Purchase" attached to the Notes completed, or transfer by book-entry transfer, to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the second Business Day preceding the Change of Control Payment Date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of Notes delivered for purchase, and a statement that such Holder is withdrawing his election to have the Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered, which unpurchased portion must be equal to $1,000 in principal amount or an integral multiple thereof.

The Issuers will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change in Control. To the extent that the provisions of any securities laws or regulations conflict with the provisions of Sections 3.09 or 4.15 hereof, the Issuers will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under Section 3.09 hereof or this Section 4.15 by virtue of such compliance.

(b) On the Change of Control Payment Date, the Issuers will, to the extent lawful:

(1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

(3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Issuers.

The Paying Agent will promptly mail to each Holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any. MagnaChip will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

(c) Prior to complying with any of the provisions of this Section 4.15, but in any event within 90 days following a Change of Control, the Issuers will either repay all outstanding Senior Debt or obtain the requisite consents, if any, under all agreements governing outstanding Senior Debt to permit the repurchase of Notes required by this Section 4.15.

(d) Notwithstanding anything to the contrary in this Section 4.15, the Issuers will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in this Section 4.15 and Section 3.09 hereof and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) notice of redemption has been given pursuant to Section 3.07 hereof, unless and until there is a default in payment of the applicable redemption price.

Section 4.16 *Additional Amounts.*

(a) All payments made by the Issuers under or with respect to the Notes or any of the Guarantors on its Guarantee will be made without withholding or deduction for, or on account of, any present or future Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of any

jurisdiction in which the Issuers or any Guarantor (including any successor entity), is then incorporated, engaged in business or resident for tax purposes or any political subdivision thereof or therein or any jurisdiction by or through which payment is made (each, a "*Tax Jurisdiction*"), will at any time be required to be made from or Taxes imposed directly on any Holder or beneficial owner of the Notes on any payments made by the Issuers under or with respect to the Notes or any of the Guarantors with respect to any Guarantee, including payments of principal, redemption price, purchase price, interest or premium, the Issuers or the relevant Guarantor, as applicable, will pay such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments by each Holder (including Additional Amounts) after such withholding or deduction will equal the respective amounts which would have been received in respect of such payments in the absence of such withholding, deduction or imposition; *provided, however*, that no Additional Amounts will be payable with respect to:

(1) any Tax imposed by the United States or by any political subdivision or taxing authority thereof or therein;

(2) any Taxes which would not have been imposed but for any present or former connection between the Holder or the beneficial owner of the Notes, such as being a citizen or resident or national of, incorporated in or carrying on a business, and the relevant Taxing Jurisdiction in which such Taxes are imposed (other than by the mere holding of such note or enforcement of rights thereunder or the receipt of payments in respect thereof) or any other connection arising as a result of the holding of the Notes;

(3) any Taxes that are imposed or withheld as a result of the failure of the Holder or beneficial owner of the Notes to comply with any written request, made to that Holder or beneficial owner in writing at least 30 days before any such withholding or deduction would be payable, by the Issuers or any of the Guarantors or any other Person through whom payment may be made to provide timely or accurate information concerning the nationality, residence or identity of such Holder or beneficial owner or to make any valid or timely declaration or similar claim or satisfy any certification information or other reporting requirement, which is required or imposed by a statute, treaty, regulation or administrative practice of the relevant Tax Jurisdiction as a precondition to exemption from all or part of such Taxes;

(4) any Note presented for payment (where a Note is in the form of a definitive Note and presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the note been presented on the last day of such 30 day period);

(5) any estate, inheritance, gift, sale, transfer, personal property or similar tax or assessment;

(6) any Taxes withheld, deducted or imposed on a payment to an individual and which are required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to, such Directive; or

(7) any combination of items (1) through (6) above.

(b) The Issuers and the Guarantors will also pay and indemnify the holder for any present or future stamp, issue, registration, transfer, court or documentary taxes, or any other excise or property

taxes, charges or similar levies or Taxes which are levied by any jurisdiction in which the Issuers or any Guarantor (including any successor entity) is then incorporated, engaged in business or resident for tax purposes or any political subdivision thereof or therein on the execution, delivery, registration or enforcement of any of the Notes, this Indenture, any Guarantee, or any other document or instrument referred to therein, or the receipt of any payments with respect to the Notes or the Guarantees.

(c) If either Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or any Guarantee, the relevant Issuer or the relevant Guarantor, as the case may be, will deliver to the Trustee on a date which is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment date, in which case the relevant Issuer or the relevant Guarantor shall notify the Trustee promptly thereafter) an Officers' Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officers' Certificate must also set forth any other information reasonably necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date. The relevant Issuer or the relevant Guarantor will provide the Trustee with documentation reasonably satisfactory to the Trustee evidencing the payment of Additional Amounts.

(d) The relevant Issuer or the relevant Guarantor will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The relevant Issuer or the relevant Guarantor will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The relevant Issuer or the relevant Guarantor will furnish to the Holders, within 60 days after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the relevant Issuer or a Guarantor, as the case may be, or if, notwithstanding such entity's efforts to obtain receipts, receipts are not obtained, other evidence of payments by such entity.

(e) Whenever in this Indenture there is mentioned, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or of any other amount payable under, or with respect to, any of the Notes, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Section 4.17 *[Reserved]*

Section 4.18 *[Reserved]*

Section 4.19 *Restriction on Activities of Finance Company.*

Finance Company will not hold any material assets, become liable for any material obligations or engage in any significant business activities; *provided*, that Finance Company may be a co-obligor or guarantor with respect to Indebtedness if MagnaChip is an obligor on such Indebtedness and the net proceeds of such Indebtedness are received by MagnaChip, Finance Company or one or more Restricted Subsidiaries.

Section 4.20 *Payments for Consent.*

MagnaChip will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of this Indenture or the Notes unless such consideration is offered to be paid and is paid to all holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Section 4.21 *Additional Note Guarantees.*

If MagnaChip or any of its Restricted Subsidiaries acquires or creates another Subsidiary after the Issue Date, then that newly acquired or created Subsidiary will become a Guarantor and execute a supplemental indenture and deliver an opinion of counsel satisfactory to the Trustee within 10 business days of the date on which it was acquired or created; *provided* that any Subsidiary that constitutes an Immaterial Subsidiary need not become a Guarantor until such time as it ceases to be an Immaterial Subsidiary; *provided, further*, in the event MagnaChip or a Restricted Subsidiary forms or otherwise acquires, directly or indirectly, a Subsidiary organized under the laws of a jurisdiction other than the United States and such jurisdiction prohibits by law, regulation or order such Subsidiary from becoming a Guarantor, MagnaChip shall use all commercially reasonable efforts (including pursuing required waivers) over a period up to one year, to have such Subsidiary become a Guarantor; *provided, however*, that MagnaChip shall not be required to use such commercially reasonable efforts with respect to such Subsidiaries for more than a one-year period or such shorter period as it shall determine in good faith that it has used all commercially reasonable efforts and if MagnaChip or such Subsidiary is unable during such period to obtain an enforceable Guarantee in such jurisdiction, then such Subsidiary shall not be required to provide a Guarantee of the Notes pursuant to the Note Guarantee so long as such Subsidiary does not Guarantee any other Indebtedness of MagnaChip and its Restricted Subsidiaries. The form of such Note Guarantee is attached as Exhibit E hereto.

Section 4.22 *Designation of Restricted and Unrestricted Subsidiaries.*

The Board of Directors of MagnaChip may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default; *provided* that in no event will the business currently operated by MagnaChip Semiconductor Ltd. be transferred to or held by an Unrestricted Subsidiary. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by MagnaChip and its Restricted Subsidiaries in the Subsidiary designated as Unrestricted will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under Section 4.07 hereof or under one or more clauses of the definition of Permitted Investments, as determined by MagnaChip. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Board of Directors of MagnaChip may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause a Default.

Any designation of a Subsidiary of MagnaChip as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a certified copy of a resolution of the Board of Directors giving effect to such designation and an Officers' Certificate certifying that such designation complied with the preceding conditions and was permitted by Section 4.07 hereof. If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of this Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of MagnaChip as of such date and, if such Indebtedness is not permitted to be incurred as of such date under Section 4.09 hereof, MagnaChip will be in default of such Section. The Board of Directors of MagnaChip may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary of MagnaChip; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of MagnaChip of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under Section 4.09 hereof, calculated on a pro forma basis as if such designation had occurred at the beginning of the four-quarter reference period; and (2) no Default or Event of Default would be in existence and be continuing following such designation.

Section 4.23 *No Layering of Debt.*

The Issuers will not incur, create, issue, assume, guarantee or otherwise become liable for any Indebtedness that is contractually subordinate or junior in right of payment to any Senior Debt of the Issuers and senior in right of payment to the Notes. No Guarantor will incur, create, issue, assume, guarantee or otherwise become liable for any Indebtedness that is contractually subordinate or junior in right of payment to the Senior Debt of such Guarantor and senior in right of payment to such Guarantor's Note Guarantee. No such Indebtedness will be considered to be senior by virtue of being secured on a first or junior priority basis.

**ARTICLE 5.**
SUCCESSORS

Section 5.01 *Merger, Consolidation, or Sale of Assets.*

(a) MagnaChip will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not MagnaChip is the surviving Person); or (2) sell, lease, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of MagnaChip and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(1) either: (A) MagnaChip is the surviving Person; or (B) the Person formed by or surviving any such consolidation or merger (if other than MagnaChip) or to which such sale, assignment, transfer, conveyance or other disposition has been made is a Person organized or existing under the laws of South Korea, Luxembourg, the Netherlands, Bermuda, the United States, any state of the United States or the District of Columbia;

(2) the Person formed by or surviving any such consolidation or merger (if other than MagnaChip) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of MagnaChip under the Notes, this Indenture and the Registration Rights Agreement;

(3) immediately after such transaction, no Default or Event of Default shall have occurred and be continuing;

(4) MagnaChip or the Person formed by or surviving any such consolidation or merger (if other than MagnaChip), or to which such sale, assignment, transfer, conveyance or other disposition has been made would, on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Section 4.09(a) hereof;

(5) if the merging corporation is organized and existing under the laws of South Korea and the Successor Company is organized and existing under the laws of the United States of America, any State thereof or the District of Columbia or if the merging corporation is organized and existing under the laws of the United States of America, any State thereof or the District of Columbia and the Successor Company is organized and existing under the laws of South Korea (any such event, a "*Foreign Jurisdiction Merger*"), MagnaChip shall have delivered to the Trustee an opinion of counsel that the holders of Notes will not recognize income, gain or

loss for U.S. federal income tax purposes as a result of the transaction and will be taxed in the same manner and on the same amounts and at the same times as would have been the case if the transaction had not occurred; and

(6) in the event of a Foreign Jurisdiction Merger, MagnaChip shall have delivered to the Trustee an opinion of counsel from South Korea or other applicable jurisdiction that (A) any payment of interest or principal under or relating to the Notes or the Note Guarantees will, after the consolidation, merger, conveyance, transfer or lease of assets, be exempt from Section 3.10 hereof and (B) no other taxes on income, including capital gains, will be payable by holders of the Notes under the laws of South Korea or any other jurisdiction where the Successor Company is or becomes organized, resident or engaged in business for tax purposes relating to the acquisition, ownership or disposition of the Notes, including the receipt of interest or principal thereon, *provided* that the holder does not use or hold, and is not deemed to use or hold the Notes in carrying on a business in South Korea or other jurisdiction where the Successor Company is or becomes organized, resident or engaged in business for tax purposes.

Section 5.02 *Successor Corporation Substituted.*

Upon any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the properties or assets of MagnaChip in a transaction that is subject to, and that complies with the provisions of, Section 5.01 hereof, the successor Person formed by such consolidation or into or with which MagnaChip is merged or to which such sale, assignment, transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for (so that from and after the date of such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition, the provisions of this Indenture referring to the "Company" shall refer instead to the successor Person and not to MagnaChip), and may exercise every right and power of MagnaChip under this Indenture with the same effect as if such successor Person had been named as MagnaChip herein; *provided, however*, that the predecessor MagnaChip shall not be relieved from the obligation to pay the principal of and interest on the Notes except in the case of a sale of all of MagnaChip's assets in a transaction that is subject to, and that complies with the provisions of, Section 5.01 hereof.

## ARTICLE 6.
## DEFAULTS AND REMEDIES

Section 6.01 *Events of Default.*

Each of the following is an "*Event of Default*":

(1) default for 30 days in the payment when due of interest on, or Liquidated Damages, if any, with respect to the Notes, whether or not prohibited by the subordination provisions of this Indenture;

(2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes, whether or not prohibited by the subordination provisions of this Indenture;

(3) failure by MagnaChip or any of its Restricted Subsidiaries to comply with the provisions of Sections 4.10, 4.15 or 5.01 hereof;

(4) failure by MagnaChip or any of its Restricted Subsidiaries for 60 days after notice to MagnaChip by the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any of the other agreements in this Indenture;

(5) default under any mortgage, indenture or instrument under which there may be issued or guaranteed or by which there may be secured or evidenced any Indebtedness for money borrowed by MagnaChip or any of its Restricted Subsidiaries (or the payment of which is guaranteed by MagnaChip or any of its Restricted Subsidiaries), whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, if that default:

(A) is caused by a failure to pay principal of, or interest or premium, if any, on, such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "*Payment Default*"); or

(B) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $25.0 million or more;

(6) failure by MagnaChip or any of its Restricted Subsidiaries to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of $25.0 million (net of any amounts covered by insurance), which judgments are not paid, discharged or stayed for a period of 60 days;

(7) MagnaChip or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of MagnaChip that, taken together, would constitute a Significant Subsidiary pursuant to or within the meaning of Bankruptcy Law:

(A) commences a voluntary case,

(B) consents to the entry of an order for relief against it in an involuntary case,

(C) consents to the appointment of a custodian of it or for all or substantially all of its property,

(D) makes a general assignment for the benefit of its creditors, or

(E) generally is not paying its debts as they become due;

(8) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against MagnaChip or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of MagnaChip that, taken together, would constitute a Significant Subsidiary in an involuntary case;

(B) appoints a custodian of MagnaChip or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of MagnaChip that, taken together, would constitute a Significant Subsidiary or for all or substantially all of the property of MagnaChip or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of MagnaChip that, taken together, would constitute a Significant Subsidiary; or

(C) orders the liquidation of MagnaChip or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of MagnaChip that, taken together, would constitute a Significant Subsidiary;

and the order or decree remains unstayed and in effect for 60 consecutive days; and

(9) except as permitted by this Indenture, any Note Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor, or any Person acting on behalf of any Guarantor, denies or disaffirms its obligations under its Note Guarantee.

Section 6.02 *Acceleration.*

In the case of an Event of Default specified in clause (7) or (8) of Section 6.01 hereof, with respect to MagnaChip, any Restricted Subsidiary of MagnaChip that is a Significant Subsidiary or any group of Restricted Subsidiaries of MagnaChip that, taken together, would constitute a Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding may declare all the Notes to be due and payable immediately.

Upon any such declaration, the Notes shall become due and payable immediately.

The Holders of a majority in aggregate principal amount of the then outstanding Notes by written notice to the Trustee may, on behalf of all of the Holders, rescind an acceleration and its consequences, if the rescission would not conflict with any judgment or decree and if all existing Events of Default (except nonpayment of principal, interest or premium or Liquidated Damages, if any, that has become due solely because of the acceleration) have been cured or waived.

Section 6.03 *Other Remedies.*

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal, premium and Liquidated Damages, if any, and interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder of a Note in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

Section 6.04 *Waiver of Past Defaults.*

Holders of not less than a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may on behalf of the Holders of all of the Notes waive an existing Default or Event of Default and its consequences hereunder, except a continuing Default or Event of Default in the payment of the principal of, premium and Liquidated Damages, if any, or interest on, the Notes (including in connection with an offer to purchase); *provided, however*, that the Holders of a majority in aggregate

principal amount of the then outstanding Notes may rescind an acceleration and its consequences, including any related payment default that resulted from such acceleration. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Section 6.05 *Control by Majority.*

Holders of a majority in aggregate principal amount of the then outstanding Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture that the Trustee determines may be unduly prejudicial to the rights of other Holders of Notes or that may involve the Trustee in personal liability.

Section 6.06 *Limitation on Suits.*

Except to enforce the right to receive payment of principal, premium, if any, or interest or Liquidated Damages, if any, when due, a Holder may pursue a remedy with respect to this Indenture or the Notes only if:

(1) such Holder gives to the Trustee written notice that an Event of Default is continuing;

(2) Holders of at least 25% in aggregate principal amount of the then outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer and, if requested, provide to the Trustee security or indemnity reasonably satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of security or indemnity; and

(5) during such 60-day period, Holders of a majority in aggregate principal amount of the then outstanding Notes do not give the Trustee a direction inconsistent with such request.

A Holder of a Note may not use this Indenture to prejudice the rights of another Holder of a Note or to obtain a preference or priority over another Holder of a Note.

Section 6.07 *Rights of Holders of Notes to Receive Payment.*

Notwithstanding any other provision of this Indenture, the right of any Holder of a Note to receive payment of principal, premium and Liquidated Damages, if any, and interest on the Note, on or after the respective due dates expressed in the Note (including in connection with an offer to purchase), or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder; *provided* that a Holder shall not have the right to institute any such suit for the enforcement of payment if and to the extent that the institution or prosecution thereof or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the Lien of this Indenture upon any property subject to such Lien.

Section 6.08 *Collection Suit by Trustee.*

If an Event of Default specified in Section 6.01(1) or (2) hereof occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as Trustee of an express trust against the Issuers for the whole amount of principal of, premium and Liquidated Damages, if any, and interest remaining unpaid on, the Notes and interest on overdue principal and, to the extent lawful, interest and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

Section 6.09 *Trustee May File Proofs of Claim.*

The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders of the Notes allowed in any judicial proceedings relative to the Issuers (or any other obligor upon the Notes), its creditors or its property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties that the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 6.10 *Priorities.*

Any money or other property collected by the Trustee pursuant to this Article 6 or, after an Event of Default, any money or other property distributable in respect of the Issuers' or Guarantors' obligations under this Indenture, shall be paid in the following order:

*First*: to the Trustee (including any predecessor Trustee) for amounts due under Section 7.07 hereof;

*Second*: to Holders of Notes for amounts due and unpaid on the Notes for principal, premium and Liquidated Damages, if any, and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal, premium and Liquidated Damages, if any and interest, respectively; and

*Third*: to the Issuers or to the extent the Trustee collects any amount from any Guarantor, to such Guarantor, or as a court of competent jurisdiction may direct.

The Trustee may fix a record date and payment date for any payment to Holders of Notes pursuant to this Section 6.10.

Section 6.11 *Undertaking for Costs.*

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder of a Note pursuant to Section 6.07 hereof, or a suit by Holders of more than 10% in aggregate principal amount of the then outstanding Notes.

## ARTICLE 7.
## TRUSTEE

Section 7.01 *Duties of Trustee.*

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

(1) the duties of the Trustee will be determined solely by the express provisions of this Indenture and the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine such certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) this paragraph does not limit the effect of paragraphs (b) and (d) of this Section 7.01;

(2) the Trustee will not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee will not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05 hereof.

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to this Section 7.01.

(e) Anything herein to the contrary notwithstanding, no provision of this Indenture will require the Trustee to expend or risk its own funds or incur any liability in the performance of any of its duties hereunder, or in the exercise of any of its rights and powers if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(f) The Trustee will not be liable for interest on, or for the investment of, any money received by it except as the Trustee may agree in writing with the Issuers. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

(g) No provision of this Indenture shall be deemed to impose any duty or obligation on the Trustee to perform any act or acts, receive or obtain any interest in property or exercise any interest in property, or exercise any right, power, duty or obligation conferred or imposed on it in any jurisdiction in which it shall be illegal, or in which the Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts, to receive or obtain any such interest in property or to exercise any such right, power, duty or obligation; and no permissive or discretionary power or authority available to the Trustee shall be construed to be a duty.

Section 7.02 *Rights of Trustee.*

(a) In the absence of bad faith on its part, the Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, coupon, document or other paper or document believed by it in good faith to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Any request or direction of the Issuers mentioned herein shall be sufficiently evidenced by an Officer's Certificate and any resolution of the Board of Directors or any committee thereof (or committee of officers or other representatives of the Issuers, to the extent any such committee or committees have been so authorized by the Board of Directors) shall be sufficiently evidenced by a certified copy thereof.

(c) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel or both. The Trustee will not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel. The Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel will be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(d) The Trustee may act through its attorneys and agents and will not be responsible for the misconduct or negligence of any attorney or agent appointed with due care.

(e) The Trustee will not be liable for any action taken, suffered or omitted to be taken by it in good faith and believed by it to be authorized or within the discretion, rights or powers conferred upon it by this Indenture.

(f) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from either of the Issuers will be sufficient if signed by an Officer of the relevant Issuer.

(g) The Trustee will be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity or security reasonably satisfactory to the Trustee against the costs, losses, liabilities and expenses that might be incurred by it in compliance with such request or direction.

(h) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document.

(i) The Trustee shall not be deemed to have notice or be charged with knowledge of any Default or Event of Default with respect to any series of Notes unless a Responsible Officer of the Trustee has received at the Corporate Trust Office of the Trustee written notice of such Default or Event of Default from an Issuer, any Guarantor or any Holder, and such notice references such Notes and this Indenture.

(j) The Trustee may request that the Issuers deliver an Officers' Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture, which Officers' Certificate may be signed by any persons authorized to sign an Officers' Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded.

(k) The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Indenture arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; terrorism; wars and other military disturbances; sabotage; epidemics; riots; interruptions; loss or malfunctions of utilities, computer (hardware or software) or communication services; accidents; labor disputes; acts of civil or military authority and governmental action.

(l) Anything in this Indenture notwithstanding, in no event shall the Trustee be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to loss of profit), even if the Issuers have been advised as to the likelihood of such loss or damage and regardless of the form of action.

(m) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent, custodian and other Person employed by it to act hereunder.

Section 7.03 *Individual Rights of Trustee.*

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Issuers or any Affiliate of the Issuers with the same rights it would have if it were not Trustee. However, in the event that the Trustee acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the SEC for permission to continue as Trustee (if this Indenture has been qualified under the TIA) or resign. Any Agent may do the same with like rights and duties. The Trustee is also subject to Sections 7.10 and 7.11 hereof.

Section 7.04 *Trustee's Disclaimer.*

(a) The Trustee will not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes, it shall not be accountable for the Issuers' use of the proceeds from the Notes or any money paid to the Issuers or upon the Issuers' direction under any provision of this Indenture, it will not be responsible for the use or application of any money received by any Paying Agent

other than the Trustee, and it will not be responsible for any statement or recital herein or any statement in the Notes or any other document in connection with the sale of the Notes or pursuant to this Indenture other than its certificate of authentication.

(b) The recitals and other representations and warranties of the Issuers contained herein and in the Notes (except the Trustee's certificate of authentication on the Notes) shall be taken as the statements of the Issuers, and neither the Trustee nor any authenticating agent assumes any responsibility for their correctness. The Trustee shall not be accountable for the use or application by the Issuers of the Notes or the proceeds thereof.

Section 7.05 *Notice of Defaults.*

If a Default or Event of Default occurs and is continuing and if it is known to the Trustee, the Trustee will mail to Holders of Notes a notice of the Default or Event of Default within 90 days after it occurs. Except in the case of a Default or Event of Default in payment of principal of, premium or Liquidated Damages, if any, or interest on, any Note, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Holders of the Notes.

Section 7.06 *Reports by Trustee to Holders of the Notes.*

(a) Within 60 days after each May 15 beginning with the May 15 following the Issue Date, and for so long as Notes remain outstanding, the Trustee will mail to the Holders of the Notes a brief report dated as of such reporting date that complies with TIA § 313(a) (but if no event described in TIA § 313(a) has occurred within the twelve months preceding the reporting date, no report need be transmitted). The Trustee also will comply with TIA § 313(b)(2). The Trustee will also transmit by mail all reports as required by TIA § 313(c).

(b) A copy of each report at the time of its mailing to the Holders of Notes will be mailed by the Trustee to the Issuers and filed by the Trustee with the SEC and each stock exchange on which the Notes are listed in accordance with TIA § 313(d). The Issuers will promptly notify the Trustee when the Notes are listed on any stock exchange.

Section 7.07 *Compensation and Indemnity.*

(a) The Issuers will pay to the Trustee from time to time such compensation for its acceptance of this Indenture and services hereunder as the Issuers and the Trustee shall agree. The Trustee's compensation will not be limited by any law on compensation of a trustee of an express trust.

(b) The Issuers and the Guarantors will reimburse the Trustee promptly upon request for all reasonable disbursements, advances and expenses incurred or made by it in addition to the compensation for its services. Such expenses will include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.

(c) The Issuers and the Guarantors will indemnify the Trustee, any predecessor Trustee and any co-trustee against any and all losses, damages, liabilities or expenses incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture, including the costs and expenses of enforcing this Indenture against the Issuers and the Guarantors (including this Section 7.07) and defending itself against any claim (whether asserted by the Issuers, the Guarantors or any Holder or any other Person) or liability in connection with the exercise or performance of any of its powers or duties hereunder, except to the extent any such loss, liability or expense may be attributable to its negligence or

bad faith. The Trustee will notify the Issuers promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Issuers will not relieve the Issuers or any of the Guarantors of their obligations hereunder. The Issuers or such Guarantor will defend the claim and the Trustee will cooperate in the defense. The Trustee may have separate counsel and the Issuers will pay the reasonable fees and expenses of such counsel. Neither the Issuers nor any Guarantor need pay for any settlement made without their consent, which consent will not be unreasonably withheld.

(d) The obligations of the Issuers and the Guarantors under this Section 7.07 will survive the satisfaction and discharge of this Indenture.

(e) To secure the Issuers' and the Guarantors' payment obligations in this Section 7.07, the Trustee will have a Lien prior to the Notes on all money or property held or collected by the Trustee, except that held in trust to pay principal and interest on particular Notes. Such Lien will survive the satisfaction and discharge of this Indenture.

(f) In addition and without prejudice to the rights provided to the Trustee under any of the provisions of this Indenture, when the Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 6.01(7) or (8) hereof, the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services of the Trustee are intended to constitute expenses of administration under any applicable Bankruptcy Law.

(g) The Trustee will comply with the provisions of TIA § 313(b)(2) to the extent applicable.

Section 7.08 *Replacement of Trustee.*

(a) A resignation or removal of the Trustee and appointment of a successor Trustee will become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.08.

(b) The Trustee may resign in writing at any time and be discharged from the trust hereby created by so notifying the Issuers. The Holders of a majority in aggregate principal amount of the then outstanding Notes may remove the Trustee by so notifying the Trustee and the Issuers in writing. The Issuers may remove the Trustee if:

(1) the Trustee fails to comply with Section 7.10 hereof;

(2) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(3) a custodian or public officer takes charge of the Trustee or its property; or

(4) the Trustee becomes incapable of acting.

(c) If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Issuers will promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in aggregate principal amount of the then outstanding Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Issuers.

(d) If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Issuers, or the Holders of at least 10% in aggregate principal amount of the then outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(e) If the Trustee, after written request by any Holder who has been a Holder for at least six months, fails to comply with Section 7.10 hereof, such Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(f) A successor Trustee will deliver a written acceptance of its appointment to the retiring Trustee and to the Issuers. Thereupon, the resignation or removal of the retiring Trustee will become effective, and the successor Trustee will have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee will mail a notice of its succession to Holders. The retiring Trustee will promptly transfer all property held by it as Trustee to the successor Trustee; *provided* all sums owing to the Trustee hereunder have been paid and subject to the Lien provided for in Section 7.07 hereof. Notwithstanding replacement of the Trustee pursuant to this Section 7.08, the Issuers' obligations under Section 7.07 hereof will continue for the benefit of the retiring Trustee.

Section 7.09 *Successor Trustee by Merger, etc.*

If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another Person, the successor Person without any further act will be the successor Trustee.

Section 7.10 *Eligibility; Disqualification.*

There will at all times be a Trustee hereunder that is a corporation organized and doing business under the laws of the United States of America or of any state thereof that is authorized under such laws to exercise corporate trustee power, that is subject to supervision or examination by federal or state authorities and that has a combined capital and surplus of at least $50.0 million as set forth in its most recent published annual report of condition.

This Indenture will always have a Trustee who satisfies the requirements of TIA § 310(a)(1), (2) and (5). The Trustee is subject to TIA § 310(b).

Section 7.11 *Preferential Collection of Claims Against Issuers.*

The Trustee is subject to TIA § 311(a), excluding any creditor relationship listed in TIA § 311(b). A Trustee who has resigned or been removed shall be subject to TIA § 311(a) to the extent indicated therein.

Section 7.12 *Conflicting Interests*

If the Trustee has or shall acquire a conflicting interest within the meaning of Section 310(b) of the TIA, the Trustee shall eliminate such interest, apply to the Commission for permission to continue as trustee or resign, to the extent and in the manner provided by, and subject to the provisions of, the TIA and this Indenture. To the extent permitted by such Act, the Trustee shall not be deemed to have a conflicting interest by virtue of being a trustee under this Indenture or under any other indenture or indentures under which other securities, or certificates of interest or participation in other securities, of the Issuers are any Guarantor are outstanding. Nothing herein shall prevent the Trustee from filing with the Commission the application referred to in the second to last paragraph of Section 310(b) of the TIA.

**ARTICLE 8.**
LEGAL DEFEASANCE AND COVENANT DEFEASANCE

Section 8.*01 Option to Effect Legal Defeasance or Covenant Defeasance.*

The Issuers may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an Officers' Certificate, elect to have either Section 8.02 or 8.03 hereof be applied to all outstanding Notes upon compliance with the conditions set forth below in this Article 8.

Section 8.02 *Legal Defeasance and Discharge.*

Upon the Issuers' exercise under Section 8.01 hereof of the option applicable to this Section 8.02, the Issuers and each of the Guarantors will, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be deemed to have been discharged from their obligations with respect to all outstanding Notes (including the Note Guarantees) on the date the conditions set forth below are satisfied (hereinafter, "*Legal Defeasance*"). For this purpose, Legal Defeasance means that the Issuers and the Guarantors will be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes (including the Note Guarantees), which will thereafter be deemed to be "outstanding" only for the purposes of Section 8.05 hereof and the other Sections of this Indenture referred to in clauses (1) and (2) below, and to have satisfied all their other obligations under such Notes, the Note Guarantees and this Indenture (and the Trustee, on demand of and at the expense of the Issuers, shall execute proper instruments acknowledging the same), except for the following provisions which will survive until otherwise terminated or discharged hereunder:

(1) the rights of Holders of outstanding Notes to receive payments in respect of the principal of, or interest or premium and Liquidated Damages, if any, on, such Notes when such payments are due from the trust referred to in Section 8.04 hereof;

(2) MagnaChip's obligations with respect to such Notes under Article 2 and Section 4.02 hereof;

(3) the rights, powers, trusts, duties and immunities of the Trustee hereunder (including all rights under Section 7.07) and the Issuers' and the Guarantors' obligations in connection therewith; and

(4) this Article 8.

Subject to compliance with this Article 8, the Issuers may exercise their option under this Section 8.02 notwithstanding the prior exercise of their option under Section 8.03 hereof.

Section 8.03 *Covenant Defeasance.*

Upon the Issuers' exercise under Section 8.01 hereof of the option applicable to this Section 8.03, the Issuers and each of the Guarantors will, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be released from each of their obligations under the covenants contained in Sections 4.03, 4.05, 4.07, 4.08, 4.09, 4.10, 4.11, 4.12, 4.13, 4.15, 4.16, 4.19, 4.20, 4.21 and 4.22 hereof and clauses (3) and (4) of Section 5.01 hereof with respect to the outstanding Notes on and after the date the conditions set forth in Section 8.04 hereof are satisfied (hereinafter, "*Covenant Defeasance*"), and the Notes will thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but will continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such

Notes will not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the outstanding Notes and Note Guarantees, the Issuers and the Guarantors may omit to comply with and will have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply will not constitute a Default or an Event of Default under Section 6.01 hereof, but, except as specified above, the remainder of this Indenture and such Notes and Note Guarantees will be unaffected thereby. In addition, upon the Issuers' exercise under Section 8.01 hereof of the option applicable to this Section 8.03, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, Sections 6.01(3) through 6.01(6) hereof will not constitute Events of Default.

Section 8.04 *Conditions to Legal or Covenant Defeasance.*

In order to exercise either Legal Defeasance or Covenant Defeasance under either Section 8.02 or 8.03 hereof:

(1) the Issuers must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders, cash in U.S. dollars, non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, premium and Liquidated Damages, if any, and interest on, the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and MagnaChip must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of an election under Section 8.02 hereof, MagnaChip must deliver to the Trustee an Opinion of Counsel confirming that:

(A) MagnaChip has received from, or there has been published by, the Internal Revenue Service a ruling; or

(B) since the Issue Date, there has been a change in the applicable U.S. federal income tax law,

in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of an election under Section 8.03 hereof, MagnaChip must deliver to the Trustee an Opinion of Counsel confirming that the Holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which MagnaChip or any Guarantor is a party or by which MagnaChip or any Guarantor is bound;

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than this Indenture) to which MagnaChip or any of its Subsidiaries is a party or by which MagnaChip or any of its Subsidiaries is bound;

(6) MagnaChip must deliver to the Trustee an Officers' Certificate stating that the deposit was not made by MagnaChip with the intent of preferring the Holders of Notes over the other creditors of MagnaChip with the intent of defeating, hindering, delaying or defrauding any creditors of MagnaChip or others; and

(7) MagnaChip must deliver to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with, such opinion to be subject to customary assumptions and exceptions.

Section 8.05 *Deposited Money and Government Securities to be Held in Trust; Other Miscellaneous Provisions.*

Subject to Section 8.06 hereof, all money and non-callable Government Securities (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 8.05, the "*Trustee*") pursuant to Section 8.04 hereof in respect of the outstanding Notes will be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including either Issuer acting as Paying Agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal, premium and Liquidated Damages, if any, and interest, but such money need not be segregated from other funds except to the extent required by law.

The Issuers will pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable Government Securities deposited pursuant to Section 8.04 hereof or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Notes.

Notwithstanding anything in this Article 8 to the contrary, the Trustee will deliver or pay to the Issuers from time to time upon the request of the Issuers any money or non-callable Government Securities held by it as provided in Section 8.04 hereof which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 8.04(1) hereof), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

Section 8.06 *Repayment to the Issuers.*

Any money deposited with the Trustee or any Paying Agent, or then held by the Issuers, in trust for the payment of the principal of, premium or Liquidated Damages, if any, or interest on, any Note and remaining unclaimed for two years after such principal, premium or Liquidated Damages, if any, or interest has become due and payable shall be paid to the Issuers on its request or (if then held by the Issuers) will be discharged from such trust; and the Holder of such Note will thereafter be permitted to look only to the Issuers for payment thereof, and all liability of the Trustee or such Paying Agent with

respect to such trust money, and all liability of the Issuers as trustee thereof, will thereupon cease; *provided, however*, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Issuers cause to be published once, in the New York Times and The Wall Street Journal (national edition), notice that such money remains unclaimed and that, after a date specified therein, which will not be less than 30 days from the date of such notification or publication, any unclaimed balance of such money then remaining will be repaid to the Issuers.

Section 8.07 *Reinstatement.*

If the Trustee or Paying Agent is unable to apply any U.S. dollars or non-callable Government Securities in accordance with Section 8.02 or 8.03 hereof, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Issuers' and the Guarantors' obligations under this Indenture and the Notes and the Note Guarantees will be revived and reinstated as though no deposit had occurred pursuant to Section 8.02 or 8.03 hereof until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 8.02 or 8.03 hereof, as the case may be; *provided, however*, that, if the Issuers make any payment of principal of, premium or Liquidated Damages, if any, or interest on, any Note following the reinstatement of its obligations, the Issuers will be subrogated to the rights of the Holders of such Notes to receive such payment from the money held by the Trustee or Paying Agent.

## ARTICLE 9.
## AMENDMENT, SUPPLEMENT AND WAIVER

Section 9.01 *Without Consent of Holders of Notes.*

Notwithstanding Section 9.02 of this Indenture, the Issuers, the Guarantors and the Trustee may amend or supplement this Indenture or the Notes or the Note Guarantees without the consent of any Holder of a Note:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(3) to provide for the assumption of MagnaChip's or a Guarantor's obligations to the Holders of the Notes and Note Guarantees by a successor to MagnaChip or such Guarantor pursuant to Article 5 hereof;

(4) to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights hereunder of any Holder;

(5) to comply with requirements of the SEC in order to effect or maintain the qualification of this Indenture under the TIA;

(6) to conform the text of this Indenture, the Note Guarantees or the Notes to any provision of the "Description of the senior subordinated notes" section of the Issuers' Offering Memorandum dated December 16, 2004, relating to the initial offering of the Notes, to the extent that such provision in that "Description of the senior subordinated notes" was intended by MagnaChip and the Initial Purchasers to be a verbatim recitation of a provision of this Indenture, the Note Guarantees or the Notes, as represented by MagnaChip to the Trustee in an Officers' Certificate;

(7) to provide for the issuance of Additional Notes in accordance with the limitations set forth in this Indenture as of the date hereof; or

(8) to allow any Guarantor to execute a supplemental indenture and/or a Note Guarantee with respect to the Notes.

Upon the request of the Issuers accompanied by a resolution of its Board of Directors authorizing the execution of any such amended or supplemental indenture, and upon receipt by the Trustee of the documents described in Section 7.02 hereof, the Trustee will join with the Issuers and the Guarantors in the execution of any amended or supplemental indenture authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee will not be obligated to enter into such amended or supplemental indenture that affects its own rights, duties or immunities under this Indenture or otherwise.

Section 9.02 *With Consent of Holders of Notes.*

Except as provided below in this Section 9.02, the Issuers and the Trustee may amend or supplement this Indenture (including, without limitation, Section 3.09, 4.10 and 4.15 hereof) and the Notes and the Note Guarantees with the consent of the Holders of at least a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, Additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a tender offer or exchange offer for, or purchase of, the Notes), and, subject to Sections 6.04 and 6.07 hereof, any existing Default or Event of Default or compliance with any provision of this Indenture or the Notes or the Note Guarantees may be waived with the consent of the Holders of a majority in aggregate principal amount of the applicable series of Notes then outstanding (including, without limitation, Additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a tender offer or exchange offer for, or purchase of, the Notes).

Upon the request of the Issuers accompanied by a resolution of its Board of Directors authorizing the execution of any such amended or supplemental indenture, and upon the filing with the Trustee of evidence satisfactory to the Trustee of the consent of the Holders of Notes as aforesaid, and upon receipt by the Trustee of the documents described in Section 7.02 hereof, the Trustee will join with the Issuers and the Guarantors in the execution of such amended or supplemental indenture unless such amended or supplemental indenture directly affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but will not be obligated to, enter into such amended or supplemental Indenture.

It is not be necessary for the consent of the Holders of Notes under this Section 9.02 to approve the particular form of any proposed amendment, supplement or waiver, but it is sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under this Section 9.02 becomes effective, the Issuers will mail to the Holders of Notes affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Issuers to mail such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such amended or supplemental indenture or waiver. Subject to Sections 6.04 and 6.07 hereof, the Holders of a majority in aggregate principal amount of the Notes then outstanding voting as a single class may waive compliance in a particular instance by the Issuers with any provision of this Indenture or the Notes or the Note Guarantees. However, notwithstanding the foregoing without the consent of each Holder affected, an amendment, supplement or waiver under this Section 9.02 may not (with respect to any Notes held by a non-consenting Holder):

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any Note or alter any of the provisions with respect to the redemption of the Notes (except as provided above with respect to Sections 3.09, 4.10 and 4.15 hereof);

(3) reduce the rate of or change the time for payment of interest, including default interest, on any Note;

(4) waive a Default or Event of Default in the payment of principal of, or premium or Liquidated Damages, if any, or interest on, the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the payment default that resulted from such acceleration);

(5) make any Note payable in money other than that stated in the Notes;

(6) make any change in the provisions of this Indenture relating to waivers of past Defaults or the rights of Holders of Notes to receive payments of principal of, or interest or premium or Liquidated Damages, if any, on, the Notes;

(7) waive a redemption payment with respect to any Note (other than a payment required by Sections 3.09, 4.10 or 4.15 hereof);

(8) release any Guarantor from any of its obligations under its Note Guarantee or this Indenture, except in accordance with the terms of this Indenture; or

(9) make any change in the preceding amendment and waiver provisions.

Notwithstanding the foregoing, any amendment, supplement or waiver of the provisions of this Indenture relating to subordination that adversely affects the rights of the holders of the Notes will require the consent of the holders of at least 75% in aggregate principal amount of the Notes then outstanding.

Section 9.03 *Compliance with Trust Indenture Act.*

Every amendment or supplement to this Indenture or the Notes will be set forth in a amended or supplemental indenture that complies with the TIA as then in effect.

Section 9.04 *Revocation and Effect of Consents.*

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder of a Note is a continuing consent by the Holder of a Note and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder of a Note or subsequent Holder of a Note may revoke the consent as to its Note if the Trustee receives written notice of revocation before the date the amendment, supplement or waiver becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms and thereafter binds every Holder.

Section 9.05 *Notation on or Exchange of Notes.*

The Trustee may place an appropriate notation about an amendment, supplement or waiver on any Note thereafter authenticated. The Issuers in exchange for all Notes may issue and the Trustee shall, upon receipt of an Authentication Order, authenticate new Notes that reflect the amendment, supplement or waiver.

Failure to make the appropriate notation or issue a new Note will not affect the validity and effect of such amendment, supplement or waiver.

Section 9.06 *Trustee to Sign Amendments, etc.*

The Trustee will sign any amended or supplemental indenture authorized pursuant to this Article 9 if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. The Issuers may not sign an amended or supplemental indenture until the Board of Directors of each of the Issuers approves it. In executing any amended or supplemental indenture, the Trustee will be entitled to receive and (subject to Section 7.01 hereof) will be fully protected in relying upon an Officers' Certificate and an Opinion of Counsel stating that the execution of such amended or supplemental indenture is authorized or permitted by this Indenture.

## ARTICLE 10.
## SUBORDINATION

Section 10.01 *Agreement to Subordinate.*

The Issuers agree, and each Holder by accepting a Note agrees, that the Indebtedness evidenced by the Notes is subordinated in right of payment, to the extent and in the manner provided in this Article 10, to the prior payment in full of all Senior Debt (whether outstanding on the date hereof or hereafter created, incurred, assumed or guaranteed), and that the subordination is for the benefit of the holders of Senior Debt.

Section 10.02 *Liquidation; Dissolution; Bankruptcy.*

Upon any distribution to creditors of the Issuers in a liquidation or dissolution of the Issuers or in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Issuers or their property, in an assignment for the benefit of creditors or any marshaling of the Issuers' assets and liabilities:

(1) holders of Senior Debt will be entitled to receive payment in full of all Obligations due in respect of such Senior Debt (including interest after the commencement of any bankruptcy proceeding at the rate specified in the applicable Senior Debt) before the Holders of Notes will be entitled to receive any payment with respect to the Notes (except that Holders of Notes may receive and retain Permitted Junior Securities and payments made from any defeasance trust created pursuant to Section 8.01 hereof); and

(2) until all Obligations with respect to Senior Debt (as provided in clause (1) above) are paid in full, any distribution to which Holders would be entitled but for this Article 10 will be made to holders of Senior Debt (except that Holders of Notes may receive and retain Permitted Junior Securities and payments made from any defeasance trust created pursuant to Section 8.01 hereof), as their interests may appear.

Section 10.03 *Default on Designated Senior Debt.*

(a) The Issuers may not make any payment or distribution to the Trustee or any Holder in respect of Obligations with respect to the Notes and may not acquire from the Trustee or any Holder any Notes for cash or property (other than Permitted Junior Securities and payments made from any defeasance trust created pursuant to Section 8.01 hereof) until all principal and other Obligations with respect to the Senior Debt have been paid in full if:

(1) payment default on Designated Senior Debt occurs and is continuing beyond any applicable grace period in the agreement, indenture or other document governing such Designated Senior Debt; or

(2) any other default occurs and is continuing on any series of Designated Senior Debt that permits holders of that series of Designated Senior Debt to accelerate its maturity and the Trustee receives a notice of such default (a "*Payment Blockage Notice*") from either Issuer of the holders of any Designated Senior Debt. If the Trustee receives any such Payment Blockage Notice, no subsequent Payment Blockage Notice will be effective for purposes of this Section 10.03 unless and until (A) at least 360 days have elapsed since the effectiveness of the immediately prior Payment Blockage Notice and (B) all scheduled payments of principal, premium and Liquidated Damages, if any, and interest on the Notes that have come due have been paid in full in cash.

No nonpayment default that existed or was continuing on the date of delivery of any Payment Blockage Notice to the Trustee may be, or may be made, the basis for a subsequent Payment Blockage Notice unless such default has have been waived for a period of not less than 90-180 days.

(b) The Issuers may and will resume payments on and distributions in respect of the Notes and may acquire them upon the earlier of:

(1) in the case of a payment default, upon the date upon which such default is cured or waived, or

(2) in the case of a nonpayment default, upon the earlier of the date on which such nonpayment default is cured or waived or 179 days after the date on which the applicable Payment Blockage Notice is received, unless the maturity of any Designated Senior Debt has been accelerated,

if this Article 10 otherwise permits the payment, distribution or acquisition at the time of such payment or acquisition.

Section 10.04 *Acceleration of Notes.*

If payment of the Notes is accelerated because of an Event of Default, the Issuers will promptly notify holders of Senior Debt of the acceleration.

Section 10.05 *When Distribution Must Be Paid Over.*

In the event that the Trustee or any Holder receives any payment of any Obligations with respect to the Notes (other than Permitted Junior Securities and payments made from any defeasance trust created pursuant to Section 8.01 hereof) at a time when the Trustee or such Holder, as applicable, has actual knowledge that such payment is prohibited by Section 10.03 hereof, such payment will be held by the

Trustee or such Holder, in trust for the benefit of, and will be paid forthwith over and delivered, upon written request, to, the holders of Senior Debt as their interests may appear or their Representative under the agreement, indenture or other document (if any) pursuant to which Senior Debt may have been issued, as their respective interests may appear, for application to the payment of all Obligations with respect to Senior Debt remaining unpaid to the extent necessary to pay such Obligations in full in accordance with their terms, after giving effect to any concurrent payment or distribution to or for the holders of Senior Debt.

With respect to the holders of Senior Debt, the Trustee undertakes to perform only those obligations on the part of the Trustee as are specifically set forth in this Article 10, and no implied covenants or obligations with respect to the holders of Senior Debt will be read into this Indenture against the Trustee. The Trustee will not be deemed to owe any fiduciary duty to the holders of Senior Debt, and will not be liable to any such holders if the Trustee, acting in good faith, pays over or distributes to or on behalf of Holders or the Issuers or any other Person money or assets to which any holders of Senior Debt are then entitled by virtue of this Article 10.

Section 10.06 *Notice by Issuers.*

The Issuers will promptly notify the Trustee and the Paying Agent of any facts known to the Issuers that would cause a payment of any Obligations with respect to the Notes to violate this Article 10, but failure to give such notice will not affect the subordination of the Notes to the Senior Debt as provided in this Article 10.

Section 10.07 *Subrogation.*

After all Senior Debt is paid in full and until the Notes are paid in full, Holders of Notes will be subrogated (equally and ratably with all other Indebtedness *pari passu* with the Notes) to the rights of holders of Senior Debt to receive distributions applicable to Senior Debt to the extent that distributions otherwise payable to the Holders of Notes have been applied to the payment of Senior Debt. A distribution made under this Article 10 to holders of Senior Debt that otherwise would have been made to Holders of Notes is not, as between the Issuers and Holders, a payment by the Issuers on the Notes.

Section 10.08 *Relative Rights.*

This Article 10 defines the relative rights of Holders of Notes and holders of Senior Debt. Nothing in this Indenture will:

(1) impair, as between the Issuers and Holders of Notes, the obligation of the Issuers, which is absolute and unconditional, to pay principal of, premium and interest and Liquidated Damages, if any, on, the Notes in accordance with their terms;

(2) affect the relative rights of Holders of Notes and creditors of the Issuers other than their rights in relation to holders of Senior Debt; or

(3) prevent the Trustee or any Holder of Notes from exercising its available remedies upon a Default or Event of Default, subject to the rights of holders and owners of Senior Debt to receive distributions and payments otherwise payable to Holders of Notes.

If the Issuers fail because of this Article 10 to pay principal of, premium or interest or Liquidated Damages, if any, on, a Note on the due date, the failure is still a Default or Event of Default.

Section 10.09 *Subordination May Not Be Impaired by Company.*

No right of any holder of Senior Debt to enforce the subordination of the Indebtedness evidenced by the Notes may be impaired by any act or failure to act by the Issuers or any Holder or by the failure of the Issuers or any Holder to comply with this Indenture.

Section 10.10 *Distribution or Notice to Representative.*

Whenever a distribution is to be made or a notice given to holders of Senior Debt, the distribution may be made and the notice given to their Representative.

Upon any payment or distribution of assets of the Issuers referred to in this Article 10, the Trustee and the Holders of Notes will be entitled to rely upon any order or decree made by any court of competent jurisdiction or upon any certificate of such Representative or of the liquidating trustee or agent or other Person making any distribution to the Trustee or to the Holders of Notes for the purpose of ascertaining the Persons entitled to participate in such distribution, the holders of the Senior Debt and other Indebtedness of the Issuers, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 10. In the event that the Trustee determines, in good faith, that evidence is required with respect to the right of any Person as a holder of Senior Debt to participate in any payment or distribution pursuant to this Article 10, the Trustee shall be entitled to request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of such Senior Debt held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and other facts pertinent to the rights of such Person under this Article 10, and, if such evidence is not furnished, the Trustee shall be entitled to defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment. The provisions of Sections 7.01 and 7.02 hereof shall be applicable to all actions or omissions of actions by the Trustee pursuant to this Article 10.

Section 10.11 *Rights of Trustee and Paying Agent.*

Notwithstanding the provisions of this Article 10 or any other provision of this Indenture, the Trustee will not be charged with knowledge of the existence of any facts that would prohibit the making of any payment or distribution by the Trustee, and the Trustee and the Paying Agent may continue to make payments on the Notes, unless the a Responsible Officer of the Trustee has received at its Corporate Trust Office at least five Business Days prior to the date of such payment written notice of facts that would cause the payment of any Obligations with respect to the Notes to violate this Article 10. Only an Issuer or a Representative may give the notice. Nothing in this Article 10 will impair the claims of, or payments to, the Trustee hereunder or pursuant to Sections 6.10 and 7.07 hereof.

The Trustee in its individual or any other capacity may hold Senior Debt with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights.

Section 10.12 *Authorization to Effect Subordination.*

Each Holder of Notes, by the Holder's acceptance thereof, authorizes and directs the Trustee on such Holder's behalf to take such action as may be necessary or appropriate to effectuate the subordination as provided in this Article 10, and appoints the Trustee to act as such Holder's attorney-in-fact for any and all such purposes. If the Trustee does not file a proper proof of claim or proof of debt in the form required in any proceeding referred to in Section 6.09 hereof at least 30 days before the expiration of the time to file such claim, the Representatives are hereby authorized to file an appropriate claim for and on behalf of the Holders of the Notes.

Section 10.13 *Amendments.*

The provisions of this Article 10 may not be amended or modified without the written consent of the holders of all Senior Debt.

Section 10.14 *Trust Monies not to be Subordinated*

Notwithstanding anything contained herein to the contrary, payments from money or the proceeds of Government Obligations held in trust under Article 8 hereof by the Trustee for the payment of principal of and interest on the Notes shall not be subordinated to the prior payment of any Senior Debt of the Issuers or subject to the restrictions set forth in this Article 10 if the provisions of this Article 10 were not violated at the time funds were deposited in trust with the Trustee pursuant to Article 8 hereof, and none of the Holders shall be obligated to pay over any such amount to the Issuers or any holder of Senior Debt of the Issuers or any other creditor of the Issuers.

## ARTICLE 11.
## SATISFACTION AND DISCHARGE

Section 11.01 *Satisfaction and Discharge.*

This Indenture will be discharged and will cease to be of further effect as to all Notes issued hereunder, when:

(1) either:

(a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust and thereafter repaid to MagnaChip, have been delivered to the Trustee for cancellation; or

(b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and MagnaChip or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium and Liquidated Damages, if any, and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which MagnaChip or any Guarantor is a party or by which MagnaChip or any Guarantor is bound;

(3) MagnaChip or any Guarantor has paid or caused to be paid all sums payable by it under this Indenture; and

(4) MagnaChip has delivered irrevocable instructions to the Trustee under this Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, MagnaChip must deliver an Officers' Certificate and an opinion of counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Notwithstanding the satisfaction and discharge of this Indenture, if money has been deposited with the Trustee pursuant to Section 11.01, the provisions of Sections 11.02 and 8.06 hereof will survive. In addition, nothing in this Section 11.01 will be deemed to discharge those provisions of Section 7.07 hereof, that, by their terms, survive the satisfaction and discharge of this Indenture.

Section 11.02 *Application of Trust Money.*

Subject to the provisions of Section 8.06 hereof, all money deposited with the Trustee pursuant to Section 11.01 hereof shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or through any Paying Agent (including either Issuers acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium and Liquidated Damages, if any) and interest for whose payment such money has been deposited with the Trustee; but such money need not be segregated from other funds except to the extent required by law.

If the Trustee or Paying Agent is unable to apply any money or Government Securities in accordance with Section 11.01 hereof by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Issuers' and any Guarantor's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 11.01 hereof; *provided* that if the Issuers have made any payment of principal of, premium or Liquidated Damages, if any, or interest on, any Notes because of the reinstatement of its obligations, the Issuers shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or Government Securities held by the Trustee or Paying Agent.

## ARTICLE 12.
## NOTE GUARANTEES

Section 12.01 *Guarantee.*

(a) Subject to this Article 12, each of the Guarantors hereby, jointly and severally, unconditionally guarantees to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of this Indenture, the Notes or the obligations of the Issuers hereunder or thereunder, that:

(1) the principal of, premium and Liquidated Damages, if any, and interest on, the Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of and interest on the Notes, if any, if lawful, and all other obligations of the Issuers to the Holders or the Trustee hereunder or thereunder will be promptly paid in full or performed, all in accordance with the terms hereof and thereof; and

(2) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

Failing payment when due of any amount so guaranteed or any performance so guaranteed for whatever reason, the Guarantors will be jointly and severally obligated to pay the same immediately. Each Guarantor agrees that this is a guarantee of payment and not a guarantee of collection.

(b) The Guarantors hereby agree that their obligations hereunder are unconditional, irrespective of the validity, regularity or enforceability of the Notes or this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Issuers, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor. Each Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Issuers, any right to require a proceeding first against the Issuers, protest, notice and all demands whatsoever and covenant that this Note Guarantee will not be discharged except by complete performance of the obligations contained in the Notes and this Indenture.

(c) If any Holder or the Trustee is required by any court or otherwise to return to the Issuers, the Guarantors or any custodian, trustee, liquidator or other similar official acting in relation to either the Issuers or the Guarantors, any amount paid by either to the Trustee or such Holder, this Note Guarantee, to the extent theretofore discharged, will be reinstated in full force and effect.

(d) Each Guarantor agrees that it will not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby. Each Guarantor further agrees that, as between the Guarantors, on the one hand, and the Holders and the Trustee, on the other hand, (1) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article 6 hereof for the purposes of this Note Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (2) in the event of any declaration of acceleration of such obligations as provided in Article 6 hereof, such obligations (whether or not due and payable) will forthwith become due and payable by the Guarantors for the purpose of this Note Guarantee. The Guarantors will have the right to seek contribution from any non-paying Guarantor so long as the exercise of such right does not impair the rights of the Holders under the Note Guarantee.

Section 12.02 *Limitation on Guarantor Liability.*

Each Guarantor, and by its acceptance of Notes, each Holder, hereby confirms that it is the intention of all such parties that the Note Guarantee of such Guarantor not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to any Note Guarantee. To effectuate the foregoing intention, the Trustee, the Holders and the Guarantors hereby irrevocably agree that the obligations of such Guarantor will be limited to the maximum amount that will, after giving effect to such maximum amount and all other contingent and fixed liabilities of such Guarantor that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under this Article 12, result in the obligations of such Guarantor under its Note Guarantee not constituting a fraudulent transfer or conveyance.

Section 12.03 *Execution and Delivery of Note Guarantee.*

To evidence its Note Guarantee set forth in Section 12.01 hereof, each Guarantor hereby agrees that a notation of such Note Guarantee substantially in the form attached as Exhibit E hereto will be endorsed by an Officer of such Guarantor on each Note authenticated and delivered by the Trustee and that this Indenture will be executed on behalf of such Guarantor by one of its Officers.

Each Guarantor hereby agrees that its Note Guarantee set forth in Section 12.01 hereof will remain in full force and effect notwithstanding any failure to endorse on each Note a notation of such Note Guarantee.

If an Officer whose signature is on this Indenture or on the Note Guarantee no longer holds that office at the time the Trustee authenticates the Note on which a Note Guarantee is endorsed, the Note Guarantee will be valid nevertheless.

The delivery of any Note by the Trustee, after the authentication thereof hereunder, will constitute due delivery of the Note Guarantee set forth in this Indenture on behalf of the Guarantors.

In the event that the Issuers or any of its Restricted Subsidiaries creates or acquires any Subsidiary after the Issue Date, if required by Section 4.21 hereof, the Issuers will cause such Subsidiary to comply with the provisions of Section 4.21 hereof and this Article 12, to the extent applicable.

Section 12.04 *Guarantors May Consolidate, etc., on Certain Terms.*

Except as otherwise provided in Section 12.05 hereof, no Guarantor may sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person) another Person, other than MagnaChip or another Guarantor, unless:

(1) immediately after giving effect to such transaction, no Default or Event of Default exists; and

(2) either:

(a) subject to Section 12.05 hereof, the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger unconditionally assumes all the obligations of that Guarantor under this Indenture, its Note Guarantee and the Registration Rights Agreements on the terms set forth herein or therein, pursuant to a supplemental indenture in form and substance reasonably satisfactory to the Trustee; or

(b) the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of this Indenture, including without limitation, Section 4.10 hereof.

In case of any such consolidation, merger, sale or conveyance and upon the assumption by the successor Person, by supplemental indenture, executed and delivered to the Trustee and satisfactory in form to the Trustee, of the Note Guarantee endorsed upon the Notes and the due and punctual performance of all of the covenants and conditions of this Indenture to be performed by the Guarantor, such successor Person will succeed to and be substituted for the Guarantor with the same effect as if it had been named herein as a Guarantor. Such successor Person thereupon may cause to be signed any or all of the Note Guarantees to be endorsed upon all of the Notes issuable hereunder which theretofore shall not have been signed by the Issuers and delivered to the Trustee. All the Note Guarantees so issued will

in all respects have the same legal rank and benefit under this Indenture as the Note Guarantees theretofore and thereafter issued in accordance with the terms of this Indenture as though all of such Note Guarantees had been issued at the date of the execution hereof.

Except as set forth in Articles 4 and 5 hereof, and notwithstanding clauses 2(a) and (b) above, nothing contained in this Indenture or in any of the Notes will prevent any consolidation or merger of a Guarantor with or into the Issuers or another Guarantor, or will prevent any sale or conveyance of the property of a Guarantor as an entirety or substantially as an entirety to the Issuers or another Guarantor.

Section 12.05 *Releases.*

The Note Guarantees of a Guarantor will be released:

(a) in connection with any liquidation or sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) MagnaChip or a Restricted Subsidiary of MagnaChip, if the sale or other disposition does not violate Section 4.10 hereof;

(b) in connection with any sale or other disposition of all of the Capital Stock of that Guarantor to a Person that is not (either before or after giving effect to such transaction) MagnaChip or a Restricted Subsidiary of MagnaChip, if the sale or other disposition does not violate Section 4.10 hereof;

(c) if MagnaChip designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with Section 4.22 hereof; or

(d) upon legal defeasance or satisfaction and discharge of this Indenture as provided in Articles 8 and Article 11 hereof.

Any Guarantor not released from its obligations under its Note Guarantee as provided in this Section 12.05 will remain liable for the full amount of principal of and interest and premium and Liquidated Damages, if any, on the Notes and for the other obligations of any Guarantor under this Indenture as provided in this Article 12. In connection with any such release, the Issuers shall deliver to the Trustee an Officers' Certificate and an Opinion of Counsel as and to the extent required by Sections 14.04 and 14.05.

## ARTICLE 13.
[RESERVED]

## ARTICLE 14.
MISCELLANEOUS

Section 14.01 *Trust Indenture Act Controls.*

If any provision of this Indenture limits, qualifies or conflicts with the duties imposed by TIA §318(c), the imposed duties will control.

Section 14.02 *Notices.*

Any notice or communication by the Issuers, any Guarantor or the Trustee to the others is duly given if in writing and delivered in Person or by first class mail (registered or certified, return receipt

requested), facsimile transmission or overnight air courier guaranteeing next day delivery, to the others' address:

If to the Issuers and/or any Guarantor:

c/o MagnaChip Semiconductor, Ltd.
1, Hyangjeong-dong
Hungduk-gu
Cheongju-si, 361-725
Korea
Facsimile No.: 82-2-3459-3674
Attention: Chief Financial Officer

With a copy (which shall not constitute notice to any Issuer or Guarantor) to:

Dechert LLP
4000 Bell Atlantic Tower
1717 Arch Street
Philadelphia, PA 19103-2793
Attention: Geraldine Sinatra ((215) 994-2222)
and Sang Park ((212) 698-3599)

If to the Trustee:

The Bank of New York
101 Barclay Street, 8W
New York, N.Y. 10286
Facsimile No.: (212)-815-5707
Attention: Corporate Trust Division - Corporate Finance Unit

The Issuers, any Guarantor or the Trustee, by notice to the others, may designate additional or different addresses for subsequent notices or communications.

All notices and communications (other than those sent to Holders) will be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed (except with respect to notice to the Trustee unless there is reasonable confirmation of receipt); when receipt acknowledged, if transmitted by facsimile; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery (except with respect to notice to the Trustee unless there is a signature acknowledging receipt or other reasonable confirmation of receipt).

Any notice or communication to a Holder will be mailed by first class mail, certified or registered, return receipt requested, or by overnight air courier guaranteeing next day delivery to its address shown on the register kept by the Registrar. Any notice or communication will also be so mailed to any Person described in TIA § 313(c), to the extent required by the TIA. Failure to mail a notice or communication to a Holder or any defect in it will not affect its sufficiency with respect to other Holders.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Issuers mail a notice or communication to Holders, it will mail a copy to the Trustee and each Agent at the same time.

Section 14.03 *Communication by Holders of Notes with Other Holders of Notes.*

Holders may communicate pursuant to TIA § 312(b) with other Holders with respect to their rights under this Indenture or the Notes. The Issuers, the Trustee, the Registrar and anyone else shall have the protection of TIA § 312(c).

Section 14.04 *Certificate and Opinion as to Conditions Precedent.*

Upon any request or application by the Issuers to the Trustee to take any action under this Indenture, the Issuers shall furnish to the Trustee:

(1) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee (which must include the statements set forth in Section 14.05 hereof) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been satisfied; and

(2) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee (which must include the statements set forth in Section 14.05 hereof) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been satisfied.

Section 14.05 *Statements Required in Certificate or Opinion.*

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than a certificate provided pursuant to TIA § 314(a)(4)) must comply with the provisions of TIA § 314(e) and must include:

(1) a statement that the Person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such Person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been satisfied; and

(4) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been satisfied.

Section 14.06 *Rules by Trustee and Agents.*

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

Section 14.07 *No Personal Liability of Directors, Officers, Employees and Stockholders.*

No past, present or future director, officer, employee, incorporator, member or stockholder (or the equivalent) of MagnaChip or any Guarantor, as such, will have any liability for any obligations of MagnaChip or the Guarantors under the Notes, this Indenture, the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws.

Section 14.08 *Governing Law; Jurisdiction.*

THE INTERNAL LAW OF THE STATE OF NEW YORK WILL GOVERN AND BE USED TO CONSTRUE THIS INDENTURE, THE NOTES AND THE NOTE GUARANTEES WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

No proceeding related to this Indenture may be commenced, prosecuted or continued in any court other than the courts of the State of New York located in the City and County of New York or in the United States District Court for the Southern District of New York, which courts shall have jurisdiction over the adjudication of such matters, and the Issuers hereby consent to the jurisdiction of such courts and personal service with respect thereto. The Issuers irrevocably appoint CT Corporation System (at the address: Attn: Service of Process Department, 111 Eighth Ave, 13th Floor, New York, New York, 10011) as their authorized agent in the City and County of New York upon which process may be served in any such suit or proceeding, and agree that service of process upon such agent, and written notice of said service to each Issuer, by the person serving the same to the address provided in Section 14, shall be deemed in every respect effective service of process upon each Issuer, as applicable, in such suit or proceeding. The Issuers agree that a final judgment in any such proceeding brought in any such court shall be conclusive and binding upon the Issuers and may be enforced in any other courts in the jurisdiction of which the Issuers are or may be subject, by suit upon such judgment.

Section 14.09 *No Adverse Interpretation of Other Agreements.*

This Indenture may not be used to interpret any other indenture, loan or debt agreement of the Issuers or their Subsidiaries or of any other Person. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

Section 14.10 *Successors.*

All agreements of the Issuers in this Indenture and the Notes will bind its successors. All agreements of the Trustee in this Indenture will bind its successors. All agreements of each Guarantor in this Indenture will bind its successors, except as otherwise provided in Section 12.05 hereof.

Section 14.11 *Severability.*

In case any provision in this Indenture or in the Notes is invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired thereby.

Section 14.12 *Counterpart Originals.*

The parties may sign any number of copies of this Indenture. Each signed copy will be an original, but all of them together represent the same agreement.

Section 14.13 *Table of Contents, Headings, etc.*

The Table of Contents, Cross-Reference Table and Headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and will in no way modify or restrict any of the terms or provisions hereof.

[Signatures on following page]

SIGNATURES

Dated as of December 23, 2004

MAGNACHIP SEMICONDUCTOR S.A.

By: _____

Name:
Title:

MAGNACHIP SEMICONDUCTOR FINANCE COMPANY

By: _____

Name:
Title:

MAGNACHIP SEMICONDUCTOR LLC

By: _____

Name:
Title:

MAGNACHIP SEMICONDUCTOR, INC.

By: _____

Name:
Title:

MAGNACHIP SEMICONDUCTOR LTD. (UNITED KINGDOM)

By: _____

Name:
Title:

MAGNACHIP SEMICONDUCTOR INC. (JAPAN)

By: _____

Name:
Title:

[signature page to Subordinated Notes Indenture]

MAGNACHIP SEMICONDUCTOR LTD. (HONG KONG)

By: _____

Name:
Title:

MAGNACHIP SEMICONDUCTOR LTD. (TAIWAN)

By: _____

Name:
Title:

MAGNACHIP SEMICONDUCTOR B.V. (NETHERLANDS)

By: _____

Name:
Title:

By: _____

Name:
Title:

MAGNACHIP SEMICONDUCTOR SA HOLDINGS LLC

By: _____

Name:
Title:

THE BANK OF NEW YORK,
as Trustee

By: _____

Name:
Title:

[signature page to Subordinated Notes Indenture]

**EXHIBIT A1**

[Face of Senior Subordinated Note]

CUSIP/CINS _____

8% Senior Subordinated Notes due 2014

No. __ $_____

MAGNACHIP SEMICONDUCTOR S.A.
and
MAGNACHIP SEMICONDUCTOR FINANCE COMPANY

promises to pay to _____ or registered assigns,

the principal sum of _____ DOLLARS on _____, 2014.

Interest Payment Dates: June 15 and December 15

Record Dates: June 1 and December 1

Dated: December __, 2004

MAGNACHIP SEMICONDUCTOR S.A.

By: _____

Name:
Title:

MAGNACHIP SEMICONDUCTOR FINANCE COMPANY

By: _____

Name:
Title:

This is one of the Notes referred to
in the within-mentioned Indenture:

THE BANK OF NEW YORK,
as Trustee

By: _____

Authorized Signatory

THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (1) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.06 OF THE INDENTURE, (2) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (3) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (4) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE ISSUERS.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) ("DTC"), TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THIS NOTE MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE ISSUERS THAT (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (III) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), (IV) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501 (a)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT) THAT, PRIOR TO SUCH TRANSFER, FURNISHES THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN

REPRESENTATIONS AND AGREEMENTS RELATING TO THE TRANSFER OF THIS NOTE (THE FORM OF WHICH CAN BE OBTAINED FROM THE TRUSTEE) AND, IF SUCH TRANSFER IS IN RESPECT OF AN AGGREGATE PRINCIPAL AMOUNT OF NOTES LESS THAN $250,000, AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUERS THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT, OR (V) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (V) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE.]

THE HOLDER OF THIS NOTE REPRESENTS EITHER THAT (A) IT IS NOT A PLAN (WHICH TERM INCLUDES (I) EMPLOYEE BENEFIT PLANS THAT ARE SUBJECT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (II) PLANS, INDIVIDUAL RETIREMENT ACCOUNTS AND OTHER ARRANGEMENTS THAT ARE SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR TO PROVISIONS UNDER APPLICABLE FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SIMILAR TO SUCH PROVISIONS OF ERISA OR THE CODE ("SIMILAR LAWS") AND (III) ENTITIES THE UNDERLYING ASSETS OF WHICH ARE CONSIDERED TO INCLUDE "PLAN ASSETS" OF SUCH PLANS, ACCOUNTS AND ARRANGEMENTS) AND IT HAS NOT PURCHASED THE NOTES ON BEHALF OF, OR WITH THE "PLAN ASSETS" OF, ANY PLAN; OR (B) THE HOLDER'S PURCHASE, HOLDING AND SUBSEQUENT DISPOSITION OF THE NOTES EITHER (I) ARE NOT A PROHIBITED TRANSACTION UNDER ERISA OR THE CODE AND ARE OTHERWISE PERMISSIBLE UNDER ALL APPLICABLE SIMILAR LAWS OR (II) ARE ENTITLED TO EXEMPTIVE RELIEF FROM THE PROHIBITED TRANSACTION PROVISIONS OF ERISA AND THE CODE IN ACCORDANCE WITH ONE OR MORE AVAILABLE STATUTORY, CLASS OR INDIVIDUAL PROHIBITED TRANSACTION EXEMPTIONS AND ARE OTHERWISE PERMISSIBLE UNDER ALL APPLICABLE SIMILAR LAWS.

Capitalized terms used herein have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

(1) *INTEREST*. MagnaChip Semiconductor S.A., a Luxembourg public limited liability company (*societe anonyme*) ("MagnaChip"), and MagnaChip Semiconductor Finance Company, a Delaware corporation ("*Finance Company*" and together with MagnaChip, the "*Issuers*"), jointly and severally promise to pay interest on the principal amount of this Note at a rate equal to 8% per annum from December 23, 2004 until maturity and shall pay the Liquidated Damages, if any, payable pursuant to Section 4 of the Registration Rights Agreement referred to below. The Issuers will pay interest and Liquidated Damages, if any, semi-annually in arrears on June 15 and December 15 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each, an "*Interest Payment Date*"). Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance; *provided* that if there is no existing Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; *provided further* that the first Interest Payment Date shall be June 15, 2005. The Issuers will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at a rate that is 1% per annum in excess of the rate then in effect to the extent lawful; it will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest

and Liquidated Damages, if any, (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

(2) *METHOD OF PAYMENT*. The Issuers will pay interest on the Notes (except defaulted interest) and Liquidated Damages, if any, to the Persons who are registered Holders of Notes at the close of business on the June 1 or December 1 next preceding the Interest Payment Date, even if such Notes are canceled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes will be payable as to principal, premium and Liquidated Damages, if any, and interest at the office or agency of the Issuers maintained for such purpose within or without the City and State of New York, or, at the option of the Issuers, payment of interest and Liquidated Damages, if any, may be made by check mailed to the Holders at their addresses set forth in the register of Holders; *provided* that payment by wire transfer of immediately available funds will be required with respect to principal of and interest, premium and Liquidated Damages, if any, on, all Global Notes and all other Notes the Holders of which will have provided wire transfer instructions to the Issuers or the Paying Agent. Such payment will be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

(3) *PAYING AGENT AND REGISTRAR*. Initially, The Bank of New York, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Issuers may change any Paying Agent or Registrar without notice to any Holder. MagnaChip or any of its Subsidiaries may act in any such capacity.

(4) *INDENTURE*. The Issuers issued the Notes under an Indenture dated as of December 23, 2004 (the "*Indenture*") among the Issuers, the Guarantors and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the TIA. The Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. The Notes are unsecured obligations of the Issuers. The Indenture does not limit the aggregate principal amount of Notes that may be issued thereunder.

(5) *OPTIONAL REDEMPTION*.

(a) At any time prior to December 15, 2007, MagnaChip may on any one or more occasions redeem up to 35% of the aggregate principal amount of Notes issued under the Indenture (including any Additional Notes issued after the Issue Date) at a redemption price of 108% of the principal amount thereof, *plus* accrued and unpaid interest and Liquidated Damages, if any, to the redemption date, with the net cash proceeds of one or more Public Equity Offerings or a contribution to MagnaChip's common equity capital made with the net cash proceeds of a concurrent Public Equity Offering of US LLC or any of its Subsidiaries; *provided* that:

(1) at least 65% of the aggregate principal amount of Notes originally issued under this Indenture (including any Additional Notes issued after the date of the Indenture) (excluding Notes held by MagnaChip and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 90 days of the date of the closing of such Public Equity Offering or equity contributions.

(b) On or after December 15, 2009, MagnaChip may redeem all or a part of the Notes, upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at the redemption prices (expressed as percentages of principal amount) set forth below *plus* accrued and unpaid interest and Liquidated Damages, if any, on the Notes redeemed, to the applicable redemption date, if redeemed during the twelve-month period beginning on December 15 of the years indicated below, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date:

| Year | Percentage |
|---|---|
| 2009 | 104.000% |
| 2010 | 102.667% |
| 2011 | 101.333% |
| 2012 and thereafter | 100.000% |

At any time prior to December 15, 2009, MagnaChip may also redeem all or a part of the Notes (including any Additional Notes issued after the Issue Date), upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at a redemption price equal to 100% of the principal amount of Notes redeemed *plus* the Applicable Premium as of, and accrued and unpaid interest and Liquidated Damages, if any, to the redemption date, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date.

Unless MagnaChip defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

(6) *MANDATORY REDEMPTION.*

The Issuers are not required to make mandatory redemption or sinking fund payments with respect to the Notes.

(7) *REPURCHASE AT THE OPTION OF HOLDER.*

(a) If a Change of Control occurs, the Issuers will make an offer (a *"Change of Control Offer"*) to each Holder to repurchase all or any part (equal to $1,000 or an integral multiple of $1,000 in excess of $1,000) of that Holder's Notes at a purchase price in cash equal to 101% of the aggregate principal amount of Notes repurchased *plus* accrued and unpaid interest and Liquidated Damages, if any, on the Notes repurchased to the date of purchase, subject to the rights of Holders on the relevant record date to receive interest due on the relevant interest payment date (the *"Change of Control Payment"*). Within 30 days following any Change of Control, the Issuers will mail a notice to each Holder setting forth the procedures governing the Change of Control Offer as required by the Indenture.

(b) If the Issuers or a Restricted Subsidiary of the Issuers consummates any Asset Sales, within 30 days of each date on which the aggregate amount of Excess Proceeds exceeds $10.0 million, MagnaChip will commence an offer to all Holders of Notes and all holders of other Indebtedness that is *pari passu* with the Notes containing provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets (an "*Asset Sale Offer*") pursuant to Section 3.09 of the Indenture to purchase the maximum principal amount of Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds at an offer price in cash in an amount equal to 100% of the

principal amount thereof *plus* accrued and unpaid interest and Liquidated Damages, if any, thereon to the date of purchase, in accordance with the procedures set forth in the Indenture. To the extent that the aggregate amount of Notes and other *pari passu* Indebtedness tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, MagnaChip (or such Restricted Subsidiary) may use such deficiency for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee shall select the Notes and such other *pari passu* Indebtedness to be purchased on a *pro rata* basis. Holders of Notes that are the subject of an offer to purchase will receive an Asset Sale Offer from the Issuers prior to any related purchase date and may elect to have such Notes purchased by completing the form entitled "*Option of Holder to Elect Purchase*" attached to the Notes.

(8) *NOTICE OF REDEMPTION*. Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each Holder whose Notes are to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction or discharge of the Indenture. Notes in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000, unless all of the Notes held by a Holder are to be redeemed.

(9) *DENOMINATIONS, TRANSFER, EXCHANGE*. The Notes are in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Issuers may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Issuers need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, the Issuers need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed or during the period between a record date and the corresponding Interest Payment Date.

(10) REDEMPTION FOR CHANGES IN TAXES. The Issuers may redeem each series of the Notes, in whole but not in part, at their discretion at any time at a redemption price equal to the principal amount thereof, together with accrued and unpaid interest and Liquidated Damages, if any, to the date fixed by the Issuers for redemption (a *"Tax Redemption Date"*) and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of Holders on the relevant record date to receive interest due on the relevant Interest Payment Date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Notes, the Issuers have or would be required to pay Additional Amounts, and the Issuers cannot avoid any such payment obligation taking reasonable measures available to them, as a result of:

(a) any change in, or amendment to, the laws or treaties (or any regulations, or rulings promulgated thereunder) of the relevant Tax Jurisdiction affecting taxation which change or amendment has not been publicly announced as formally adopted and which becomes effective on or after the Issue Date (or, if the relevant Tax Jurisdiction has changed since the Issue Date, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under this Indenture); or

(b) any change in, or amendment to, the existing official position or the introduction of an official position regarding the application, administration or interpretation of

such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change, amendment, application or interpretation has not been publicly announced as formally adopted and becomes effective on or after the Issue Date (or, if the relevant Tax Jurisdiction has changed since the Issue Date, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under this Indenture).

The Issuers will not give any such notice of redemption earlier than 90 days prior to the earliest date on which the Issuers would be obligated to make such payment or withholding if a payment in respect of the Notes were then due. Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuers will deliver the Trustee an opinion of counsel, the choice of such counsel to be subject to the prior written approval of the Trustee (such approval not to be unreasonably withheld) to the effect that there has been such change or amendment which would entitle the Issuers to redeem the Notes hereunder and the Issuers cannot avoid any obligation to pay Additional Amounts taking reasonable measures available.

(11) *PERSONS DEEMED OWNERS*. The registered Holder of a Note may be treated as its owner for all purposes.

(12) *AMENDMENT, SUPPLEMENT AND WAIVER*. Subject to certain exceptions, the Indenture or the Notes or the Guarantees may be amended or supplemented with the consent of the Holders of at least a majority in aggregate principal amount of the then outstanding Notes including Additional Notes, if any, voting as a single class, and any existing Default or Event or Default or compliance with any provision of the Indenture or the Notes or the Guarantees may be waived with the consent of the Holders of a majority in aggregate principal amount of the then outstanding Notes including Additional Notes, if any, voting as a single class. Without the consent of any Holder of a Note, the Indenture or the Notes or the Guarantees may be amended or supplemented to cure any ambiguity, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes, to provide for the assumption of the Issuers' or a Guarantor's obligations to Holders of the Notes and Note Guarantees in case of a merger or consolidation, to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights under the Indenture of any such Holder, to comply with the requirements of the SEC in order to effect or maintain the qualification of the Indenture under the TIA, to conform the text of the Indenture, the Notes or the Guarantees to any provision of the "Description of the senior subordinated notes" section of the Issuers' Offering Memorandum dated December 16, 2004, relating to the initial offering of the Notes, to the extent that such provision in that "Description of senior subordinated notes" was intended to be a verbatim recitation of a provision of the Indenture, the Notes or the Guarantees; to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture, or to allow any Guarantor to execute a supplemental indenture to the Indenture and/or a Note Guarantee with respect to the Notes.

(13) *DEFAULTS AND REMEDIES*. Events of Default include: (i) default for 30 days in the payment when due of interest on, or Liquidated Damages, if any, with respect to the Notes, whether or not prohibited by the subordination provisions of the indenture; (ii) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes, whether or not prohibited by the subordination provisions of the indenture; (iii) failure by MagnaChip or any of its Restricted Subsidiaries to comply with Section 4.10, 4.15 or 5.01 of the Indenture; (iv) failure by MagnaChip or any of its Restricted Subsidiaries for 60 days after notice to MagnaChip by the Trustee or the Holders of at least 25% in aggregate

principal amount of the Notes then outstanding voting as a single class to comply with any of the other agreements in the Indenture; (v) default under certain other agreements relating to Indebtedness of MagnaChip or any of its Restricted Subsidiaries which default (a) is caused by a failure to pay principal of, or interest or premium, if any, on, such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "*Payment Default*") or (b) results in the acceleration of such Indebtedness prior to its express maturity; (vi) certain final judgments for the payment of money that remain undischarged for a period of 60 days; (vii) certain events of bankruptcy or insolvency with respect to MagnaChip or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary and (viii) except as permitted by the Indenture, any Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect or any Guarantor or any Person acting on its behalf denies or disaffirms its obligations under such Guarantor's Guarantee. If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, all outstanding Notes will become due and payable immediately without further action or notice. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest or premium or Liquidated Damages, if any,) if it determines that withholding notice is in their interest. The Holders of a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may, on behalf of the Holders of all of the Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest or premium or Liquidated Damages, if any, on, or the principal of, the Notes. The Issuers are required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Issuers are required, upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

(14) *TRUSTEE DEALINGS WITH THE ISSUERS*. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Issuers or their Affiliates, and may otherwise deal with the Issuers or their Affiliates, as if it were not the Trustee.

(15) *NO RECOURSE AGAINST OTHERS*. A director, officer, employee, incorporator or stockholder of the Issuers or any of the Guarantors, as such, will not have any liability for any obligations of the Issuers or the Guarantors under the Notes, the Note Guarantees or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

(16) *AUTHENTICATION*. This Note will not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

(17) *ABBREVIATIONS*. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

(18) *ADDITIONAL RIGHTS OF HOLDERS OF RESTRICTED GLOBAL NOTES AND RESTRICTED DEFINITIVE NOTES*. In addition to the rights provided to Holders of Notes under the Indenture, Holders of Restricted Global Notes and Restricted Definitive Notes will have all the rights set forth in the Registration Rights Agreement dated as of December 23, 2004, among the Issuers, the Guarantors and the other parties named on the signature pages thereof or, in the case of Additional Notes, Holders of Restricted Global Notes and Restricted Definitive Notes will have the rights set forth in one or more registration rights agreements, if any, among the Issuers, the Guarantors and the other parties thereto, relating to rights given by the Issuers and the Guarantors to the purchasers of any Additional Notes (collectively, the "*Registration Rights Agreement*").

(19) *CUSIP NUMBERS*. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Issuers have caused CUSIP numbers to be printed on the Notes, and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption, and reliance may be placed only on the other identification numbers placed thereon.

(20) *GOVERNING LAW*. THE INTERNAL LAW OF THE STATE OF NEW YORK WILL GOVERN AND BE USED TO CONSTRUE THE INDENTURE, THIS NOTE AND THE NOTE GUARANTEES WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

The Issuers will furnish to any Holder upon written request and without charge a copy of the Indenture and/or the Registration Rights Agreement. Requests may be made to:

MagnaChip Semiconductor, Ltd.
1, Hyangjeong-dong
Hungduk-gu
Cheongju-si, 361-725
Korea
Attention: Chief Financial Officer

ASSIGNMENT FORM

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to: _____
(Insert assignee's legal name)

_____
(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____
(Print or type assignee's name, address and zip code)

and irrevocably appoint
_____ to transfer this Note on the books of the Issuers. The agent may substitute another to act for him.

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the face of this Note)

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Issuers pursuant to Section 4.10 or 4.15 of the Indenture, check the appropriate box below:

¬Section 4.10 ¬Section 4.15

If you want to elect to have only part of the Note purchased by the Issuers pursuant to Section 4.10 or Section 4.15 of the Indenture, state the amount you elect to have purchased:

$_____

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the face of this Note)

Tax Identification No.: _____

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL NOTE *

The following exchanges of a part of this Global Note for an interest in another Global Note or for a Definitive Note, or exchanges of a part of another Global Note or Definitive Note for an interest in this Global Note, have been made:

| Date of Exchange | Amount of decrease in Principal Amount of this Global Note | Amount of increase in Principal Amount of this Global Note | Principal Amount of this Global Note following such decrease (or increase) | Signature of authorized officer of Trustee or Custodian |
|---|---|---|---|---|
| | | | | |

* *This schedule should be included only if the Note is issued in global form.*

Exhibit A

[Face of Regulation S Temporary Global Note]

CUSIP/CINS _____

8% Senior Subordinated Notes due 2014

No. ____ $_____

MAGNACHIP SEMICONDUCTOR S.A.
and
MAGNACHIP SEMICONDUCTOR FINANCE COMPANY

promises to pay to _____ or registered assigns,

the principal sum of _____ DOLLARS on _____, 2014.

Interest Payment Dates: June 1 and December 15

Record Dates: June 1 and December 1

Dated: December __, 2004

MAGNACHIP SEMICONDUCTOR S.A.

By: _____

Name:
Title:

MAGNACHIP SEMICONDUCTOR FINANCE COMPANY

By: _____

Name:
Title:

This is one of the Notes referred to
in the within-mentioned Indenture:

THE BANK OF NEW YORK,
as Trustee

By: _____

Authorized Signatory

THE RIGHTS ATTACHING TO THIS REGULATION S TEMPORARY GLOBAL NOTE, AND THE CONDITIONS AND PROCEDURES GOVERNING ITS EXCHANGE FOR CERTIFICATED NOTES, ARE AS SPECIFIED IN THE INDENTURE (AS DEFINED HEREIN). NEITHER THE HOLDER NOR THE BENEFICIAL OWNERS OF THIS REGULATION S TEMPORARY GLOBAL NOTE SHALL BE ENTITLED TO RECEIVE PAYMENT OF INTEREST HEREON.

THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (1) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.06 OF THE INDENTURE, (2) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (3) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (4) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE ISSUERS.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) ("DTC"), TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND ACCORDINGLY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (A "QIB"), (B) IT IS NOT A U.S. PERSON, IS NOT ACQUIRING THIS NOTE FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT OR (C) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT) (AN "IAI"), (2) AGREES THAT IT WILL NOT, WITHIN THE TIME PERIOD REFERRED TO UNDER RULE 144(k) (TAKING INTO ACCOUNT THE PROVISIONS OF RULE 144(d) UNDER THE SECURITIES ACT, IF APPLICABLE) UNDER THE

SECURITIES ACT AS IN EFFECT ON THE DATE OF THE TRANSFER OF THIS NOTE, RESELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE ISSUERS OR ANY SUBSIDIARY THEREOF, (B) TO A PERSON WHOM THE HOLDER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (D) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (E) TO AN IAI THAT, PRIOR TO SUCH TRANSFER, FURNISHES TO THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE REGISTRATION OF TRANSFER OF THIS NOTE (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM THE TRUSTEE) AND, IF SUCH TRANSFER IS IN RESPECT OF AN ACCRETED VALUE/AGGREGATE PRINCIPAL AMOUNT OF NOTES AT THE TIME OF TRANSFER OF LESS THAN $250,000, AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUERS THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT OR (F) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND, IN EACH CASE, IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS NOTE OR ANY INTEREST HEREIN WITHIN THE TIME PERIOD REFERRED TO ABOVE, THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS CERTIFICATE TO THE TRUSTEE. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE IN VIOLATION OF THE FOREGOING RESTRICTIONS."

Capitalized terms used herein have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

(1) *INTEREST*. MagnaChip Semiconductor S.A., a Luxembourg public limited liability company (*societe anonyme*) ("*MagnaChip*"), and MagnaChip Semiconductor Finance Company, a Delaware corporation ("*Finance Company*" and together with MagnaChip, the "*Issuers*"), jointly and severally promise to pay interest on the principal amount of this Note at a rate equal to 8% per annum from December 23, 2004 until maturity and shall pay the Liquidated Damages, if any, payable pursuant to Section 4 of the Registration Rights Agreement referred to below. The Issuers will pay interest and Liquidated Damages, if any, semi-annually in arrears on June 15 and December 15 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each, an "*Interest Payment Date*"). Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance; *provided* that if there is no existing Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; *provided further* that the first Interest Payment Date shall be June 15, 2005. The Issuers will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at a rate that is 1% per annum in excess of the rate then in effect to the extent lawful; it will pay interest (including post-

petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Liquidated Damages, if any, (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months

Until this Regulation S Temporary Global Note is exchanged for one or more Regulation S Permanent Global Notes, the Holder hereof shall not be entitled to receive payments of interest hereon; until so exchanged in full, this Regulation S Temporary Global Note shall in all other respects be entitled to the same benefits as other Notes under the Indenture.

(2) *METHOD OF PAYMENT*. The Issuers will pay interest on the Notes (except defaulted interest) and Liquidated Damages, if any, to the Persons who are registered Holders of Notes at the close of business on the June 1 or December 1 next preceding the Interest Payment Date, even if such Notes are canceled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes will be payable as to principal, premium and Liquidated Damages, if any, and interest at the office or agency of the Issuers maintained for such purpose within or without the City and State of New York, or, at the option of the Issuers, payment of interest and Liquidated Damages, if any, may be made by check mailed to the Holders at their addresses set forth in the register of Holders; *provided* that payment by wire transfer of immediately available funds will be required with respect to principal of and interest, premium and Liquidated Damages, if any, on, all Global Notes and all other Notes the Holders of which will have provided wire transfer instructions to the Issuers or the Paying Agent. Such payment will be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

(3) *PAYING AGENT AND REGISTRAR.* Initially, The Bank of New York, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Issuers may change any Paying Agent or Registrar without notice to any Holder. MagnaChip or any of its Subsidiaries may act in any such capacity.

(4) *INDENTURE*. The Issuers issued the Notes under an Indenture dated as of December 23, 2004 (the "*Indenture*") among the Issuers, the Guarantors and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the TIA. The Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. The Notes are unsecured obligations of the Issuers. The Indenture does not limit the aggregate principal amount of Notes that may be issued thereunder.

(5) *OPTIONAL REDEMPTION.*

(a) At any time prior to December 15, 2007, MagnaChip may on any one or more occasions redeem up to 35% of the aggregate principal amount of Notes issued under the Indenture (including any Additional Notes issued after the Issue Date) at a redemption price of 108% of the principal amount thereof, *plus* accrued and unpaid interest and Liquidated Damages, if any, to the redemption date, with the net cash proceeds of one or more Public Equity Offerings or a contribution to MagnaChip's common equity capital made with the net cash proceeds of a concurrent Public Equity Offering of US LLC or any of its Subsidiaries; *provided that*:

(1) at least 65% of the aggregate principal amount of Notes originally issued under this Indenture (including Additional Notes issued after the date of the Indenture) (excluding Notes held by MagnaChip and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 90 days of the date of the closing of such Public Equity Offering or equity contributions.

(b) On or after December 15, 2009, MagnaChip may redeem all or a part of the Notes, upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at the redemption prices (expressed as percentages of principal amount) set forth below *plus* accrued and unpaid interest and Liquidated Damages, if any, on the Notes redeemed, to the applicable redemption date, if redeemed during the twelve-month period beginning on December 15 of the years indicated below, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date:

| Year | Percentage |
|---|---|
| 2009 | 104.000% |
| 2010 | 102.667% |
| 2011 | 101.333% |
| 2012 and thereafter | 100.000% |

At any time prior to December 15, 2009, MagnaChip may also redeem all or a part of the Notes (including any Additional Notes issued after the Issue Date), upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at a redemption price equal to 100% of the principal amount of Notes redeemed *plus* the Applicable Premium as of, and accrued and unpaid interest and Liquidated Damages, if any, to the redemption date, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date.

Unless MagnaChip defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

(6) *MANDATORY REDEMPTION.*

The Issuers are not required to make mandatory redemption or sinking fund payments with respect to the Notes.

(7) *REPURCHASE AT THE OPTION OF HOLDER.*

(a) If a Change of Control occurs, the Issuers will make an offer (a *"Change of Control Offer"*) to each Holder to repurchase all or any part (equal to $1,000 or an integral multiple of $1,000 in excess of $1,000) of that Holder's Notes at a purchase price in cash equal to 101% of the aggregate principal amount of Notes repurchased *plus* accrued and unpaid interest and Liquidated Damages, if any, on the Notes repurchased to the date of purchase, subject to the rights of Holders on the relevant record date to receive interest due on the relevant interest payment date (the *"Change of Control Payment"*). Within 10 days following any Change of Control, the Issuers will mail a notice to each Holder setting forth the procedures governing the Change of Control Offer as required by the Indenture.

(b) If the Issuers or a Restricted Subsidiary of the Issuers consummates any Asset Sales, within 30 days of each date on which the aggregate amount of Excess Proceeds exceeds $10.0 million, MagnaChip will commence an offer to all Holders of Notes and all holders of other Indebtedness that is *pari passu* with the Notes containing provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets (an "*Asset Sale Offer*") pursuant to Section 3.09 of the Indenture to purchase the maximum principal amount of Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds at an offer price in cash in an amount equal to 100% of the principal amount thereof *plus* accrued and unpaid interest and Liquidated Damages, if any, thereon to the date of purchase, in accordance with the procedures set forth in the Indenture. To the extent that the aggregate amount of Notes and other *pari passu* Indebtedness tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, MagnaChip (or such Restricted Subsidiary) may use such deficiency for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee shall select the Notes and such other *pari passu* Indebtedness to be purchased on a *pro rata* basis. Holders of Notes that are the subject of an offer to purchase will receive an Asset Sale Offer from the Issuers prior to any related purchase date and may elect to have such Notes purchased by completing the form entitled "*Option of Holder to Elect Purchase*" attached to the Notes.

(8) *NOTICE OF REDEMPTION*. Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each Holder whose Notes are to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction or discharge of the Indenture. Notes in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000, unless all of the Notes held by a Holder are to be redeemed.

(9) *DENOMINATIONS, TRANSFER, EXCHANGE*. The Notes are in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Issuers may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Issuers need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, the Issuers need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed or during the period between a record date and the corresponding Interest Payment Date.

This Regulation S Temporary Global Note is exchangeable in whole or in part for one or more Global Notes only (i) on or after the termination of the 40-day distribution compliance period (as defined in Regulation S) and (ii) upon presentation of certificates (accompanied by an Opinion of Counsel, if applicable) required by Article 2 of the Indenture. Upon exchange of this Regulation S Temporary Global Note for one or more Global Notes, the Trustee shall cancel this Regulation S Temporary Global Note.

(10) *REDEMPTION FOR CHANGES IN TAXES.* The Issuers may redeem each series of the Notes, in whole but not in part, at their discretion at any time at a redemption price equal to the principal amount thereof, together with accrued and unpaid interest and Liquidated Damages, if any, to the date fixed by the Issuers for redemption (a *"Tax Redemption Date"*) and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as

a result of the redemption or otherwise (subject to the right of Holders on the relevant record date to receive interest due on the relevant Interest Payment Date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Notes, the Issuers have or would be required to pay Additional Amounts, and the Issuers cannot avoid any such payment obligation taking reasonable measures available to them, as a result of:

(a) any change in, or amendment to, the laws or treaties (or any regulations, or rulings promulgated thereunder) of the relevant Tax Jurisdiction affecting taxation which change or amendment has not been publicly announced as formally adopted and which becomes effective on or after the Issue Date (or, if the relevant Tax Jurisdiction has changed since the Issue Date, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under this Indenture); or

(b) any change in, or amendment to, the existing official position or the introduction of an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change, amendment, application or interpretation has not been publicly announced as formally adopted and becomes effective on or after the Issue Date (or, if the relevant Tax Jurisdiction has changed since the Issue Date, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under this Indenture).

The Issuers will not give any such notice of redemption earlier than 90 days prior to the earliest date on which the Issuers would be obligated to make such payment or withholding if a payment in respect of the Notes were then due. Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuers will deliver the Trustee an opinion of counsel, the choice of such counsel to be subject to the prior written approval of the Trustee (such approval not to be unreasonably withheld) to the effect that there has been such change or amendment which would entitle the Issuers to redeem the Notes hereunder and the Issuers cannot avoid any obligation to pay Additional Amounts taking reasonable measures available.

(11) *PERSONS DEEMED OWNERS*. The registered Holder of a Note may be treated as its owner for all purposes.

(12) *AMENDMENT, SUPPLEMENT AND WAIVER*. Subject to certain exceptions, the Indenture or the Notes or the Guarantees may be amended or supplemented with the consent of the Holders of at least a majority in aggregate principal amount of the then outstanding Notes including Additional Notes, if any, voting as a single class, and any existing Default or Event or Default or compliance with any provision of the Indenture or the Notes or the Guarantees may be waived with the consent of the Holders of a majority in aggregate principal amount of the then outstanding Notes including Additional Notes, if any, voting as a single class. Without the consent of any Holder of a Note, the Indenture or the Notes or the Guarantees may be amended or supplemented to cure any ambiguity, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes, to provide for the assumption of the Issuers' or a Guarantor's obligations to Holders of the Notes and Note Guarantees in case of a merger or consolidation, to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights under the Indenture of any such Holder, to comply with the requirements of the SEC in order to effect or maintain the qualification of the Indenture under the TIA, to conform the text of the Indenture, the Notes or the Guarantees to any provision of the "Description of the senior subordinated notes" section of the

Issuers' Offering Memorandum dated December 16, 2004, relating to the initial offering of the Notes, to the extent that such provision in that "Description of the senior subordinated notes" was intended to be a verbatim recitation of a provision of the Indenture, the Notes or the Guarantees; to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture, or to allow any Guarantor to execute a supplemental indenture to the Indenture and/or a Note Guarantee with respect to the Notes.

(13) *DEFAULTS AND REMEDIES*. Events of Default include: (i) default for 30 days in the payment when due of interest on, or Liquidated Damages, if any, with respect to the Notes, whether or not prohibited by the subordination provisions of the indenture; (ii) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes, whether or not prohibited by the subordination provisions of the indenture; (iii) failure by MagnaChip or any of its Restricted Subsidiaries to comply with Section 4.10, 4.15 or 5.01 of the Indenture; (iv) failure by MagnaChip or any of its Restricted Subsidiaries for 60 days after notice to MagnaChip by the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any of the other agreements in the Indenture; (v) default under certain other agreements relating to Indebtedness of MagnaChip or any of its Restricted Subsidiaries which default (a) is caused by a failure to pay principal of, or interest or premium, if any, on, such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "*Payment Default*") or (b) results in the acceleration of such Indebtedness prior to its express maturity; (vi) certain final judgments for the payment of money that remain undischarged for a period of 60 days; (vii) certain events of bankruptcy or insolvency with respect to MagnaChip or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary; and (viii) except as permitted by the Indenture, any Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect or any Guarantor or any Person acting on its behalf denies or disaffirms its obligations under such Guarantor's Guarantee. If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, all outstanding Notes will become due and payable immediately without further action or notice. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest or premium or Liquidated Damages, if any,) if it determines that withholding notice is in their interest. The Holders of a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may, on behalf of the Holders of all of the Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest or premium or Liquidated Damages, if any, on, or the principal of, the Notes. The Issuers are required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Issuers are required, upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

(14) *TRUSTEE DEALINGS WITH THE ISSUERS*. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Issuers or their Affiliates, and may otherwise deal with the Issuers or their Affiliates, as if it were not the Trustee.

(15) *NO RECOURSE AGAINST OTHERS*. A director, officer, employee, incorporator or stockholder of the Issuers or any of the Guarantors, as such, will not have any liability for any obligations of the Issuers or the Guarantors under the Notes, the Note Guarantees or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

(16) *AUTHENTICATION*. This Note will not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

(17) *ABBREVIATIONS*. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

(18) *ADDITIONAL RIGHTS OF HOLDERS*. In addition to the rights provided to Holders of Notes under the Indenture, Holders of this Regulation S Temporary Global Note will have all the rights set forth in the Registration Rights Agreement dated as of December 23, 2004, among the Issuers, the Guarantors and the other parties named on the signature pages thereof or, in the case of Additional Notes, Holders of Restricted Global Notes and Restricted Definitive Notes will have the rights set forth in one or more registration rights agreements, if any, among the Issuers, the Guarantors and the other parties thereto, relating to rights given by the Issuers and the Guarantors to the purchasers of any Additional Notes (collectively, the "*Registration Rights Agreement*").

(19) *CUSIP NUMBERS*. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Issuers have caused CUSIP numbers to be printed on the Notes, and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption, and reliance may be placed only on the other identification numbers placed thereon.

(20) GOVERNING LAW. THE INTERNAL LAW OF THE STATE OF NEW YORK WILL GOVERN AND BE USED TO CONSTRUE THE INDENTURE, THIS NOTE AND THE GUARANTEES WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

The Issuers will furnish to any Holder upon written request and without charge a copy of the Indenture and/or the Registration Rights Agreement. Requests may be made to:

MagnaChip Semiconductor, Ltd.
1, Hyangjeong-dong
Hungduk-gu
Cheongju-si, 361-725
Korea
Attention: Chief Financial Officer

ASSIGNMENT FORM

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to: _____
(Insert assignee's legal name)

_____
(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____
(Print or type assignee's name, address and zip code)

and irrevocably appoint _____
to transfer this Note on the books of the Issuers. The agent may substitute another to act for him.

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the face of this Note)

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Issuers pursuant to Section 4.10 or 4.15 of the Indenture, check the appropriate box below:

¬Section 4.10 ¬Section 4.15

If you want to elect to have only part of the Note purchased by the Issuers pursuant to Section 4.10 or Section 4.15 of the Indenture, state the amount you elect to have purchased:

$_____

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the face of this Note)

Tax Identification No.: _____

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

SCHEDULE OF EXCHANGES OF INTERESTS IN THE REGULATION S TEMPORARY GLOBAL NOTE

The following exchanges of a part of this Regulation S Note for an interest in another Global Note, or exchanges of a part of another other Restricted Global Note for an interest in this Regulation S Temporary Global Note, have been made:

| Date of Exchange | Amount of decrease in Principal Amount of this Global Note | Amount of increase in Principal Amount of this Global Note | Principal Amount of this Global Note following such decrease (or increase) | Signature of authorized officer of Trustee or Custodian |
|---|---|---|---|---|

EXHIBIT C

FORM OF CERTIFICATE OF TRANSFER

MagnaChip Semiconductor S.A.
MagnaChip Semiconductor Finance Company
1, Hyangjeong-dong
Hungduk-gu
Cheongju-si, 361-725
Korea
Attention: Chief Financial Officer

[*Registrar address block*]

Re: 8% Senior Subordinated Notes due 2014

Reference is hereby made to the Indenture, dated as of December 23, 2004 (the "*Indenture*"), among MagnaChip Semiconductor S.A., a Luxembourg public limited liability company (*societe anonyme*) ("*MagnaChip*"), MagnaChip Semiconductor Finance Company, a Delaware corporation ("*Finance Company*" and together with MagnaChip, the "*Issuers*"), the Guarantors (as defined) and The Bank of New York, as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____, (the "*Transferor*") owns and proposes to transfer the Note[s] or interest in such Note[s] specified in Annex [A] hereto, in the principal amount of $_____ in such Note[s] or interests (the "*Transfer*"), to _____ (the "*Transferee*"), as further specified in Annex [A] hereto. In connection with the Transfer, the Transferor hereby certifies that:

[CHECK ALL THAT APPLY]

1. ☐ **Check if Transferee will take delivery of a beneficial interest in the 144A Global Note or a Restricted Definitive Note pursuant to Rule 144A**. The Transfer is being effected pursuant to and in accordance with Rule 144A under the Securities Act of 1933, as amended (the "*Securities Act*"), and, accordingly, the Transferor hereby further certifies that the beneficial interest or Definitive Note is being transferred to a Person that the Transferor reasonably believes is purchasing the beneficial interest or Definitive Note for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A, and such Transfer is in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the 144A Global Note and/or the Restricted Definitive Note and in the Indenture and the Securities Act.

2. ☐ **Check if Transferee will take delivery of a beneficial interest in the Regulation S Temporary Global Note, the Regulation S Permanent Global Note or a Restricted Definitive Note pursuant to Regulation S**. The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and, accordingly, the Transferor hereby further certifies that (i) the Transfer is not being made to a Person in the United States and (x) at the time the buy order was originated, the Transferee was outside the United States or such Transferor and any Person acting on its behalf reasonably believed and believes that the Transferee was outside the United States or (y) the transaction was executed in, on or through the facilities of a designated offshore securities market and

neither such Transferor nor any Person acting on its behalf knows that the transaction was prearranged with a buyer in the United States, (ii) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S under the Securities Act and, (iii) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act [and (iv) if the proposed transfer is being made prior to the expiration of the Restricted Period, the transfer is not being made to a U.S. Person or for the account or benefit of a U.S. Person (other than an Initial Purchaser). Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on Transfer enumerated in the Private Placement Legend printed on the Regulation S Permanent Global Note, the Regulation S Temporary Global Note and/or the Restricted Definitive Note and in the Indenture and the Securities Act.

3. ☐ **Check and complete if Transferee will take delivery of a beneficial interest in the IAI Global Note or a Restricted Definitive Note pursuant to any provision of the Securities Act other than Rule 144A or Regulation S**. The Transfer is being effected in compliance with the transfer restrictions applicable to beneficial interests in Restricted Global Notes and Restricted Definitive Notes and pursuant to and in accordance with the Securities Act and any applicable blue sky securities laws of any state of the United States, and accordingly the Transferor hereby further certifies that (check one):

(a) ☐ such Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act;

or

(b) ☐ such Transfer is being effected to the Issuers or a subsidiary thereof;

or

(c) ☐ such Transfer is being effected pursuant to an effective registration statement under the Securities Act and in compliance with the prospectus delivery requirements of the Securities Act;

or

(d) ☐ such Transfer is being effected to an Institutional Accredited Investor and pursuant to an exemption from the registration requirements of the Securities Act other than Rule 144A, Rule 144, Rule 903 or Rule 904, and the Transferor hereby further certifies that it has not engaged in any general solicitation within the meaning of Regulation D under the Securities Act and the Transfer complies with the transfer restrictions applicable to beneficial interests in a Restricted Global Note or Restricted Definitive Notes and the requirements of the exemption claimed, which certification is supported by (1) a certificate executed by the Transferee in the form of Exhibit D to the Indenture and (2) if such Transfer is in respect of a principal amount of Notes at the time of transfer of less than $250,000, an Opinion of Counsel provided by the Transferor or the Transferee (a copy of which the Transferor has attached to this certification), to the effect that such Transfer is in compliance with the Securities Act. Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the IAI Global Note and/or the Restricted Definitive Notes and in the Indenture and the Securities Act.

4. ☐ **Check if Transferee will take delivery of a beneficial interest in an Unrestricted Global Note or of an Unrestricted Definitive Note.**

(a) ☐ **Check if Transfer is pursuant to Rule 144**. (i) The Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, on Restricted Definitive Notes and in the Indenture.

(b) ☐ **Check if Transfer is Pursuant to Regulation S**. (i) The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, on Restricted Definitive Notes and in the Indenture.

(c) ☐ **Check if Transfer is Pursuant to Other Exemption**. (i) The Transfer is being effected pursuant to and in compliance with an exemption from the registration requirements of the Securities Act other than Rule 144, Rule 903 or Rule 904 and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any State of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will not be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes or Restricted Definitive Notes and in the Indenture.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuers.

_____

[Insert Name of Transferor]

By: _____

Name:

Title:

Dated: _____

ANNEX A TO CERTIFICATE OF TRANSFER

1. The Transferor owns and proposes to transfer the following:

[CHECK ONE OF (a) OR (b)]

a. ☐ a beneficial interest in the:

(i) ☐ 144A Global Note (CUSIP _____), or

(ii) ☐ Regulation S Global Note (CUSIP _____), or

(iii) ☐ IAI Global Note (CUSIP _____); or

(b) ☐ a Restricted Definitive Note.

2. After the Transfer the Transferee will hold:

[CHECK ONE]

(a) ☐ a beneficial interest in the:

(i) ☐ 144A Global Note (CUSIP _____), or

(ii) ☐ Regulation S Global Note (CUSIP _____), or

(iii) ☐ IAI Global Note (CUSIP _____); or

(iv) ☐ Unrestricted Global Note (CUSIP _____); or

(b) ☐ a Restricted Definitive Note; or

(c) ☐ an Unrestricted Definitive Note,

in accordance with the terms of the Indenture.

EXHIBIT D

FORM OF CERTIFICATE OF EXCHANGE

MagnaChip Semiconductor S.A.
MagnaChip Semiconductor Finance Company
1, Hyangjeong-dong
Hungduk-gu
Cheongju-si, 361-725
Korea
Attention: Chief Financial Officer

[*Registrar address block*]

Re: 8% Senior Subordinated Notes due 2014

(CUSIP _____)

Reference is hereby made to the Indenture, dated as of December [__], 2004, among MagnaChip Semiconductor S.A., a Luxembourg public limited liability company (*societe anonyme*) ("*MagnaChip*"), MagnaChip Semiconductor Finance Company, a Delaware corporation ("*Finance Company*" and together with MagnaChip, the "*Issuers*"), the Guarantors (as defined) and The Bank of New York, as Trustee (the "*Indenture*"). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____, (the "*Owner*") owns and proposes to exchange the Note[s] or interest in such Note[s] specified herein, in the principal amount of $_____ in such Note[s] or interests (the "*Exchange*"). In connection with the Exchange, the Owner hereby certifies that:

1. **Exchange of Restricted Definitive Notes or Beneficial Interests in a Restricted Global Note for Unrestricted Definitive Notes or Beneficial Interests in an Unrestricted Global Note**

(a) ☐ **Check if Exchange is from beneficial interest in a Restricted Global Note to beneficial interest in an Unrestricted Global Note**. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for a beneficial interest in an Unrestricted Global Note in an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Global Notes and pursuant to and in accordance with the Securities Act of 1933, as amended (the "*Securities Act*"), (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest in an Unrestricted Global Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(b) ☐ **Check if Exchange is from beneficial interest in a Restricted Global Note to Unrestricted Definitive Note**. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for an Unrestricted Definitive Note, the Owner hereby certifies (i) the Definitive Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Definitive Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(c) ☐ **Check if Exchange is from Restricted Definitive Note to beneficial interest in an Unrestricted Global Note**. In connection with the Owner's Exchange of a Restricted Definitive Note for a beneficial interest in an Unrestricted Global Note, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(d) ☐ **Check if Exchange is from Restricted Definitive Note to Unrestricted Definitive Note**. In connection with the Owner's Exchange of Restricted Definitive Note for an Unrestricted Definitive Note, the Owner hereby certifies (i) the Unrestricted Definitive Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Unrestricted Definitive Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

2. **Exchange of Restricted Definitive Notes or Beneficial Interests in Restricted Global Notes for Restricted Definitive Notes or Beneficial Interests in Restricted Global Notes**

(a) ☐ **Check if Exchange is from beneficial interest in a Restricted Global Note to Restricted Definitive Note.** In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for a Restricted Definitive Note with an equal principal amount, the Owner hereby certifies that the Restricted Definitive Note is being acquired for the Owner's own account without transfer. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the Restricted Definitive Note issued will continue to be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Definitive Note and in the Indenture and the Securities Act.

(b) ☐ **Check if Exchange is from Restricted Definitive Note to beneficial interest in a Restricted Global Note**. In connection with the Exchange of the Owner's Restricted Definitive Note for a beneficial interest in the [CHECK ONE] ☐ 144A Global Note, ☐ Regulation S Global Note, ☐ IAI Global Note with an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer and (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Notes and pursuant to and in accordance with the Securities Act, and in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the beneficial interest issued will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the relevant Restricted Global Note and in the Indenture and the Securities Act.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuers.

[Insert Name of Transferor]

By: _____

Name:
Title:

Dated: _____

FORM OF CERTIFICATE FROM
ACQUIRING INSTITUTIONAL ACCREDITED INVESTOR

MagnaChip Semiconductor S.A.
MagnaChip Semiconductor Finance Company
1, Hyangjeong-dong
Hungduk-gu
Cheongju-si, 361-725
Korea
Attention: Chief Financial Officer

[*Registrar address block*]

Re: 8% Senior Subordinated Notes due 2014

Reference is hereby made to the Indenture, dated as of December 23, 2004, among MagnaChip Semiconductor S.A., a Luxembourg public limited liability company (*societe anonyme*) ("*MagnaChip*"), MagnaChip Semiconductor Finance Company, a Delaware corporation ("*Finance Company*" and together with MagnaChip, the "*Issuers*"), the Guarantors (as defined) and The Bank of New York, as Trustee (the "*Indenture*"). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

In connection with our proposed purchase of $_____ aggregate principal amount of:

(a) ☐ a beneficial interest in a Global Note, or;

(b) ☐ a Definitive Note

we confirm that:

1. We understand that any subsequent transfer of the Notes or any interest therein is subject to certain restrictions and conditions set forth in the Indenture and the undersigned agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes or any interest therein except in compliance with, such restrictions and conditions and the Securities Act of 1933, as amended (the "*Securities Act*").

2. We understand that the offer and sale of the Notes have not been registered under the Securities Act, and that the Notes and any interest therein may not be offered or sold except as permitted in the following sentence. We agree, on our own behalf and on behalf of any accounts for which we are acting as hereinafter stated, that if we should sell the Notes or any interest therein, we will do so only (A) to the Issuers or any subsidiary thereof, (B) in accordance with Rule 144A under the Securities Act to a "qualified institutional buyer" (as defined therein), (C) to an institutional "accredited investor" (as defined below) that, prior to such transfer, furnishes (or has furnished on its behalf by a U.S. broker-dealer) to you and to the Issuers a signed letter substantially in the form of this letter and, if such transfer is in respect of a principal amount of Notes, at the time of transfer of less than $250,000, an Opinion of Counsel in form reasonably acceptable to the Issuers to the effect that such transfer is in compliance with the Securities Act, (D) outside the United States in accordance with Rule 904 of Regulation S under the Securities Act, (E) pursuant to the provisions of Rule 144(k) under the Securities Act or (F) pursuant to an effective registration statement under the Securities Act, and we further agree to provide to any Person purchasing

the Definitive Note or beneficial interest in a Global Note from us in a transaction meeting the requirements of clauses (A) through (E) of this paragraph a notice advising such purchaser that resales thereof are restricted as stated herein.

3. We understand that, on any proposed resale of the Notes or beneficial interest therein, we will be required to furnish to you and the Issuers such certifications, legal opinions and other information as you and the Notes may reasonably require to confirm that the proposed sale complies with the foregoing restrictions. We further understand that the Notes purchased by us will bear a legend to the foregoing effect.

4. We are an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act) and have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Notes, and we and any accounts for which we are acting are each able to bear the economic risk of our or its investment.

5. We are acquiring the Notes or beneficial interest therein purchased by us for our own account or for one or more accounts (each of which is an institutional "accredited investor") as to each of which we exercise sole investment discretion.

You and the Issuers are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

_____

[Insert Name of Accredited Investor]

By: _____

Name:
Title:

Dated: _____

[FORM OF NOTATION OF GUARANTEE]

For value received, each Guarantor (which term includes any successor Person under the Indenture) has, jointly and severally, unconditionally guaranteed, to the extent set forth in the Indenture and subject to the provisions in the Indenture dated as of December 23, 2004 (the "*Indenture*") MagnaChip Semiconductor S.A., a Luxembourg public limited liability company (*societe anonyme*) ("*MagnaChip*"), MagnaChip Semiconductor Finance Company, a Delaware corporation ("*Finance Company*" and together with MagnaChip, the "*Issuers*"), the Guarantors (as defined) and The Bank of New York, as Trustee (a) the due and punctual payment of the principal of, premium and Liquidated Damages, if any, and interest on, the Notes, whether at maturity, by acceleration, redemption or otherwise, the due and punctual payment of interest on overdue principal of and interest on the Notes, if any, if lawful, and the due and punctual performance of all other obligations of the Issuers to the Holders or the Trustee all in accordance with the terms of the Indenture and (b) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. The obligations of the Guarantors to the Holders of Notes and to the Trustee pursuant to the Note Guarantee and the Indenture are expressly set forth in Article 12 of the Indenture and reference is hereby made to the Indenture for the precise terms of the Note Guarantee. Each Holder of a Note, by accepting the same, (a) agrees to and shall be bound by such provisions (b) authorizes and directs the Trustee, on behalf of such Holder, to take such action as may be necessary or appropriate to effectuate the subordination as provided in the Indenture and (c) appoints the Trustee attorney-in-fact of such Holder for such purpose; provided, however, that the Indebtedness evidenced by this Note Guarantee shall cease to be so subordinated and subject in right of payment upon any defeasance of this Note in accordance with the provisions of the Indenture.

Capitalized terms used but not defined herein have the meanings given to them in the Indenture.

[NAME OF GUARANTOR(S)]

By: _____

Name:
Title:

EXHIBIT F

[FORM OF SUPPLEMENTAL INDENTURE
TO BE DELIVERED BY SUBSEQUENT GUARANTORS]

SUPPLEMENTAL INDENTURE (this "*Supplemental Indenture*"), dated as of _____, 200__, among _____ (the "*Guaranteeing Subsidiary*"), a subsidiary of _____ (or its permitted successor), a [Delaware] corporation (the "*Company*"), the Issuers, the other Guarantors (as defined in the Indenture referred to herein) and _____, as trustee under the Indenture referred to below (the "*Trustee*").

W I T N E S S E T H

WHEREAS, the Issuers have heretofore executed and delivered to the Trustee an indenture (the "*Indenture*"), dated as of December 23, 2004 providing for the issuance of its Senior Subordinated Notes due 2014 (the "*Notes*");

WHEREAS, the Indenture provides that under certain circumstances the Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiary shall unconditionally guarantee all of the Issuers' Obligations under the Notes and the Indenture on the terms and conditions set forth herein (the "*Note Guarantee*"); and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guaranteeing Subsidiary and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. AGREEMENT TO GUARANTEE. The Guaranteeing Subsidiary hereby agrees to provide an unconditional Guarantee on the terms and subject to the conditions set forth in the Note Guarantee and in the Indenture including but not limited to Article 12 thereof.

3. NO RECOURSE AGAINST OTHERS. No past, present or future director, officer, employee, incorporator, stockholder or agent of the Guaranteeing Subsidiary, as such, shall have any liability for any obligations of the Issuers or any Guaranteeing Subsidiary under the Notes, any Note Guarantees, the Indenture or this Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of the Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the SEC that such a waiver is against public policy.

4. NEW YORK LAW TO GOVERN. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

6. COUNTERPARTS. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

7. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

8. THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiary and the Issuers.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

Dated: _____, 20__

[GUARANTEEING SUBSIDIARY]

By: _____

Name:
Title:

[ISSUER]

By: _____

Name:
Title:

[ISSUER]

By: _____

Name:
Title:

[EXISTING GUARANTORS]

By: _____

Name:
Title:

[TRUSTEE],
as Trustee

By: _____

Authorized Signatory

**Exhibit 4.7**

EXECUTION COPY

REGISTRATION RIGHTS AGREEMENT

Dated as of December 23, 2004

By and Among

MAGNACHIP SEMICONDUCTOR S.A.

and

MAGNACHIP SEMICONDUCTOR FINANCE COMPANY

and

THE GUARANTORS NAMED HEREIN

as Issuers,

and

UBS SECURITIES LLC,
CITIGROUP GLOBAL MARKETS INC.,
GOLDMAN, SACHS & CO.,
J.P. MORGAN SECURITIES INC.,
and
DEUTSCHE BANK SECURITIES INC.
as Initial Purchasers

8% Senior Subordinated Notes due 2014

**TABLE OF CONTENTS**

**REGISTRATION RIGHTS AGREEMENT**

This Registration Rights Agreement (this "Agreement") is dated as of December 23, 2004, among MagnaChip Semiconductor S.A., a Luxembourg public limited liability company (*société anonyme*) ("MagnaChip"), its wholly owned subsidiary, MagnaChip Semiconductor Finance Company, a Delaware corporation (the "Co-Issuer," and together with MagnaChip, the "Company"), MagnaChip Semiconductor LLC, a Delaware limited liability company ("Parent"), each of the other Guarantors that are listed on Schedule I hereto (collectively with the Parent and any entity that in the future executes a supplemental indenture pursuant to which such entity agrees to guarantee the Notes (as hereinafter defined) the "Guarantors" and together with the Company, the "Issuers"), and UBS Securities LLC, Citigroup Global Markets Inc., Goldman, Sachs & Co., J.P. Morgan Securities Inc. and Deutsche Bank Securities Inc. (the "Initial Purchasers").

This Agreement is entered into in connection with the Purchase Agreement, dated as of December 16, 2004, by and among the Issuers, the Guarantors and the Initial Purchasers (the "Purchase Agreement"), relating to the offering of $250,000,000 aggregate principal amount of the Issuers' 8% Senior Subordinated Notes due 2014 (the "Notes"). The execution and delivery of this Agreement is a condition to the Initial Purchasers' obligation to purchase the Notes under the Purchase Agreement.

The parties hereby agree as follows:

Section 1. Definitions

As used in this Agreement, the following terms shall have the following meanings:

"action" shall have the meaning set forth in Section 7(c) hereof.

"Advice" shall have the meaning set forth in Section 5 hereof.

"Agreement" shall have the meaning set forth in the first introductory paragraph hereto.

"Applicable Period" shall have the meaning set forth in Section 2(b) hereof.

"Board of Directors" shall have the meaning set forth in Section 5 hereof.

"Business Day" shall mean a day that is not a Legal Holiday.

"Commission" shall mean the Securities and Exchange Commission.

"Day" shall mean a calendar day.

"Damages Payment Date" shall have the meaning set forth in Section 4(b) hereof.

"Delay Period" shall have the meaning set forth in Section 5 hereof.

"Effectiveness Period" shall have the meaning set forth in Section 3(b) hereof.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder.

"Exchange Notes" shall have the meaning set forth in Section 2(a) hereof.

"Exchange Offer" shall have the meaning set forth in Section 2(a) hereof.

"Exchange Offer Registration Statement" shall have the meaning set forth in Section 2(a) hereof.

"Holder" shall mean any holder of a Registrable Note or Registrable Notes.

"Indenture" shall mean the Indenture, dated as of December 23, 2004, by and between the Issuers and The Bank of New York as trustee, pursuant to which the Notes are being issued, as amended or supplemented from time to time in accordance with the terms thereof.

"Initial Purchasers" shall have the meaning set forth in the first introductory paragraph hereof.

"Inspectors" shall have the meaning set forth in Section 5(n) hereof.

"Issue Date" shall mean December 23, 2004, the date of original issuance of the Notes.

"Issuers" shall have the meaning set forth in the introductory paragraph hereto and shall also include the Issuers' respective permitted successors and assigns.

"Legal Holiday" shall mean a Saturday, a Sunday or a day on which banking institutions in New York, New York are required by law, regulation or executive order to remain closed.

"Liquidated Damages" shall have the meaning set forth in Section 4(a) hereof.

"Losses" shall have the meaning set forth in Section 7(a) hereof.

"NASD" shall have the meaning set forth in Section 5(s) hereof.

"Notes" shall have the meaning set forth in the second introductory paragraph hereto.

"Participant" shall have the meaning set forth in Section 7(a) hereof.

"Participating Broker-Dealer" shall have the meaning set forth in Section 2(b) hereof.

"Person" shall mean an individual, corporation, partnership, joint venture association, joint stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"Private Exchange" shall have the meaning set forth in Section 2(b) hereof.

"Private Exchange Notes" shall have the meaning set forth in Section 2(b) hereof.

"Prospectus" shall mean the prospectus included in any Registration Statement (including, without limitation, any prospectus subject to completion and a prospectus that includes any information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A promulgated under the Securities Act), as amended or supplemented by any prospectus supplement, and all other amendments and supplements to the Prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such Prospectus.

"Purchase Agreement" shall have the meaning set forth in the second introductory paragraph hereof.

"Records" shall have the meaning set forth in Section 5(n) hereof.

"Registrable Notes" shall mean each Note upon its original issuance and at all times subsequent thereto, each Exchange Note as to which Section 2(c)(iii) hereof is applicable upon original issuance and at all times subsequent thereto and each Private Exchange Note upon original issuance thereof and at all times subsequent thereto, in each case until (i) a Registration Statement (other than, with respect to any Exchange Note as to which Section 2(c)(iii) hereof is applicable, the Exchange Offer Registration Statement) covering such Note, Exchange Note or Private Exchange Note has been declared effective by the Commission and such Note, Exchange Note or such Private Exchange Note, as the case may be, has been disposed of in accordance with such effective Registration Statement, (ii) such Note has been exchanged pursuant to the Exchange Offer for an Exchange Note or Exchange Notes that may be resold without restriction under state and federal securities laws, (iii) such Note, Exchange Note or Private Exchange Note, as the case may be, ceases to be outstanding for purposes of the Indenture or (iv) such Note, Exchange Note or Private Exchange Note has been sold in compliance with Rule 144 or is salable pursuant to Rule 144(k).

"Registration Default" shall have the meaning set forth in Section 4(a) hereof.

"Registration Statement" shall mean any appropriate registration statement of the Issuers covering any of the Registrable Notes filed with the Commission under the Securities Act, and all amendments and supplements to any such Registration Statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"Requesting Participating Broker-Dealer" shall have the meaning set forth in Section 2(b) hereof.

"Rule 144" shall mean Rule 144 promulgated under the Securities Act, as such Rule may be amended from time to time, or any similar rule (other than Rule 144A) or regulation hereafter adopted by the Commission providing for offers and sales of securities made in compliance therewith resulting in offers and sales by subsequent holders that are not affiliates of an issuer of such securities being free of the registration and prospectus delivery requirements of the Securities Act.

"Rule 144A" shall mean Rule 144A promulgated under the Securities Act, as such Rule may be amended from time to time, or any similar rule (other than Rule 144) or regulation hereafter adopted by the Commission.

"Rule 415" shall mean Rule 415 promulgated under the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission.

"Securities Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

"Shelf Filing Event" shall have the meaning set forth in Section 2(c) hereof.

"Shelf Registration" shall have the meaning set forth in Section 3(a) hereof.

"Shelf Registration Statement" shall mean a Registration Statement filed in connection with a Shelf Registration.

"TIA" shall mean the Trust Indenture Act of 1939, as amended.

"Trustee" shall mean the trustee under the Indenture and the trustee (if any) under any indenture governing the Exchange Notes and Private Exchange Notes.

"Underwritten registration or underwritten offering" shall mean a registration in which securities of any of the Issuers is sold to an underwriter for reoffering to the public.

Section 2. Exchange Offer

(a) The Issuers shall (i) file a Registration Statement (the "Exchange Offer Registration Statement") within 180 days after the Issue Date with the Commission on an appropriate registration form with respect to a registered offer (the "Exchange Offer") to exchange any and all of the Registrable Notes for a like aggregate principal amount of notes (the "Exchange Notes") that are identical in all material respects to the Notes (except that the Exchange Notes shall not contain terms with respect to transfer restrictions or Liquidated Damages upon a Registration Default), (ii) use all commercially reasonable efforts to cause the Exchange Offer Registration Statement to be declared effective under the Securities Act on or prior to 210 days after the Issue Date; *provided that*, the Issuers' obligations to have the Exchange Offer Registration Statement declared effective shall be suspended until the date which is 60 days following the date upon which audited financial statements for the year ended December 31, 2005 first become available, to the extent that the Exchange Offer Registration Statement is prevented from being declared effective due to Parent's (or the applicable Issuer's) inability

to produce five years of selected financial information as required by Item 301 of Commission Regulation S-K, and (iii) unless the Exchange Offer would not be permitted by applicable law or Commission policy, (a) commence the Exchange Offer and (b) use all commercially reasonable efforts to issue on or prior to 30 Business Days, or longer, if required by the federal securities laws, after the date on which the Exchange Offer Registration Statement was declared effective by the Commission, the Exchange Notes in exchange for surrender of all Notes validly tendered and not withdrawn prior thereto in the Exchange Offer.

Each Holder that participates in the Exchange Offer will be required to represent to the Issuers in writing that (i) any Exchange Notes to be received by it will be acquired in the ordinary course of its business, (ii) it has no arrangement or understanding with any Person to participate in the distribution (within the meaning of the Securities Act) of the Exchange Notes in violation of the provisions of the Securities Act, (iii) it is not an affiliate of the Issuers (within the meaning of the Securities Act) or, if it is such an affiliate, it will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable, (iv) if such Holder is not a broker-dealer, it is not engaged in, and does not intend to engage in, a distribution of Exchange Notes, (v) if such Holder is a broker-dealer that will receive Exchange Notes for its own account in exchange for Notes that were acquired as a result of market-making or other trading activities, it will deliver a prospectus in connection with any resale of such Exchange Notes and (vi) such Holder has full power and authority to transfer the Notes in exchange for the Exchange Notes and that MagnaChip and the Co-Issuer will acquire good and unencumbered title thereto free and clear of any liens, restrictions, charges or encumbrances and not subject to any adverse claims.

(b) The Issuers and the Initial Purchasers acknowledge that the staff of the Commission has taken the position that any broker-dealer that elects to exchange Notes that were acquired by such broker-dealer for its own account as a result of market-making or other trading activities for Exchange Notes in the Exchange Offer (a "Participating Broker-Dealer") may be deemed to be an "underwriter" within the meaning of the Securities Act and must deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such Exchange Notes (other than a resale of an unsold allotment resulting from the original offering of the Notes).

The Issuers and the Initial Purchasers also acknowledge that the staff of the Commission has taken the position that if the Prospectus contained in the Exchange Offer Registration Statement includes a plan of distribution containing a statement to the above effect and the means by which Participating Broker-Dealers may resell the Exchange Notes, without naming the Participating Broker-Dealers or specifying the amount of Exchange Notes owned by them, such Prospectus may be delivered by Participating Broker-Dealers to satisfy their prospectus delivery obligations under the Securities Act in connection with resales of Exchange Notes for their own accounts, so long as the Prospectus otherwise meets the requirements of the Securities Act.

In light of the foregoing, if requested by a Participating Broker-Dealer (a "Requesting Participating Broker-Dealer"), the Issuers agree to use all commercially reasonable efforts to keep the Exchange Offer Registration Statement continuously effective for a period not to exceed 180 days after the date on which the Exchange Registration Statement is declared effective, or such longer period if extended pursuant to the last paragraph of Section 5 hereof (such period, the "Applicable Period"),

or such earlier date as all Requesting Participating Broker-Dealers shall have notified the Issuer in writing that such Requesting Participating Broker-Dealers have resold all Exchange Notes acquired in the Exchange Offer. The Issuers shall include a plan of distribution in such Exchange Offer Registration Statement that meets the requirements set forth in the preceding paragraph.

If, prior to consummation of the Exchange Offer, the Initial Purchasers or any Holder, as the case may be, holds any Notes acquired by it that have, or that are reasonably likely to be determined to have, the status of an unsold allotment in an initial distribution, or if any Holder is not entitled to participate in the Exchange Offer, the Issuers upon the request of the Initial Purchasers or any such Holder, as the case may be, shall simultaneously with the delivery of the Exchange Notes in the Exchange Offer, issue and deliver to the Initial Purchasers or any such Holder, as the case may be, in exchange (the "Private Exchange") for such Notes held by the Initial Purchasers or any such Holder, as the case may be, a like principal amount of notes (the "Private Exchange Notes") of the Issuers that are identical in all material respects to the Exchange Notes except that the Private Exchange Notes may be subject to restrictions on transfer and bear a legend to such effect. The Private Exchange Notes shall bear the same CUSIP number as the Exchange Notes (if permitted by the CUSIP Service Bureau).

Interest on each Exchange Note and Private Exchange Note issued pursuant to the Exchange Offer and in the Private Exchange will accrue from the last interest payment date on which interest was paid on the Notes surrendered in exchange therefor or, if no interest has been paid on the Notes, from the Issue Date.

Upon consummation of the Exchange Offer in accordance with this Section 2, the Issuers shall have no further registration obligations other than the Issuers' continuing registration obligations with respect to (i) Private Exchange Notes, (ii) Exchange Notes held by Participating Broker-Dealers and (iii) Notes or Exchange Notes as to which clause (c)(iii) of this Section 2 applies.

In connection with the Exchange Offer, the Issuers shall:

(1) mail or cause to be mailed to each Holder of record entitled to participate in the Exchange Offer a copy of the Prospectus forming part of the Exchange Offer Registration Statement, together with an appropriate letter of transmittal and related documents;

(2) utilize the services of a depositary for the Exchange Offer with an address in the Borough of Manhattan, The City of New York, which may be the Trustee or an affiliate thereof;

(3) permit Holders to withdraw tendered Notes at any time prior to the close of business, New York time, on the last Business Day on which the Exchange Offer shall remain open; and

(4) otherwise comply in all material respects with all applicable laws, rules and regulations.

As soon as practicable after the close of the Exchange Offer and the Private Exchange, if any, the Issuers shall:

(1) accept for exchange all Registrable Notes validly tendered and not validly withdrawn by the Holders pursuant to the Exchange Offer and the Private Exchange, if any;

(2) deliver or cause to be delivered to the Trustee for cancellation all Notes so accepted for exchange; and

(3) cause the Trustee to authenticate and deliver promptly to each such Holder tendering such Registrable Notes, Exchange Notes or Private Exchange Notes, as the case may be, equal in principal amount to the Registrable Notes of such Holder so accepted for exchange; *provided that* in the case of any Registrable Notes held in global form by a depositary, authentication and delivery to such depositary of one or more replacement Exchange Notes or Private Exchange Notes in global form in an equivalent principal amount thereto for the account of such Holders in accordance with the Indenture shall satisfy such authentication and delivery requirement.

The Exchange Offer and the Private Exchange shall not be subject to any conditions, other than that (i) the Exchange Offer or Private Exchange, as the case may be, does not violate applicable law or any applicable interpretation of the staff of the Commission, (ii) no action or proceeding shall have been instituted or threatened in any court or by any governmental agency which might materially impair the ability of the Issuers to proceed with the Exchange Offer or the Private Exchange, and no material adverse development shall have occurred in any existing action or proceeding with respect to the Issuers and (iii) all governmental approvals shall have been obtained, which approvals the Issuers deems necessary for the consummation of the Exchange Offer or Private Exchange.

The Exchange Notes and the Private Exchange Notes shall be issued under (i) the Indenture or (ii) an indenture identical in all material respects to the Indenture (in either case, with such changes as are necessary to comply with any requirements of the Commission to effect or maintain the qualification thereof under the TIA or exemption from such qualification) and which, in either case, has been qualified under the TIA or is exempt from such qualification and shall provide that (a) the Exchange Notes shall not be subject to the transfer restrictions set forth in the Indenture and (b) the Private Exchange Notes shall be subject to the transfer restrictions set forth in the Indenture. The Indenture or such indenture shall provide that the Exchange Notes, the Private Exchange Notes and the Notes shall vote and consent together on all matters as one class and that none of the Exchange Notes, the Private Exchange Notes or the Notes will have the right to vote or consent as a separate class on any matter.

(c) In the event that (i) any changes in law or the applicable interpretations of the staff of the Commission do not permit the Issuers to effect the Exchange Offer, (ii) for any reason the Exchange Offer is not consummated within 20 days of the last day permitted by Section 2(a) hereof, (iii) prior to the 20th day following consummation of the Exchange Offer, any Holder, other than the Initial Purchasers, notifies the Issuers that it is prohibited by law or the applicable interpretations of the staff of the Commission from participating in the Exchange Offer or, that it may not resell the

Exchange Notes received by it in the Exchange Offer without delivering a prospectus and the Prospectus contained in the Exchange Offer Registration Statement is not appropriate or available for such resales (other than due solely to the status of such Holder as an affiliate of the Issuers within the meaning of the Securities Act) or (iv) in the case of any Initial Purchaser that participates in the Exchange Offer or acquires Private Exchange Notes, such Initial Purchaser notifies the Issuers that it will not or did not receive freely tradeable Exchange Notes in the Exchange Offer in exchange for Notes or Private Exchange Notes that have the status of unsold allotments in an initial distribution (provided that the requirement that a Participating Broker-Dealer deliver a Prospectus in connection with sales of Exchange Notes acquired in the Exchange Offer in exchange for Notes acquired as a result of market-making activities or other trading activities shall not result in such Exchange Notes being not "freely tradeable")(each such event referred to in clauses (i) through (iv) of this sentence, a "Shelf Filing Event"), then the Issuers shall file a Shelf Registration pursuant to Section 3 hereof.

Section 3. Shelf Registration

If at any time a Shelf Filing Event shall occur, then:

(a) Shelf Registration. The Issuers shall file with the Commission a Registration Statement for an offering to be made on a continuous basis pursuant to Rule 415 covering all of the Registrable Notes not exchanged in the Exchange Offer, Private Exchange Notes and Exchange Notes as to which Section 2(c)(iii) is applicable (the "Shelf Registration"). The Issuers shall use all commercially reasonable efforts to file with the Commission the Shelf Registration on or prior to 30 days after such filing obligation arises. The Shelf Registration shall be on Form S-1 or another appropriate form permitting registration of such Registrable Notes for resale by Holders in the manner or manners designated by them (including, without limitation, one or more underwritten offerings). The Issuers shall not permit any securities other than the Registrable Notes to be included in the Shelf Registration.

(b) The Issuers shall use all commercially reasonable efforts (x) to cause the Shelf Registration to be declared effective under the Securities Act on or prior to 90 days after the Shelf Registration is required to be filed with the Commission; provided that, the Issuers' obligations to have the Shelf Registration declared effective shall be suspended until the date which is 60 days following the date upon which audited financial statements for the year ended December 31, 2005 first become available, to the extent that the Shelf Registration is prevented from being declared effective due to Parent's (or the applicable Issuer's) inability to produce five years of selected financial information as required by Item 301 of Commission Regulation S-K and (y) to keep the Shelf Registration continuously effective under the Securities Act for the period ending on the date which is two years from the Issue Date, subject to extension pursuant to the penultimate paragraph of Section 5 hereof (the "Effectiveness Period"), or such shorter period ending when all Registrable Notes covered by the Shelf Registration have been sold in the manner set forth and as contemplated in the Shelf Registration; provided, however, that (i) the Effectiveness Period in respect of the Shelf Registration shall be extended to the extent required to permit dealers to comply with the applicable prospectus delivery requirements of Rule 174 under the Securities Act and as otherwise provided herein and (ii) the Issuers may suspend the effectiveness of the Shelf Registration Statement by written notice to the Holders solely as a result of (A) the filing of a post-effective amendment to the Shelf Registration Statement to

incorporate annual audited financial information with respect to the Issuers where such post-effective amendment is not yet effective and needs to be declared effective to permit Holders to use the related Prospectus or (B) during a Delay Period (as defined below) and (iii) no Holder (other than an Initial Purchaser) shall be entitled to have the Registrable Notes held by it covered by such Shelf Registration Statement unless such Holder agrees in writing to be bound by all the provisions of this Agreement applicable to such Holder and furnishes to the Issuers and the Trustee in writing, within 20 days after receipt of a request therefor, such information as the Issuers or the Trustee may reasonably request for inclusion in any Shelf Registration Statement.

(c) Supplements and Amendments. The Issuers agree to supplement or make amendments to the Shelf Registration Statement as and when required by the rules, regulations or instructions applicable to the registration form used for such Shelf Registration Statement or by the Securities Act or rules and regulations thereunder for shelf registration, or if reasonably requested in writing by the Holders of a majority in aggregate principal amount of the Registrable Notes covered by such Registration Statement or by any underwriter of such Registrable Notes.

Section 4. Liquidated Damages

(a) The Issuers and the Initial Purchasers agree that the Holders will suffer damages if the Issuers fail to fulfill their obligations under Section 2 or Section 3 hereof and that it would not be feasible to ascertain the extent of such damages with precision. Accordingly, the Issuers agree that if:

(i) the Exchange Offer Registration Statement is not filed with the Commission on or prior to the 180th day following the Issue Date or, if that day is not a Business Day, the next day that is a Business Day,

(ii) the Exchange Offer Registration Statement is not declared effective on or prior to the 210th day following the Issue Date or, if that day is not a Business Day, the next day that is a Business Day or is declared effective by such date but thereafter ceases to be effective or usable, except if the Exchange Offer Registration Statement ceases to be effective or usable as specifically permitted by the penultimate paragraph of Section 5 hereof; *provided that*, such date shall be extended until the date which is 60 days following the date upon which audited financial statements for the year ended December 31, 2005 first become available, to the extent that the Exchange Offer Registration Statement is prevented from being declared effective due to Parent's (or the applicable Issuer's) inability to produce five years of selected financial information as required by Item 301 of Commission Regulation S-K,

(iii) the Exchange Offer is not consummated within 30 Business Days, or if that day is not a Business Day, the next day that is a Business Day, after the Exchange Offer Registration Statement was declared effective by the Commission, or longer if required by federal securities laws; or

(iv) the Shelf Registration Statement is required to be filed but (A) is not declared effective on or prior to 90 days after the Shelf Registration is required to be filed with the Commission, or, if either such day is not a Business Day, the next day that is a Business Day; provided *that*, the Issuers' obligations to have the Shelf Registration Statement declared effective

shall be suspended until the date which is 60 days following the date upon which audited financial statements for the year ended December 31, 2005 first become available, to the extent that the Shelf Registration Statement is prevented from being declared effective due to Parent's (or the applicable Issuer's) inability to produce five years of selected financial information as required by Item 301 of Commission Regulation S-K or (B) is declared effective by such date but thereafter ceases to be effective or usable at any time prior to the second anniversary of its effective date, except if the Shelf Registration ceases to be effective or usable as specifically permitted by the penultimate paragraph of Section 5 hereof; provided, further, that such two year period shall be extended by the aggregate number of days of all Delay Periods

(each such event referred to in clauses (i) through (iv) a "Registration Default"), liquidated damages in the form of additional cash interest ("Liquidated Damages") will accrue on the affected Notes and the affected Exchange Notes, as applicable. The rate of Liquidated Damages will be 0.25% per annum for the first 90-day period immediately following the occurrence of a Registration Default, increasing by an additional 0.25% per annum with respect to each subsequent 90-day period up to a maximum amount of additional interest of 1.00% per annum, from and including the date on which any such Registration Default shall occur to, but excluding, the earlier of (1) the date on which all Registration Defaults have been cured or (2) the date on which all the Notes and Exchange Notes otherwise become freely transferable by Holders other than affiliates of the Issuers without further registration under the Securities Act.

Notwithstanding the foregoing, (1) the amount of Liquidated Damages payable shall not increase because more than one Registration Default has occurred and is pending and (2) a Holder of Notes or Exchange Notes who is not entitled to the benefits of the Shelf Registration Statement (i.e., such Holder has not elected to include information) shall not be entitled to Liquidated Damages with respect to a Registration Default that pertains to the Shelf Registration Statement. Liquidated Damages shall not accrue with respect to Notes that are not Registrable Notes.

(b) So long as Notes remain outstanding, the Issuers shall notify the Trustee within five Business Days after each and every date on which an event occurs in respect of which Liquidated Damages is required to be paid. Any amounts of Liquidated Damages due pursuant to clauses (a)(i), (a)(ii), (a)(iii) or (a)(iv) of this Section 4 will be payable in the manner provided for the payment of interest in the Indenture on each December 15 and June 15 (each a "Damages Payment Date"), as more fully set forth in the Indenture and the Notes, to Holders to whom regular interest is payable on such Damages Payment Date with respect to Notes that are Registrable Securities. The amount of Liquidated Damages for Registrable Notes will be determined by multiplying the applicable rate of Liquidated Damages by the aggregate principal amount of all such Registrable Notes outstanding on the Damages Payment Date following such Registration Default in the case of the first such payment of Liquidated Damages with respect to a Registration Default (and thereafter at the next succeeding Damages Payment Date until the cure of such Registration Default), multiplied by a fraction, the numerator of which is the number of days such Liquidated Damages rate was applicable during such period (determined on the basis of a 360-day year comprised of twelve 30-day months and, in the case of a partial month, the actual number of days elapsed), and the denominator of which is 360.

Section 5. Registration Procedures

In connection with the filing of any Registration Statement pursuant to Section 2 or 3 hereof, the Issuers shall effect such registrations to permit the sale of the securities covered thereby in accordance with the intended method or methods of disposition thereof, and pursuant thereto and in connection with any Registration Statement filed by the Issuers hereunder, the Issuers shall:

(a) Prepare and file with the Commission the Registration Statement or Registration Statements prescribed by Section 2 or 3 hereof, and use all commercially reasonable efforts to cause each such Registration Statement to become effective and remain effective as provided herein; provided, however, that if (1) such filing is pursuant to Section 3 hereof, or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Notes during the Applicable Period relating thereto, before filing any Registration Statement or Prospectus or any amendments or supplements thereto, the Issuers shall furnish to and afford the Holders of the Registrable Notes covered by such Registration Statement or each such Participating Broker-Dealer, as the case may be, its counsel (if such counsel is known to the Issuers) and the managing underwriters, if any, a reasonable opportunity to review copies of all such documents (including copies of any documents to be incorporated by reference therein and all exhibits thereto) proposed to be filed (in each case at least five Business Days prior to such filing or such later date as is reasonable under the circumstances). The Issuers shall not file any Registration Statement or Prospectus or any amendments or supplements thereto if the Holders of a majority in aggregate principal amount of the Registrable Notes covered by such Registration Statement, or any such Participating Broker-Dealer, as the case may be, its counsel, or the managing underwriters, if any, shall reasonably object on a timely basis.

(b) Prepare and file with the Commission such amendments and post-effective amendments to each Shelf Registration Statement or Exchange Offer Registration Statement, as the case may be, as may be necessary to keep such Registration Statement continuously effective for the Effectiveness Period or the Applicable Period, as the case may be, provided that none of the foregoing shall be required during a Delay Period; cause the related Prospectus to be supplemented by any Prospectus supplement required by applicable law, and as so supplemented to be filed pursuant to Rule 424 (or any similar provisions then in force) promulgated under the Securities Act, provided that none of the foregoing shall be required during a Delay Period; and comply with the provisions of the Securities Act and the Exchange Act applicable to it with respect to the disposition of all securities covered by such Registration Statement as so amended or in such Prospectus as so supplemented and with respect to the subsequent resale of any securities being sold by a Participating Broker-Dealer covered by any such Prospectus, in each case, in accordance with the intended methods of distribution set forth in such Registration Statement or Prospectus, as so amended.

(c) If (1) a Shelf Registration is filed pursuant to Section 3 hereof, or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer

who seeks to sell Exchange Notes during the Applicable Period relating thereto from whom the Issuers have received written notice that such Broker-Dealer will be a Participating Broker-Dealer in the applicable Exchange Offer, notify the selling Holders of Registrable Notes, or each such Participating Broker-Dealer, as the case may be, their counsel and the managing underwriters, if any, as promptly as possible, and, if requested by any such Person, confirm such notice in writing, (i) when a Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to a Registration Statement or any post-effective amendment, when the same has become effective under the Securities Act (including in such notice a written statement that any Holder may, upon request, obtain, at the sole expense of the Issuers, one conformed copy of such Registration Statement or post-effective amendment including financial statements and schedules, documents incorporated or deemed to be incorporated by reference and exhibits), (ii) of the issuance by the Commission of any stop order suspending the effectiveness of a Registration Statement or of any order preventing or suspending the use of any preliminary prospectus or the initiation of any proceedings for that purpose, (iii) if at any time when a Prospectus is required by the Securities Act to be delivered in connection with sales of the Registrable Notes or resales of Exchange Notes by Participating Broker-Dealers the representations and warranties of the Issuers contained in any agreement (including any underwriting agreement) contemplated by Section 5(m)(i) hereof cease to be true and correct in all material respects, (iv) of the receipt by the Issuers of any notification with respect to the suspension of the qualification or exemption from qualification of a Registration Statement or any of the Registrable Notes or the Exchange Notes for offer or sale in any jurisdiction, or the initiation or threatening of any proceeding for such purpose, (v) of the happening of any event, the existence of any condition or any information becoming known to the Issuers that makes any statement made in such Registration Statement or related Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires the making of any changes in or amendments or supplements to such Registration Statement, Prospectus or documents so that, in the case of the Registration Statement, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and that in the case of the Prospectus, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and (vi) of the Issuers' determination that a post-effective amendment to a Registration Statement would be appropriate.

(d) If (1) a Shelf Registration is filed pursuant to Section 3 hereof, or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Notes during the Applicable Period, use all commercially reasonable efforts to prevent the issuance of any order suspending the effectiveness of a Registration Statement or of any order preventing or suspending the use of a Prospectus or suspending the qualification (or exemption from qualification) of any of the Registrable Notes or the Exchange Notes, as the case may be, for sale in any jurisdiction, and, if any such order is issued, to use all commercially reasonable efforts to obtain the withdrawal of any such order at the earliest practicable moment.

(e) If (1) a Shelf Registration is filed pursuant to Section 3 hereof or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Notes during the Applicable Period and if reasonably requested by the managing underwriter or underwriters (if any), the Holders of a majority in aggregate principal amount of the Registrable Notes covered by such Registration Statement or any Participating Broker-Dealer, as the case may be, (i) promptly incorporate in such Registration Statement or Prospectus a prospectus supplement or post-effective amendment such information as the managing underwriter or underwriters (if any), such Holders or any Participating Broker-Dealer, as the case may be (based upon advice of counsel), determine is reasonably required to be included therein and request in writing to be included therein and (ii) make all required filings of such prospectus supplement or such post-effective amendment as soon as practicable after the Issuers have received notification of the matters to be incorporated in such prospectus supplement or post-effective amendment; provided, however, that the Issuers shall not be required to take any action hereunder that would, in the written opinion of counsel to the Issuers, violate applicable laws or, in any event, during any Delay Period.

(f) If (1) a Shelf Registration is filed pursuant to Section 3 hereof or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Notes during the Applicable Period, furnish to each selling Holder of Registrable Notes or each such Participating Broker-Dealer, as the case may be, who so requests, its counsel and each managing underwriter, if any, at the sole expense of the Issuers, one conformed copy of the Registration Statement or Registration Statements and each post-effective amendment thereto, including financial statements and schedules, and, if requested, all documents incorporated or deemed to be incorporated therein by reference and all exhibits.

(g) If (1) a Shelf Registration is filed pursuant to Section 3 hereof, or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Notes during the Applicable Period, deliver to each selling Holder of Registrable Notes or each such Participating Broker-Dealer, as the case may be, its respective counsel, and the underwriters, if any, at the sole expense of the Issuers, as many copies of the Prospectus or Prospectuses (including each form of preliminary prospectus) and each amendment or supplement thereto and any documents incorporated by reference therein as such Persons may reasonably request; and, subject to the last paragraph of this Section 5, the Issuers hereby consent to the use of such Prospectus and each amendment or supplement thereto by each of the selling Holders of Registrable Notes or each such Participating Broker-Dealer, as the case may be, and the underwriters or agents, if any, and dealers (if any), in connection with the offering and sale of the Registrable Notes covered by, or the sale by Participating Broker-Dealers of the Exchange Notes pursuant to, such Prospectus and any amendment or supplement thereto.

(h) Prior to any public offering of Registrable Notes or Exchange Notes or any delivery of a Prospectus contained in the Exchange Offer Registration Statement by any

Participating Broker-Dealer who seeks to sell Exchange Notes during the Applicable Period, use all commercially reasonable efforts to register or qualify, and to cooperate with the selling Holders of Registrable Notes or each such Participating Broker-Dealer, as the case may be, the managing underwriter or underwriters, if any, and its respective counsel in connection with the registration or qualification (or exemption from such registration or qualification) of such Registrable Notes or Exchange Notes, as the case may be, for offer and sale under the securities or Blue Sky laws of such jurisdictions within the United States as any selling Holder, Participating Broker-Dealer, or the managing underwriter or underwriters reasonably request in writing; provided, however, that where Exchange Notes or Registrable Notes are offered other than through an underwritten offering, the Issuers agree to use all commercially reasonable efforts to cause the Issuers' counsel to perform Blue Sky investigations and file registrations and qualifications required to be filed pursuant to this Section 5(h); keep each such registration or qualification (or exemption therefrom) effective during the period such Registration Statement is required to be kept effective and do any and all other acts or things reasonably necessary or advisable to enable the disposition in such jurisdictions of such Exchange Notes or Registrable Notes covered by the applicable Registration Statement; provided, however, that the Issuers shall not be required to (A) qualify generally to do business in any jurisdiction where it is not then so qualified, (B) take any action that would subject it to general service of process in any such jurisdiction where it is not then so subject or (C) subject itself to taxation in excess of a nominal dollar amount in any such jurisdiction where it is not then so subject.

(i) If a Shelf Registration is filed pursuant to Section 3 hereof, cooperate with the selling Holders of Registrable Notes and the managing underwriter or underwriters, if any, to facilitate the timely preparation and delivery of certificates representing Registrable Notes to be sold, which certificates shall not bear any restrictive legends and shall be in a form eligible for deposit with The Depository Trust Company and enable such Registrable Notes to be in such denominations (subject to applicable requirements contained in the Indenture) and registered in such names as the managing underwriter or underwriters, if any, or selling Holders may reasonably request in writing at least five Business Days prior to any sale of such Registrable Notes or Exchange Notes.

(j) Use all commercially reasonable efforts to cause the Registrable Notes or Exchange Notes covered by any Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be reasonably necessary to enable the seller or sellers thereof or the underwriter or underwriters, if any, to consummate the disposition of such Registrable Notes or Exchange Notes, except as may be required solely as a consequence of the nature of such selling Holder's business, in which case the Issuers will cooperate in all reasonable respects with the filing of such Registration Statement and the granting of such approvals.

(k) If (1) a Shelf Registration is filed pursuant to Section 3 hereof, or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Notes during the Applicable Period, upon the occurrence of any event contemplated by Section 5(c)(v) or 5(c)(vi) hereof, as promptly as practicable prepare

and file (subject to Section 5(a) and the penultimate paragraph of this Section 5) with the Commission, at the sole expense of the Issuers, a supplement or post-effective amendment to the Registration Statement or a supplement to the related Prospectus or any document incorporated or deemed to be incorporated therein by reference, or file any other required document so that, as thereafter delivered to the purchasers of the Registrable Notes being sold thereunder or to the purchasers of the Exchange Notes to whom such Prospectus will be delivered by a Participating Broker-Dealer, any such Prospectus will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(l) On or prior to the effective date of the first Registration Statement relating to the Registrable Notes, (i) provide the Trustee with certificates for the Registrable Notes in a form eligible for deposit with The Depository Trust Company and (ii) provide a CUSIP number for the Exchange Notes.

(m) In connection with any underwritten offering of Registrable Notes pursuant to a Shelf Registration, enter into an underwriting agreement as is customary in underwritten offerings of debt securities similar to the Notes and take all such other actions as are reasonably requested in writing by the managing underwriter or underwriters in order to expedite or facilitate the registration or the disposition of such Registrable Notes and, in such connection, (i) make such representations and warranties to, and covenants with, the underwriters with respect to the business of the Issuers and their subsidiaries, as then conducted (including any acquired business, properties or entity, if applicable), and the Registration Statement, Prospectus and documents, if any, incorporated or deemed to be incorporated by reference therein, in each case, as are customarily made by issuers to underwriters in underwritten offerings of debt securities similar to the Notes, and confirm the same in writing if and when reasonably requested; (ii) use all commercially reasonable efforts to obtain the written opinions of counsel to the Issuers and written updates thereof in form, scope and substance reasonably satisfactory to the managing underwriter or underwriters, addressed to the underwriters covering the matters customarily covered in opinions of counsel to issuers requested in underwritten offerings of debt securities similar to the Notes; (iii) use all commercially reasonable efforts to obtain "cold comfort" letters and updates thereof in form, scope and substance reasonably satisfactory to the managing underwriter or underwriters from the independent certified public accountants of the Issuers (and, if necessary, any other independent certified public accountants of any subsidiary of the Issuers or of any business acquired by the Issuers for which financial statements and financial data are, or are required to be, included or incorporated by reference in the Registration Statement), addressed to each of the underwriters, such letters to be in customary form and covering matters of the type customarily covered in "cold comfort" letters in connection with underwritten offerings of debt securities similar to the Notes; and (iv) if an underwriting agreement is entered into, the same shall contain indemnification provisions and procedures no less favorable than those set forth in Section 7 hereof (or such other provisions and procedures acceptable to Holders of a majority in aggregate principal amount of Registrable Notes covered by such Registration Statement and the managing underwriter or underwriters or agents) with respect to all parties to be indemnified pursuant to said Section; provided

that the Issuers shall not be required to provide indemnification to any underwriter selected in accordance with the provisions of Section 9 hereof with respect to information relating to such underwriter furnished in writing to the Issuers by or on behalf of such underwriter expressly for inclusion in such Registration Statement. The above shall be done at each closing under such underwriting agreement, or as and to the extent required thereunder.

(n) If (1) a Shelf Registration is filed pursuant to Section 3 hereof or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Notes during the Applicable Period, make available for inspection by any selling Holder of such Registrable Notes being sold or each such Participating Broker-Dealer, as the case may be, any underwriter participating in any such disposition of Registrable Notes, if any, and any attorney, accountant or other agent retained by any such selling Holder or each such Participating Broker-Dealer, as the case may be, or underwriter (collectively, the "Inspectors"), upon written request, at the offices where normally kept, during reasonable business hours, all pertinent financial and other records, pertinent corporate documents and instruments of the Issuers and its subsidiaries (collectively, the "Records") as shall be reasonably necessary to enable them to exercise any applicable due diligence responsibilities, and cause the officers, directors and employees of the Issuers and their subsidiaries to supply all information reasonably requested in writing by any such Inspector in connection with such Registration Statement and Prospectus. Each Inspector shall agree in writing that it will keep the Records confidential and that it will not disclose, or use in connection with any market transactions in violation of any applicable securities laws, any Records that the Issuers determine, in good faith, to be confidential unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in such Registration Statement or Prospectus in the reasonable opinion of counsel for an Inspector, (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction, (iii) disclosure of such information is necessary or advisable in the opinion of counsel for an Inspector in connection with any action, claim, suit or proceeding, directly or indirectly, involving or potentially involving such Inspector and arising out of, based upon, relating to, or involving this Agreement or the Purchase Agreement, or any transactions contemplated hereby or thereby or arising hereunder or thereunder, or (iv) the information in such Records has been made generally available to the public other than as a result of a disclosure or failure to safeguard by such Inspector; provided, however, that (i) each Inspector shall agree to use reasonable best efforts to provide notice to the Issuers of the potential disclosure of any information by such Inspector pursuant to clause (i), (ii) or (iii) of this sentence to permit the Issuers to obtain a protective order (or waive the provisions of this paragraph (n)) and (ii) each such Inspector shall take such actions as are reasonably necessary to protect the confidentiality of such information (if practicable) to the extent such action is otherwise not inconsistent with, an impairment of or in derogation of the rights and interests of the Holder or any Inspector. Each selling Holder of such Registrable Notes and each such Participating Broker-Dealer will be required to agree that information obtained by it as a result of such inspections shall be deemed confidential and shall not be used by it as the basis for any market transactions in the securities of the Parent, the Issuers or their respective subsidiaries unless and until such is made generally available to the public.

(o) Provide an indenture trustee for the Registrable Notes or the Exchange Notes, as the case may be, and cause the Indenture or the trust indenture provided for in Section 2(a) hereof to be qualified under the TIA not later than the effective date of the Exchange Offer or the first Registration Statement relating to the Registrable Notes; and in connection therewith, cooperate with the trustee under any such indenture and the Holders of the Registrable Notes or Exchange Notes, as applicable, to effect such changes to such indenture as may be required for such indenture to be so qualified in accordance with the terms of the TIA; and execute, and use all commercially reasonable efforts to cause such trustee to execute, all documents as may be required to effect such changes, and all other forms and documents required to be filed with the Commission to enable such indenture to be so qualified in a timely manner.

(p) Use all commercially reasonable efforts to comply with all applicable rules and regulations of the Commission and make generally available to the Issuers' securityholders earnings statements satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder (which need not be audited) (or any similar rule promulgated under the Securities Act) no later than 45 days after the end of any fiscal quarter (or 90 days after the end of any 12-month period if such period is a fiscal year) (i) commencing at the end of any fiscal quarter in which Registrable Notes or Exchange Notes are sold to underwriters in a firm commitment or best efforts underwritten offering and (ii) if not sold to underwriters in such an offering, commencing on the first day of the first fiscal quarter of the Issuers after the effective date of a Registration Statement, which statements shall cover said 12-month periods consistent with the requirements of Rule 158.

(q) Upon the request of a Holder, upon consummation of the Exchange Offer or a Private Exchange, use all commercially reasonable efforts to obtain an opinion of counsel to the Issuers, in form and substance customary for such underwritten transactions, addressed to the Trustee for the benefit of all Holders of Registrable Notes participating in the Exchange Offer or the Private Exchange, as the case may be, that the Exchange Notes or Private Exchange Notes, as the case may be, and the related indenture constitute legal, valid and binding obligations of the Issuers, enforceable against the Issuers in accordance with its respective terms, subject to customary exceptions and qualifications.

(r) If the Exchange Offer or a Private Exchange is to be consummated, upon delivery of the Registrable Notes by Holders to the Issuers (or to such other Person as directed by the Issuers) in exchange for the Exchange Notes or the Private Exchange Notes, as the case may be, mark, or cause to be marked, on such Registrable Notes that such Registrable Notes are being cancelled in exchange for the Exchange Notes or the Private Exchange Notes, as the case may be; provided that in no event shall such Registrable Notes be marked as paid or otherwise satisfied.

(s) Cooperate with each seller of Registrable Notes covered by any Registration Statement and each underwriter, if any, participating in the disposition of such Registrable Notes and their respective counsel in connection with any filings required to be made with the National Association of Securities Dealers, Inc. (the "NASD").

(t) Use all commercially reasonable efforts to take all other steps reasonably necessary or advisable to effect the registration of the Exchange Notes and/or Registrable Notes covered by a Registration Statement contemplated hereby.

The Issuers may require each seller of Registrable Notes or Exchange Notes as to which any registration is being effected to furnish to the Issuers such information regarding such seller or Participating Broker-Dealer and the distribution of such Registrable Notes or Exchange Notes as the Issuers may, from time to time, reasonably request. The Issuers may exclude from such registration the Registrable Notes of any seller or Participating Broker-Dealer so long as such seller or Participating Broker-Dealer fails to furnish such information within a reasonable time after receiving such request and in the event of such an exclusion, the Issuers shall have no further obligation under this Agreement (including, without limitation, the obligations under Section 4) with respect to such seller or Participating Broker-Dealer or any subsequent Holder of such Registrable Notes. Each seller or Participating Broker-Dealer as to which any Shelf Registration is being effected agrees to furnish promptly to the Issuers all information required to be disclosed in order to make any information previously furnished to the Issuers by such seller not materially misleading.

If any such Registration Statement refers to any Holder by name or otherwise as the holder of any securities of the Issuers, then such Holder shall have the right to require (i) the insertion therein of language, in form and substance reasonably satisfactory to such Holder, to the effect that the holding by such Holder of such securities is not to be construed as a recommendation by such Holder of the investment quality of the securities covered thereby and that such holding does not imply that such Holder will assist in meeting any future financial requirements of the Issuers, or (ii) in the event that such reference to such Holder by name or otherwise is not required by the Securities Act or any similar federal statute then in force, the deletion of the reference to such Holder in any amendment or supplement to the applicable Registration Statement filed or prepared subsequent to the time that such reference ceases to be required.

Each Holder of Registrable Notes and each Participating Broker-Dealer agrees by acquisition of such Registrable Notes or Exchange Notes that, upon actual receipt of any notice from the Issuers (x) of the happening of any event of the kind described in Section 5(c)(ii), 5(c)(iii), 5(c)(iv), or 5(c)(v) hereof, or (y) that the Board of Directors of the Issuers (the "Board of Directors") has resolved that the Issuers have a *bona fide* business purpose for doing so, then the Issuers may delay the filing or the effectiveness of the Exchange Offer Registration Statement or the Shelf Registration Statement (if not then filed or effective, as applicable) and shall not be required to maintain the effectiveness thereof or amend or supplement the Exchange Offer Registration Statement or the Shelf Registration, in all cases, for a period (a "Delay Period") expiring upon the earlier to occur of (i) in the case of the immediately preceding clause (x), such Holder's or Participating Broker-Dealer's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 5(k) hereof or until it is advised in writing (the "Advice") by the Issuers that the use of the applicable Prospectus may be resumed, and has received copies of any amendments or supplements thereto or (ii) in the case of the immediately preceding clause (y), the date which is the earlier of (A) the date on which such business purpose ceases to interfere with the Issuers' obligations to file or maintain the effectiveness of any such Registration Statement pursuant to this Agreement or (B) 60 days after the Issuers notify the Holders of such good faith determination. There shall not be more than 60 days of Delay Periods during any 12-month

period. Each of the Effectiveness Period and the Applicable Period, if applicable, shall be extended by the number of days during any Delay Period. Any Delay Period will not alter the obligations of the Issuers to pay Liquidated Damages under the circumstances set forth in Section 4 hereof (except as noted in Section 4).

In the event of any Delay Period pursuant to clause (y) of the preceding paragraph, notice shall be given as soon as practicable after the Board of Directors makes such a determination of the need for a Delay Period and shall state, to the extent practicable, an estimate of the duration of such Delay Period and shall advise the recipient thereof of the agreement of such Holder provided in the next succeeding sentence. Each Holder, by his acceptance of any Registrable Note, agrees that during any Delay Period, each Holder will discontinue disposition of such Notes or Exchange Notes covered by such Registration Statement or Prospectus or Exchange Notes to be sold by such Holder or Participating Broker-Dealer, as the case may be.

Section 6. Registration Expenses

All fees and expenses incident to the performance of or compliance with this Agreement by the Issuers (other than any underwriting discounts or commissions) shall be borne by the Issuers, whether or not the Exchange Offer Registration Statement or the Shelf Registration is filed or becomes effective or the Exchange Offer is consummated, including, without limitation, (i) all registration and filing fees (including, without limitation, (A) fees with respect to filings required to be made with the NASD in connection with an underwritten offering and (B) fees and expenses of compliance with state securities or Blue Sky laws (including, without limitation, reasonable fees and disbursements of counsel in connection with Blue Sky qualifications of the Registrable Notes or Exchange Notes and determination of the eligibility of the Registrable Notes or Exchange Notes for investment under the laws of such jurisdictions (x) where the holders of Registrable Notes are located, in the case of an Exchange Offer, or (y) as provided in Section 5(h) hereof, in the case of a Shelf Registration or in the case of Exchange Notes to be sold by a Participating Broker-Dealer during the Applicable Period)), (ii) printing expenses, including, without limitation, expenses of printing certificates for Registrable Notes or Exchange Notes in a form eligible for deposit with The Depository Trust Company and of printing prospectuses if the printing of prospectuses is requested by the managing underwriter or underwriters, if any, or by the Holders of a majority in aggregate principal amount of the Registrable Notes included in any Registration Statement or in respect of Exchange Notes to be sold by any Participating Broker-Dealer during the Applicable Period, as the case may be, (iii) messenger, telephone and delivery expenses, (iv) fees and disbursements of counsel for the Issuers and reasonable fees and disbursements of one special counsel for all of the sellers of Registrable Notes (exclusive of any counsel retained pursuant to Section 7 hereof), (v) fees and disbursements of all independent certified public accountants referred to in Section 5(m)(iii) hereof (including, without limitation, the expenses of any special audit and "cold comfort" letters required by or incident to such performance), (vi) Securities Act liability insurance, if the Issuers desire such insurance, (vii) fees and expenses of all other Persons retained by the Issuers, (viii) internal expenses of the Issuers (including, without limitation, all salaries and expenses of officers and employees of the Issuers performing legal or accounting duties), (ix) the expense of any annual audit, (x) the fees and expenses incurred in connection with the listing of the securities to be registered on any securities exchange, and the obtaining of a rating of the securities, in each case, if applicable, and (xi) the expenses relating to printing, word

processing and distributing all Registration Statements, underwriting agreements, indentures and any other documents necessary in order to comply with this Agreement. Notwithstanding the foregoing or anything to the contrary, each Holder shall pay all underwriting discounts and commissions of any underwriters with respect to any Registrable Notes sold by or on behalf of it.

Section 7. Indemnification

(a) Each of the Issuers and the Guarantors, jointly and severally, agrees to indemnify and hold harmless each Holder of Registrable Notes and each Participating Broker-Dealer selling Exchange Notes during the Applicable Period, each Person, if any, who controls any such Person within the meaning of Section 15 of the Securities Act or Section 20(a) of the Exchange Act, the agents, employees, officers and directors of each Holder and each such Participating Broker-Dealer and the agents, employees, officers and directors of any such controlling Person (each, a "Participant") from and against any and all losses, liabilities, claims, damages and expenses (including, but not limited to, reasonable attorneys' fees and any and all reasonable out-of-pocket expenses actually incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever, and any and all reasonable amounts paid in settlement of any claim or litigation (in the manner set forth in clause (c) below)) (collectively, "Losses") to which they or any of them may become subject under the Securities Act, the Exchange Act or otherwise insofar as such Losses (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement (or any amendment thereto) or Prospectus (as amended or supplemented if the Issuers shall have furnished any amendments or supplements thereto) or any preliminary prospectus, or caused by, arising out of or based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, provided that (i) the foregoing indemnity shall not be available to any Participant insofar as such Losses arise out of or are based upon any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with information relating to such Participant furnished to the Issuers in writing by or on behalf of such Participant expressly for use therein, and (ii) that the foregoing indemnity with respect to any preliminary prospectus shall not inure to the benefit of any Participant from whom the Person asserting such Losses purchased Registrable Notes if (x) it is established in the related proceeding that such Participant failed to send or give a copy of the Prospectus (as amended or supplemented if such amendment or supplement was furnished to such Participant prior to the written confirmation of such sale) to such Person with or prior to the written confirmation of such sale, if required by applicable law, and (y) the untrue statement or omission or alleged untrue statement or omission was corrected in the Prospectus (as amended or supplemented if amended or supplemented as aforesaid). This indemnity agreement will be in addition to any liability that the Issuers and Guarantors may otherwise have, including, but not limited to, liability under this Agreement.

(b) Each Participant agrees, severally and not jointly, to indemnify and hold harmless the Issuers, each Person, if any, who controls any of the Issuers or the Guarantors within the meaning of Section 15 of the Securities Act or Section 20(a) of the Exchange Act, and each of its agents, employees, officers and directors and the agents, employees, officers and directors of any such controlling Person from and against any Losses to which they or any of them may become subject under the Securities Act, the Exchange Act or otherwise insofar as such Losses (or actions in respect

thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement (or any amendment thereto) or Prospectus (as amended or supplemented if the Issuers shall have furnished any amendments or supplements thereto) or any preliminary prospectus, or caused by, arising out of or based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, in each case to the extent, but only to the extent, that any such Loss arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with information relating to such Participant furnished in writing to the Issuers by or on behalf of such Participant expressly for use therein. This indemnity agreement will be in addition to any liability that a Participant may otherwise have, including, but not limited to, liability under this Agreement.

(c) Promptly after receipt by an indemnified party under subsection 7(a) or 7(b) above of notice of the commencement of any action, suit or proceeding (collectively, an "action"), such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify each party against whom indemnification is to be sought in writing of the commencement of such action (but the failure so to notify an indemnifying party shall not relieve such indemnifying party from any liability that it may have under this Section 7 except to the extent that it has been prejudiced in any material respect by such failure). In case any such action is brought against any indemnified party, and it notifies an indemnifying party of the commencement of such action, the indemnifying party will be entitled to participate in such action, and to the extent it may elect by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense of such action with counsel reasonably satisfactory to such indemnified party. Notwithstanding the foregoing, the indemnified party or parties shall have the right to employ its or their own counsel in any such action, but the reasonable fees and expenses of such counsel shall be at the expense of such indemnified party or parties unless (i) the employment of such counsel shall have been authorized in writing by the indemnifying parties in connection with the defense of such action, (ii) the indemnifying parties shall not have employed counsel to take charge of the defense of such action within a reasonable time after notice of commencement of the action, or (iii) the named parties to such action (including any impleaded parties) include such indemnified party and the indemnifying party or parties (or such indemnifying parties have assumed the defense of such action), and such indemnified party or parties shall have reasonably concluded, that there may be defenses available to it or them that are different from or additional to those available to one or all of the indemnifying parties (in which case the indemnifying parties shall not have the right to direct the defense of such action on behalf of the indemnified party or parties), in any of which events such reasonable fees and expenses of counsel shall be borne by the indemnifying parties. In no event shall the indemnifying party be liable for the fees and expenses of more than one counsel (together with appropriate local counsel) at any time for all indemnified parties in connection with any one action or separate but substantially similar or related actions arising in the same jurisdiction out of the same general allegations or circumstances. Any such separate firm for the Participants shall be designated in writing by Participants who sold a majority in interest of Registrable Notes sold by all such Participants and shall be reasonably acceptable to the Issuers and any such separate firm for the Issuers, its affiliates, officers, directors, representatives, employees and agents and such control Person of the Issuers shall be designated in writing by the Issuers and shall be reasonably acceptable to the Holders. An indemnifying party shall not be liable for any settlement of any claim or action effected

without its written consent, which consent may not be unreasonably withheld. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(d) In order to provide for contribution in circumstances in which the indemnification provided for in this Section 7 is for any reason held to be unavailable from the indemnifying party, or is insufficient to hold harmless a party indemnified under this Section 7, each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such aggregate Losses (i) in such proportion as is appropriate to reflect the relative benefits received by each indemnifying party, on the one hand, and each indemnified party, on the other hand, from the sale of the Notes to the Initial Purchasers or the resale of the Registrable Notes by such Holder, as applicable, or (ii) if such allocation is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of each indemnified party, on the one hand, and each indemnifying party, on the other hand, in connection with the statements or omissions that resulted in such Losses, as well as any other relevant equitable considerations. The relative benefits received by the Issuers and the Guarantors, on the one hand, and each Participant, on the other hand, shall be deemed to be in the same proportion as (x) the total proceeds from the sale of the Notes to the Initial Purchasers (net of discounts and commissions but before deducting expenses) received by the Issuers and the Guarantors are to (y) the total discount and commissions received by such Participant in connection with the sale of the Registrable Notes. The relative fault of the parties shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by an Issuer or any Guarantor or such Participant and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission or alleged statement or omission.

(e) The parties agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to above. Notwithstanding the provisions of this Section 7, (i) in no case shall any Participant be required to contribute any amount in excess of the amount by which the total discount and commissions received by such Participant in connection with the sale of the Registrable Notes exceeds the amount of any damages that such Participant has otherwise been required to pay by reason of any untrue or alleged untrue statement or omission or alleged omission and (ii) no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. Any party entitled to contribution will, promptly after receipt of notice of commencement of any action against such party in respect of which a claim for contribution may be made against another party or parties under this Section 7, notify such party or parties from whom contribution may be sought, but the omission to so notify such party or parties shall not relieve the party or parties from whom contribution may be sought from any obligation it or they may have under this Section 7 or otherwise, except to the extent that it has been prejudiced in any material respect by such failure; provided, however, that no additional notice shall be required with respect to any

action for which notice has been given under this Section 7 for purposes of indemnification. Anything in this section to the contrary notwithstanding, no party shall be liable for contribution with respect to any action or claim settled without its written consent, provided, however, that such written consent was not unreasonably withheld.

Section 8. Rules 144 and 144A

The Issuers covenant that they will file the reports required, if any, to be filed by them under the Securities Act and the Exchange Act and the rules and regulations adopted by the Commission thereunder in a timely manner in accordance with the requirements of the Securities Act and the Exchange Act and, if at any time the Issuers are not required to file such reports, they will, upon the request of any Holder or beneficial owner of Registrable Notes, make available such information necessary to permit sales pursuant to Rule 144A under the Securities Act. The Issuers further covenant that for so long as any Registrable Notes remain outstanding they will take such further action as any Holder of Registrable Notes may reasonably request from time to time to enable such Holder to sell Registrable Notes without registration under the Securities Act within the limitation of the exemptions provided by (a) Rule 144(k) and Rule 144A under the Securities Act, as such Rules may be amended from time to time, or (b) any similar rule or regulation hereafter adopted by the Commission.

Section 9. Underwritten Registrations

If any of the Registrable Notes covered by any Shelf Registration are to be sold in an underwritten offering, the investment banker or investment bankers and manager or managers that will manage the offering will be selected by the Holders of a majority in aggregate principal amount of such Registrable Notes included in such offering and shall be reasonably acceptable to the Issuers.

No Holder of Registrable Notes may participate in any underwritten registration hereunder if such Holder does not (a) agree to sell such Holder's Registrable Notes on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements and (b) complete and execute all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents required under the terms of such underwriting arrangements.

Section 10. Submission to Jurisdiction; Waiver of Jury Trial. No proceeding related to this Agreement or the transactions contemplated hereby may be commenced, prosecuted or continued in any court other than the courts of the State of New York located in the City and County of New York or in the United States District Court for the Southern District of New York, which courts shall have jurisdiction over the adjudication of such matters, and the Issuers hereby consent to the jurisdiction of such courts and personal service with respect thereto. The Issuers shall irrevocably appoint CT Corporation System as an authorized agent pursuant to Section 8(l) of the Purchase Agreement, as its authorized agent in the City and County of New York upon which process may be served in any such suit or proceeding, and agrees that service of process upon such agent, and written notice of said service to each Issuer, by the person serving the same to the address provided in Section 12, shall be deemed in every respect effective service of process upon each Issuer, as applicable, in such suit or proceeding. The Issuers and each Guarantor hereby waive all right to trial by jury in any proceeding (whether based upon contract, tort or otherwise) in any way arising out of or relating to this Agreement.

The Issuers and each Guarantor agree that a final judgment in any such proceeding brought in any such court shall be conclusive and binding upon the Issuers and each Guarantor and may be enforced in any other courts in the jurisdiction of which any Issuer or any Guarantor is or may be subject, by suit upon such judgment.

Section 11. Judgment Currency. In respect of any judgment or order given or made for any amount due hereunder that is expressed and paid in a currency (the "**judgment currency**") other than United States dollars, the Issuer and the Guarantors, as applicable, will indemnify each Initial Purchaser, and the Initial Purchasers will indemnify the Issuers and the Guarantors, against any loss incurred by such Initial Purchaser as a result of any variation as between (i) the rate of exchange at which the United States dollar amount is converted into the judgment currency for the purpose of such judgment or order and (ii) the spot rate of exchange in The City of New York at which such party on the date of payment of such judgment or order is able to purchase United States dollars with the amount of the judgment currency actually received by such party. The foregoing indemnity shall constitute a separate and independent obligation of each of the Issuers and the Initial Purchasers and shall continue in full force and effect notwithstanding any such judgment or order as aforesaid. The term "**rate of exchange**" shall include any premiums and costs of exchange payable in connection with the purchase of or conversion into United States dollars.

Section 12. Miscellaneous

(a) No Inconsistent Agreements. The Issuers have not, as of the date hereof, and shall not have, after the date of this Agreement, entered into any agreement with respect to any of their securities that is inconsistent with the rights granted to the Holders of Registrable Notes in this Agreement or otherwise conflicts with the provisions hereof. The rights granted to the Holders hereunder do not conflict with and are not inconsistent with, in any material respect, the rights granted to the holders of any of the Issuers' other issued and outstanding securities under any such agreements. The Issuers have not entered and will not enter into any agreement with respect to any of their securities which will grant to any Person piggy-back registration rights with respect to any Registration Statement.

(b) Adjustments Affecting Registrable Notes. The Issuers shall not, directly or indirectly, take any action with respect to the Registrable Notes as a class that would adversely affect the ability of the Holders of Registrable Notes to include such Registrable Notes in a registration undertaken pursuant to this Agreement.

(c) Amendments and Waivers. The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given except pursuant to a written agreement duly signed and delivered by (I) the Issuers and (II)(A) the Holders of not less than a majority in aggregate principal amount of the then outstanding Registrable Notes and (B) in circumstances that would adversely affect the Participating Broker-Dealers, the Participating Broker-Dealers holding not less than a majority in aggregate principal amount of the Exchange Notes held by all Participating Broker-Dealers; provided, however, that Section 7 and this Section 10(c) may not be amended, modified or supplemented except pursuant to a written agreement duly signed and delivered by the Issuers and each Holder and each Participating

Broker-Dealer (including any Person who was a Holder or Participating Broker-Dealer of Registrable Notes or Exchange Notes, as the case may be, disposed of pursuant to any Registration Statement) affected by any such amendment, modification, supplement or waiver. Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of Holders of Registrable Notes whose securities are being sold pursuant to a Registration Statement and that does not directly or indirectly affect, impair, limit or compromise the rights of other Holders of Registrable Notes may be given by Holders of at least a majority in aggregate principal amount of the Registrable Notes being sold pursuant to such Registration Statement.

(d) Notices. All notices and other communications (including, without limitation, any notices or other communications to the Trustee) provided for or permitted hereunder shall be made in writing by hand-delivery, registered first-class mail, next-day air courier or telecopier:

(i) if to a Holder of the Registrable Notes or any Participating Broker-Dealer, at the most current address of such Holder or Participating Broker-Dealer, as the case may be, set forth on the records of the registrar under the Indenture.

(ii) if to the Issuers, at the address as follows:

MagnaChip Semiconductor, Ltd.
1 Hyangjeong-dong
hungduk-gu, Cheongju-si, 361-725
Korea
Telephone: 82-2-3459-3073
Fax: 82-2-3459-3674
Attention: General Counsel

With a copy to:

Dechert LLP
4000 Bell Atlantic Tower
1717 Arch Street
Philadelphia, Pennsylvania 19103
Attention: Geraldine Sinatra, Fax: (215) 994-2222
and Sang Park, Fax: (212) 314-0061;

(iii) if to the Initial Purchasers, at the address as follows:

UBS Securities LLC
677 Washington Boulevard
Stamford, CT 06901
Telephone: (203) 719-8384
Fax number: (212) 719-5499
Attention: High Yield Capital Markets With a copy at such address to the attention of Legal Department, fax number (203) 719-6177

All such notices and communications shall be deemed to have been duly given: when delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt is acknowledged by the recipient's telecopier machine, if telecopied; and on the next Business Day, if timely delivered to an air courier guaranteeing overnight delivery (if to a U.S. destination); and on the third Business Day, if timely delivered to an air courier guaranteeing three-day delivery (if to a non-U.S. destination).

Copies of all such notices, demands or other communications shall be concurrently delivered by the Person giving the same to the Trustee at the address and in the manner specified in such Indenture.

(e) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties hereto, the Holders and the Participating Broker-Dealers; provided, however, that this Agreement shall not inure to the benefit of or be binding upon a successor or assign of a Holder unless and to the extent such successor or assign holds Registrable Notes.

(f) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(g) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

**(h) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND PERFORMED WHOLLY WITHIN THE STATE OF NEW YORK.**

(i) Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their best efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

(j) Securities Held by the Issuers or Its Affiliates. Whenever the consent or approval of Holders of a specified percentage of Registrable Notes is required hereunder, Registrable Notes held by the Issuers or any of its affiliates (as such term is defined in Rule 405 under the Securities Act) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

(k) Third-Party Beneficiaries. Holders and beneficial owners of Registrable Notes and Participating Broker-Dealers are intended third-party beneficiaries of this Agreement, and this Agreement may be enforced by such Persons. No other Person is intended to be, or shall be construed as, a third-party beneficiary of this Agreement.

(l) Attorneys' Fees. As between the parties to this Agreement, in any action or proceeding brought to enforce any provision of this Agreement, or where any provision hereof is validly asserted as a defense, the successful party shall be entitled to recover reasonable attorneys' fees actually incurred in addition to its costs and expenses and any other available remedy.

(m) Entire Agreement. This Agreement, together with the Purchase Agreement and the Indenture, is intended by the parties as a final and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein and therein and any and all prior oral or written agreements, representations, or warranties, contracts, understandings, correspondence, conversations and memoranda between the Holders on the one hand and the Issuers on the other, or between or among any agents, representatives, parents, subsidiaries, affiliates, predecessors in interest or successors in interest with respect to the subject matter hereof and thereof are merged herein and replaced hereby.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

MagnaChip Semiconductor S.A.

By: _____

Name:
Title:

MagnaChip Semiconductor Finance Company

By: _____

Name:
Title:

MagnaChip Semiconductor LLC

By: _____

Name:
Title:

MagnaChip Semiconductor, Inc.

By: _____

Name:
Title:

MagnaChip Semiconductor Ltd (United Kingdom)

By: _____

Name:
Title:

MagnaChip Semiconductor Inc. (Japan)

By: _____

Name:
Title:

MagnaChip Semiconductor Ltd. (Hong Kong)

By: _____

Name:
Title:

MagnaChip Semiconductor Ltd. (Taiwan)

By: _____

Name:
Title:

MagnaChip Semiconductor B.V. (Netherlands)

By: _____

Name:
Title:

MagnaChip Semiconductor SA Holdings LLC

By: _____

Name:
Title:

UBS SECURITIES, LLC,
CITIGROUP GLOBAL MARKETS INC.
GOLDMAN, SACHS & CO.
J.P. MORGAN SECURITIES INC.
DEUTSCHE BANK SECURITIES INC.

By: UBS Securities LLC

By: _____

Name:
Title:

By: _____

Name:
Title:

Schedule I

| Subsidiary | Jurisdiction of Organization |
|---|---|
| MagnaChip Semiconductor SA Holdings LLC (USA) | Delaware |
| MagnaChip Semiconductor, Inc. (USA) | Delaware |
| MagnaChip Semiconductor Inc. (Japan) | Japan |
| MagnaChip Semiconductor Ltd. (United Kingdom) | United Kingdom |
| MagnaChip Semiconductor Ltd. (Hong Kong) | Hong Kong |
| MagnaChip Semiconductor Ltd. (Taiwan) | Taiwan |
| MagnaChip Semiconductor B.V. (Netherlands) | Netherlands |
| MagnaChip Semiconductor SA Holdings LLC (USA) | Delaware |

**Exhibit 10.1**

**Execution Copy**

**MagnaChip Semiconductor S.A.**
**MagnaChip Semiconductor Finance Company**

**$300,000,000 Floating Rate Second Priority Senior Secured Notes due 2011**
**$200,000,000 6 7/8 % Second Priority Senior Secured Notes due 2011**
**$250,000,000 8% Senior Subordinated Notes due 2014**

**PURCHASE AGREEMENT**

December 16, 2004
New York, New York

UBS Securities LLC
Citigroup Global Markets Inc.
Goldman, Sachs & Co.
J.P. Morgan Securities Inc.
Deutsche Bank Securities Inc.
c/o UBS Securities LLC
299 Park Avenue
New York, New York 10171

Ladies and Gentlemen:

MagnaChip Semiconductor S.a r.l, a Luxembourg private limited liability company (*societe a responsabilite limitee)* (which will be converted to a Luxembourg public limited liability company (*societe anonyme*) prior to the Closing Date (as defined herein)) ("**Luxco**") and its wholly owned subsidiary, MagnaChip Semiconductor Finance Company, a Delaware corporation (the "**Co-Issuer**," and together with Luxco, the "**Issuers**"), and MagnaChip Semiconductor LLC, a Delaware limited liability company ("**Parent**"), and each of the other Guarantors (as defined herein) agree with you as follows:

1. Issuance of Notes. The Issuers propose to issue and sell to UBS Securities LLC (the "**Representative**") and Citigroup Global Markets Inc., Goldman, Sachs & Co., J.P. Morgan Securities Inc. and Deutsche Bank Securities Inc. (together with the Representative, the "**Initial Purchasers**") $300,000,000 aggregate principal amount of its Floating Rate Second Priority Senior Secured Notes due 2011 (the "**Original Floating Rate Notes**"), $200,000,000 aggregate principal amount of its 6 7/8 % Second Priority Senior Secured Notes due 2011 (the "**Original Fixed Rate Notes,**" and together with the Original Floating Rate Notes, the "**Original Senior Notes**") and $250,000,000 aggregate principal amount of its 8% Senior Subordinated Notes due 2014 (the "**Original Subordinated Notes,**" and together with the Original Senior Notes, the "**Original Notes**"). The Issuers' obligations under the Original Senior Notes and the Senior Notes Indenture (as defined below) will be, jointly and severally, unconditionally guaranteed (the "**Senior Guarantees**," and together with the Original Senior Notes, the "**Senior Securities**") on a second-lien, senior

secured basis, by Parent and each of the Subsidiaries (as defined below) listed on the signature pages hereto (the "**Guarantors**"). The Issuers' obligations under the Original Subordinated Notes and the Subordinated Notes Indenture (as defined below) will be, jointly and severally, unconditionally guaranteed (the "**Subordinated Guarantees**," and together with the Original Subordinated Notes, the "**Subordinated Securities**") on a senior subordinated basis, by each of the Guarantors except MagnaChip Semiconductor, Ltd. (Korea). The Senior Guarantees and the Subordinated Guarantees are referred to herein as the "**Guarantees**". The Senior Securities and the Subordinated Securities are referred to herein as the "**Securities**." The Senior Securities will be issued pursuant to an indenture (the "**Senior Notes Indenture**") and the Subordinated Securities will be issued pursuant to a separate indenture (the "**Subordinated Notes Indenture**," and together with the Senior Notes Indenture, the "**Indentures**"), each to be dated the Closing Date (as defined herein), by and between the Issuers and the trustee to be named therein, as trustee (the "**Trustee**").

The Securities will be offered and sold to the Initial Purchasers pursuant to an exemption from the registration requirements under the Securities Act of 1933, as amended (the "**Act**"). The Issuers have prepared a preliminary offering memorandum, dated as of December 6, 2004 as supplemented by a Supplemental Preliminary Offering Memorandum dated December 13, 2004, (as supplemented, the "**Preliminary Offering Memorandum**"), and a final offering memorandum, dated as of and available for distribution on the date hereof, (the "**Offering Memorandum**") relating to the Issuers and the Securities.

It is understood and acknowledged that upon original issuance thereof, and until such time as the same is no longer required under the applicable requirements of the Act, the Original Notes (and all securities issued in exchange therefor, in substitution thereof) shall bear the legend in the form of Exhibit A attached hereto (along with such other legends as the Initial Purchasers and their counsel deem necessary).

The Initial Purchasers have advised the Issuers that the Initial Purchasers intend, as soon as they deem practicable after this Purchase Agreement (this "**Agreement**") has been executed and delivered, to resell (the "**Exempt Resales**") the Securities in private sales exempt from registration under the Act on the terms set forth in the Offering Memorandum, as amended or supplemented, solely to (i) persons whom the Initial Purchasers reasonably believe to be "qualified institutional buyers" ("**QIBs**"), as defined in Rule 144A under the Act ("**Rule 144A**"), in accordance with Rule 144A and (ii) other eligible purchasers pursuant to offers and sales that occur outside the United States within the meaning of Regulation S under the Act ("**Regulation S**") in accordance with Regulations S (the persons specified in clauses (i) and (ii), the "**Eligible Purchasers**").

Holders (including subsequent transferees) of the Senior Securities will have the registration rights under the registration rights agreement (the "**Senior Registration Rights Agreement**") and the Holders (including subsequent transferees) of the Subordinated Securities will have the registration rights under a separate registration rights agreement (the "**Subordinated Registration Rights Agreement**" and together with the Senior Registration Rights Agreement, the "**Registration Rights Agreements**"), among the Issuers, the applicable Guarantors and the Initial Purchasers, to be dated the Closing Date, substantially in the form attached hereto as Exhibit B. Under the Registration Rights Agreements, the Issuers will agree to (i) file with the Securities and Exchange Commission (the "**Commission**") (a) a registration statement under the Act (the "**Exchange Offer Registration Statement**") relating to new issues of debt securities (collectively with the Private Exchange Notes (as defined in the Registration Rights Agreements), the "**Exchange Notes**" and,

together with the Original Notes, the "**Notes**"), guaranteed by the guarantors under the Indentures, to be offered in exchange for the Original Notes and the Guarantees thereof (the "**Exchange Offer**") and issued under the Indentures or indentures substantially identical to the Indentures and/or (b) under certain circumstances set forth in the Registration Rights Agreements, a shelf registration statement pursuant to Rule 415 under the Act (the "**Shelf Registration Statement**") relating to the resale by certain holders of the Original Notes and the Guarantees thereof, (ii) to use all commercially reasonable efforts to cause the Exchange Offer Registration Statement and, if applicable, the Shelf Registration Statement to be declared effective and (iii) to use all commercially reasonable efforts to consummate the Exchange Offer, all within the time periods specified in the Registration Rights Agreements.

The Senior Securities will have the benefit of the Security Documents (as defined in the Senior Notes Indenture), pursuant to which the Issuers will, among other things, grant security interests in and liens on substantially all of the assets of the Parent and the Guarantors that secure our new senior secured credit facility, subject to certain exceptions, as described in the Offering Memorandum (the "**Collateral**").

The Collateral securing the Senior Securities will be governed by (a) the Intercreditor Agreement, to be dated as of the Closing Date (the "**Intercreditor Agreement**"), among the Issuers, the Parent, the pledgors from time to time party thereto, the UBS AG, Stamford Branch, as Administrative Agent, the Collateral Trustee and the Trustee, (b) the Security Agreement, to be dated as of the Closing Date (as defined herein) (the "**Security Agreement**"), between the Issuers and the Collateral Trustee (as defined in the Senior Notes Indenture) and (c) the Security Documents.

The Securities are being offered and sold by the Issuers in connection with a refinancing and recapitalization plan (the "**Refinancing**") that includes, among other things, (i) the establishment by the Issuers of a new senior secured bank credit facility pursuant to the Credit Agreement, among the Issuers, the Guarantors, the lenders party thereto, UBS Securities LLC, as Arranger, Bookmanager, Documentation Agent and Syndication Agent, and UBS AG, Stamford Branch, as Issuing Bank, Administrative Agent and Collateral Agent, and UBS Loan Finance LLC, as Swingline Lender, expected to be dated on or about the Closing Date (together with all other documents related to such facility, the "**Credit Documents**"), consisting of a multicurrency revolving credit facility of up to $100.0 million, (ii) the repayment by MagnaChip Semiconductor Ltd. (Korea) of all of its obligations outstanding pursuant to the loan agreement, dated September 23, 2004, among Hynix Semiconductor Inc., as borrower, Korea Exchange Bank, as arranger, the banks and other financial institutions named therein as lenders, Korea Exchange Bank as agent and security agent (the "**Original Credit Agreement**") and the related Novation Agreement, dated October 6, 2004, among Hynix Semiconductor Inc., as existing borrower, Korea Exchange Bank, the other financial institutions named therein, and MagnaChip Semiconductor, Ltd. (Korea), as new borrower (the "**Novation Agreement**," and together with the Original Credit Agreement the "**Existing Credit Agreement**"), other than loans (and reimbursements with respect to any letters of credit still outstanding thereunder) which may not be prepaid prior to one year following the date such loan is made, and (iii) the redemption of (a) $50 million worth of the Parent's outstanding Series B Preferred Units prior to the Closing Date, (b) all of the Parent's outstanding Series A Preferred Units on or after the Closing Date and (c) approximately $308 million worth of the Parent's outstanding Series B Preferred Units on or after the Closing Date, all as described in the Offering Memorandum.

This Agreement, the Notes, the Guarantees, the Indentures, the Security Documents and the Registration Rights Agreements, the Exchange Notes and the related Guarantees are hereinafter sometimes referred to collectively as the "**Note Documents**." The Note Documents and the Credit Documents are hereinafter sometimes referred to collectively as the "**Transaction Documents**." The issuance and sale of the Securities (including the grant of security interests and liens pursuant to the Security Documents), the effectiveness of the Credit Documents and the initial borrowings thereunder and the Refinancing are collectively referred to as the "**Transactions**."

2. Agreements to Sell and Purchase. On the basis of the representations, warranties and covenants contained in this Agreement, and subject to the terms and conditions contained in this Agreement, the Issuers agree to issue and sell to the Initial Purchasers, and on the basis of the representations, warranties and covenants contained in this Agreement, and subject to the terms and conditions contained in this Agreement, each of the Initial Purchasers, severally and not jointly, agrees to purchase from the Issuers, the aggregate principal amount of the Securities set forth opposite its name on Schedule I attached hereto. The purchase price for the Senior Securities shall be 97.75% of their principal amount and the purchase price for the Subordinated Securities shall be 97.5%; provided that $40.0 million in aggregate principal amount of Original Subordinated Notes purchased by the Initial Purchasers shall be purchased at a purchase price of 100% of the principal amount thereof and shall be resold to an affiliate of Citigroup Venture Capital Equity Partners, L.P. or such affiliate's designees for a purchase price equal to 100% of the principal amount thereof. The Issuers and the Guarantors shall not be obligated to deliver any of the securities to be delivered hereunder except upon payment for all of the securities to be purchased as provided herein.

3. Delivery and Payment. Delivery of, and payment of the purchase price for, the Securities shall be made at 10:00 a.m., New York time, on December 22, 2004 (such date and time, the "**Closing Date**") at the offices of Latham & Watkins LLP, 233 South Wacker Drive, Suite 5800, Chicago Illinois 60606. The Closing Date and the location of delivery of and the form of payment for the Securities may be varied by mutual agreement between the Initial Purchasers and the Issuers.

The Securities shall be delivered by the Issuers to the Initial Purchasers (or as the Initial Purchasers direct) through the facilities of The Depository Trust Company against payment by the Initial Purchasers of the purchase price therefor by means of wire transfer of immediately available funds to such account or accounts specified by the Issuers in accordance with Section 8(h) on or prior to the Closing Date, or by such means as the parties hereto shall agree prior to the Closing Date. The Securities shall be evidenced by one or more certificates in global form registered in such names as the Initial Purchasers may request upon at least one business day's notice prior to the Closing Date and having an aggregate principal amount corresponding to the aggregate principal amount of the Securities.

4. Agreements of the Issuers and the Guarantors. Each of the Issuers and the Guarantors, jointly and severally, covenants and agrees with the Initial Purchasers as follows:

(a) To furnish the Initial Purchasers and those persons identified by the Initial Purchasers, without charge, with as many copies of the Preliminary Offering Memorandum and the Offering Memorandum, and any amendments or supplements thereto, as the Initial Purchasers may reasonably request. The Issuers

consent to the use of the Preliminary Offering Memorandum and the Offering Memorandum, and any amendments and supplements thereto, by the Initial Purchasers in connection with Exempt Resales.

(b) Not to make any changes or additions to the information contained in the Offering Memorandum from the corresponding information contained in the Preliminary Offering Memorandum other than (i) changes to reflect pricing information with respect to the Securities and (ii) such other changes and additions as to which the Initial Purchasers shall previously have been advised of in writing reasonably in advance and to which they shall not have reasonably objected within a reasonable period of time after being so advised.

(c) If, prior to the time that the Initial Purchasers have completed their distribution of the Securities, any event shall occur or information become known that, in the reasonable judgment of the Issuers or the Guarantors or in the reasonable judgment of counsel to the Initial Purchasers, makes any statement of a material fact in the Offering Memorandum, as then amended or supplemented, untrue or that requires the making of any additions to or changes in the Offering Memorandum in order to make the statements in the Offering Memorandum, as then amended or supplemented, in the light of the circumstances under which they are made, not misleading, or if it is necessary to amend or supplement the Offering Memorandum to comply with all applicable laws, the Issuers shall promptly notify the Initial Purchasers of such event and (subject to Section 4(b)) prepare an appropriate amendment or supplement to the Offering Memorandum so that (i) the statements in the Offering Memorandum, as amended or supplemented, will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances at the time that the Offering Memorandum is delivered to prospective Eligible Purchasers, not misleading and (ii) the Offering Memorandum will comply with applicable law.

(d) To qualify or register the Securities for offering and sale by the Initial Purchasers under the securities laws of such jurisdictions as the Initial Purchasers may reasonably request. Notwithstanding the foregoing, no Issuer nor Guarantor shall be required to qualify as a foreign corporation in any jurisdiction in which it is not now so qualified or to execute a general consent to service of process or any service of process in any such jurisdiction or subject itself to taxation in excess of a nominal dollar amount in any such jurisdiction where it is not then so subject.

(e) To advise the Initial Purchasers promptly, and if requested by the Initial Purchasers, to confirm such advice in writing, of the issuance by any securities commission of any stop order suspending the qualification or exemption from qualification of any of the Securities for offering or sale in any jurisdiction, or the initiation of any proceeding for such purpose by any securities commission or other regulatory authority. The Issuers shall use their reasonable best efforts to prevent the issuance of any stop order or order suspending the qualification or exemption of any of the Securities under any securities laws, and if at any time any securities commission or other regulatory authority shall issue an order suspending the qualification or exemption of any of the Securities under any securities laws, the Issuers shall use their reasonable best efforts to obtain the withdrawal or lifting of such order at the earliest possible time.

(f) Whether or not the transactions contemplated by this Agreement are consummated, to pay all costs, expenses, fees and disbursements (including fees and disbursements of counsel and accountants for the Issuers, but not, however, legal fees, expenses or disbursements of the Initial Purchasers' counsel incurred

in connection therewith unless explicitly stated below) incurred and stamp, documentary or similar taxes incident to and in connection with: (i) the preparation, printing and distribution of the Preliminary Offering Memorandum and the Offering Memorandum and any amendments and supplements thereto, (ii) 100% of the expenses of any aircraft, and 50% of all other expenses (including other travel related expenses) of the Issuers and the Initial Purchasers in connection with any meetings with prospective investors in the Securities, (iii) the preparation, notarization (if necessary) and delivery of the Note Documents, the Security Documents and all other agreements, memoranda, correspondence and documents prepared and delivered in connection with this Agreement and with the Exempt Resales, (iv) the issuance, transfer and delivery of the Securities by the Issuers to the Initial Purchasers, (v) the qualification or registration of the Securities for offer and sale under the securities laws of the several states of the United States, provinces of Canada, and such other jurisdictions as the Initial Purchasers may reasonably request as to which the Issuers do not reasonably object (including, without limitation, the cost of printing and mailing preliminary and final Blue Sky or legal investment memoranda and reasonable fees and disbursements of counsel (including local counsel) to the Initial Purchasers relating thereto), (vi) the application for quotation of the Securities in The Portal Market[SM] ("**Portal**") of the National Association of Securities Dealers, Inc. ("**NASD**"), (vii) the inclusion of the Securities in the book-entry system of The Depository Trust Company ("**DTC**"), (viii) the rating of the Securities by rating agencies, (ix) the reasonable fees and expenses of the Trustee and the Collateral Agent and their counsel, (x) the performance by the Issuers of their other obligations under the Note Documents and (xi) all reasonable expenses associated with performance by the Issuers and the Guarantors of their obligations under Section 8(h) of this Agreement or under any of the Security Documents except as otherwise specified therein.

(g) To use the proceeds from the sale of the Original Notes and initial borrowings under the Credit Agreement, if any, substantially in the manner described in the Offering Memorandum under the caption "Use of proceeds."

(h) To do and perform all things required to be done and performed under this Agreement by it prior to or after the Closing Date and to satisfy all conditions precedent on their part to the delivery of the Securities.

(i) Not to, and not to permit any Subsidiary to, sell, offer for sale or solicit offers to buy any security (as defined in the Act) that would be integrated with the sale of the Securities in a manner that would require the registration under the Act of the sale of the Securities to the Initial Purchasers or any Eligible Purchasers.

(j) During the period of two years after the Closing Date, not to, and to cause its affiliates (as defined in Rule 144 under the Act) not to, resell any of the Securities that constitute "restricted securities" under Rule 144 that have been reacquired by any of them, other than to an Issuer or an affiliate of either Issuer.

(k) Not to engage, not to allow any Subsidiary to engage, and to cause its other affiliates and any person acting on their behalf (other than, in any case, the Initial Purchasers and any of their affiliates, as to whom the Issuers make no covenant) not to engage, in any form of general solicitation or general advertising

(within the meaning of Regulation D under the Act) in connection with any offer or sale of the Securities in the United States prior to the effectiveness of a registration statement, if any, with respect to the Securities.

(l) Not to engage, not to allow any Subsidiary to engage, and to cause its other affiliates and any person acting on their behalf (other than, in any case, the Initial Purchasers and any of their affiliates, as to whom the Issuers makes no covenant) not to engage, in any directed selling effort with respect to the Securities, and to comply with the offering restrictions requirement of Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S.

(m) From and after the Closing Date, for so long as any of the Securities remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Act and during any period in which the Issuers are not subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), to make available upon request the information required by Rule 144A(d)(4) under the Act to (i) any holder or beneficial owner of Securities in connection with any sale of such Securities and (ii) any prospective purchaser of such Securities from any such holder or beneficial owner designated by the holder or beneficial owner. The Issuers will pay the expenses of preparing, printing and distributing such documents.

(n) To comply with their obligations under the Registration Rights Agreements.

(o) To comply with their obligations under the letter of representations to DTC relating to the approval of the Securities by DTC for "book-entry" transfer and to use their best efforts to obtain approval of the Securities by DTC for "book-entry" transfer.

(p) Prior to the Closing Date, to furnish without charge to the Initial Purchasers, (i) as soon as they have been prepared by the Issuers, a copy of any regularly prepared internal financial statements of the Parent and the Subsidiaries for any period subsequent to the period covered by the financial statements appearing in the Offering Memorandum, and (ii) all other financial reports that the Issuers mail or otherwise makes available to its security holders.

(q) Not to, and not to permit any of its affiliates or anyone acting on its or its affiliates' behalf to (other than the Initial Purchasers and their affiliates), distribute prior to the Closing Date any offering material in connection with the offer and sale of the Securities other than the Preliminary Offering Memorandum and the Offering Memorandum, or any amendment or supplement thereto prepared in accordance with Section 4(b).

(r) During the period of two years after the Closing Date or, if earlier, until such time as the Securities are no longer restricted securities (as defined in Rule 144 under the Act), not to be or become a closed-end investment company required to be registered, but not registered, under the Investment Company Act of 1940.

(s) In connection with the offering, until the Initial Purchasers shall have notified the Issuers of the completion of the distribution of the Securities, not to, and not to permit any of its affiliates (as such term is defined in Rule 501(b) of Regulation D under the Act) to, either alone or with one or more other persons, other than with respect to the sale to an affiliate or such affiliate's designees of Citigroup Venture Capital

Equity Partners, L.P. as stated in Section 2 hereof, bid for or purchase for any account in which it or any of its affiliates has a beneficial interest, for the purpose of creating actual or apparent active trading in, or of raising the price of, the Securities.

(t) To use all commercially reasonable efforts to effect the inclusion of the Securities in Portal.

(u) During the period from the date hereof through and including the date that is 90 days after the date hereof, without the prior written consent of the Representative, offer, sell, contract to sell or otherwise dispose of any debt securities issued or guaranteed by the Issuers, the Parent or any Subsidiary and having a tenor of more than one year, except in connection with the Exchange Offer.

(v) To provide all certificates, agreements, including control agreements, or instruments, if any, reasonably necessary to perfect the Collateral Agent's and the Collateral Trustees' (as applicable) security interest in any of the Collateral of each of the Issuers and Guarantors after the Closing Date subject to the reasonable satisfaction of the Trustee and its counsel and reasonably practicable under local law.

5. Representations and Warranties. (a) Each of the Issuers and the Guarantors, jointly and severally, represents and warrants to the Initial Purchasers that:

(i) The Preliminary Offering Memorandum and the Offering Memorandum, and each amendment or supplement thereto, if any, have been prepared for use in connection with the Exempt Resales. None of the Preliminary Offering Memorandum (as supplemented by the supplement to the Preliminary Offering Memorandum dated December 13, 2004), the Offering Memorandum or any supplement or amendment thereto as of their respective dates contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided*, *however*, that this representation and warranty does not apply to statements in or omissions from the Preliminary Offering Memorandum and the Offering Memorandum and any amendments or supplements thereto made in reliance upon and in conformity with information relating to the Initial Purchasers furnished to the Issuers in writing by or on behalf of the Initial Purchasers expressly for use therein. No order preventing the use of the Preliminary Offering Memorandum or the Offering Memorandum, or any amendment or supplement thereto, or any order asserting that any of the transactions contemplated by this Agreement are subject to the registration requirements of the Act, has been issued or, to the knowledge of the Issuers, has been threatened.

(ii) There are no securities of the Issuers that are listed on a national securities exchange registered under Section 6 of the Exchange Act or that are quoted in a United States automated interdealer quotation system of the same class within the meaning of Rule 144A as the Securities.

(iii) As of September 30, 2004, the Issuers, the Parent and their subsidiaries on a consolidated basis shall have the capitalization as set forth under the "Actual" column under the heading "Capitalization" in the Offering Memorandum. All of the issued and outstanding equity interests of the Issuers and the Parent have been duly authorized and validly issued, are fully paid and nonassessable and were not issued in violation of any preemptive or similar right. Attached as Schedule II is a true and complete list of each entity in which the Parent has a direct or indirect majority equity or voting interest (each a "**Subsidiary**" and, together, the "**Subsidiaries**"), their jurisdictions of organization and percentage held by each equityholder. All

of the issued and outstanding equity interests of each Subsidiary have been duly and validly authorized and issued, are fully paid and nonassessable, were not issued in violation of any preemptive or similar right and, except as set forth in the Offering Memorandum, are owned, directly or indirectly through Subsidiaries, by the Parent free and clear of all liens (other than transfer restrictions imposed by the Act, the securities or Blue Sky laws of certain jurisdictions and security interests granted pursuant to or permitted by the Indentures, the Security Documents and the Credit Documents). Except as set forth in the Offering Memorandum, there are no outstanding options, warrants or other rights to acquire or purchase, or instruments convertible into or exchangeable for, any equity interests of the Parent. Except as set forth in the Second Amended and Restated Securityholders' Agreement dated as of October 6, 2004, by and among the Parent and the other parties thereto, no holder of any securities of the Parent, the Issuers or any of the Subsidiaries is entitled to have such securities (other than the Securities) registered under any registration statement contemplated by the Registration Rights Agreements

(iv) Each of the Parent, the Issuers and each Guarantor (A) is a corporation, limited liability company, partnership or other entity duly organized and validly existing under the laws of the jurisdiction of its organization; (B) has all requisite corporate or other power and authority necessary to own its property and carry on its business as now being conducted and (C) is qualified to do business and is in good standing in all jurisdictions in which the nature of the business conducted by it or its ownership of property makes such qualification necessary, except where the failure to be so qualified and be in good standing, individually or in the aggregate, could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. A "**Material Adverse Effect**" means a material adverse effect on the business, financial condition, results of operations or properties of the Parent, the Issuers and the Subsidiaries, taken as a whole.

(v) Each Issuer has all requisite corporate or other power and authority to execute, deliver and perform all of their obligations under the Note Documents to which they are a party and to consummate the transactions contemplated hereby, and, without limitation, the Issuers have all requisite corporate power and authority to issue, sell and deliver and perform their obligations under the Notes.

(vi) This Agreement has been duly and validly authorized, executed and delivered by each Issuer and each Guarantor.

(vii) The Indentures have been duly and validly authorized by each Issuer and each Guarantor and, when duly executed and delivered by the Issuers and the Guarantors (assuming the due authorization, execution and delivery thereof by the Trustee), will be the legally binding and valid obligations of each such Issuer and Guarantor, enforceable against it in accordance with their terms, except as may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar laws relating to or affecting creditors' rights generally, by general principles of equity and the discretion of the court before which any proceeding therefor may be brought (whether considered in a proceeding in equity or at law) or an implied covenant of good faith and fair dealing, and other similar doctrines affecting the validity, legally binding nature or enforceability of obligations or agreements generally and, as to rights of indemnification and contribution, by federal or state securities laws or principles of public policy (the "**Enforceability Exceptions**"). The Indentures, when executed and delivered, will conform in all material respects to the description thereof in the Offering Memorandum.

(viii) The Original Notes have been duly and validly authorized for issuance and sale to the Initial Purchasers by the Issuers, and when duly executed, issued and delivered by the Issuers against payment therefor by the Initial Purchasers in accordance with the terms of this Agreement and the Indentures, and duly authenticated by the Trustee, the Original Notes will be legally binding and valid obligations of the Issuers, entitled to the benefits of the Indentures and enforceable against the Issuers in accordance with their terms, except as may be limited by the Enforceability Exceptions. The Original Notes, when issued, authenticated and delivered, will conform in all material respects to the description thereof in the Offering Memorandum. The Exchange Notes have been, or on or before the Closing Date will be, duly and validly authorized for issuance by the Issuers, and when duly executed, issued and delivered by the Issuers in accordance with the terms of the Registration Rights Agreements, the Exchange Offer and the Indentures, and when duly authenticated by the Trustee, the Exchange Notes will be legally binding and valid obligations of the Issuers, entitled to the benefits of the Indentures and enforceable against the Issuers in accordance with their terms, except as may be limited by the Enforceability Exceptions.

(ix) Each of the Senior Guarantees and the Subordinated Guarantees have been duly and validly authorized by each of the Guarantors and, when the Original Notes are duly executed, issued and delivered by the Issuers against payment by the Initial Purchasers, and authenticated by the Trustee, in each case in accordance with the terms of this Agreement and the Indentures, will be legally binding and valid obligations of the Guarantors, enforceable against each of them in accordance with their terms, except as may be limited by the Enforceability Exceptions. The guarantees of the Exchange Notes have been duly and validly authorized by each of the Guarantors and, when the Exchange Notes are duly executed, issued and delivered by the Issuers, and authenticated by the Trustee, in each case in accordance with the terms of the Registration Rights Agreements, the Exchange Offer and the Indentures, will be legally binding and valid obligations of the Guarantors, enforceable against each of them in accordance with their terms, except as may be limited by the Enforceability Exceptions.

(x) The Registration Rights Agreements have been duly and validly authorized by each Issuer and each Guarantor and, when duly executed and delivered by the Issuers and the Guarantors (assuming the due authorization, execution and delivery thereof by the Initial Purchasers), will constitute a valid and legally binding obligation of each such Issuer and Guarantor, enforceable against it in accordance with its terms, except as may be limited by the Enforceability Exceptions. The Registration Rights Agreements, when executed and delivered, will conform in all material respects to the description thereof in the Offering Memorandum.

(xi) Each of the Security Documents has been duly and validly authorized by each Issuer, Parent or Guarantor party thereto and, when duly executed and delivered by the Issuers, the Parent, or any such Guarantor (assuming the due authorization, execution and delivery thereof by the Collateral Agent), will constitute a valid and legally binding obligation of each such Issuer, Parent or Guarantor, enforceable against them in accordance with its terms, except as may be limited by the Enforceability Exceptions.

(xii) Upon filing, recording or registration of appropriate financing statements (containing adequate descriptions of the personal property Collateral), Mortgages and similar instruments with the appropriate governmental authorities (including payment of the appropriate filing or recording fees and any applicable taxes) and delivery of the applicable documents to the Collateral Trustee in accordance with the provisions

of the Security Documents, holders of Senior Notes will have a valid and perfected second priority Lien on Collateral consisting of certain real property and a perfected second priority security interest in Collateral consisting of certain personal property, on the Closing Date, superior to and prior to the Liens of all third persons other than the holders of Permitted Prior Liens (as defined in the Security Agreement or as defined in the Senior Notes Indenture), as applicable, and, in the case of the mortgaged property, Prior Liens (as defined in the applicable Mortgage), and thereafter subject to no other Liens, except for Permitted Liens (as defined in the applicable Security Documents).

(xiii) With respect to the mortgaged property, except in each case as would not, individually or in the aggregate, have a Material Adverse Effect: (A) the water, gas, electricity, telecommunications and other utilities serving the mortgaged property are currently adequate in all material respects to service the normal operations conducted thereon consistent with past practice; (B) each mortgaged property has physical and legal vehicular and pedestrian access to and from public roadways; and (C) Issuers have not received any written notice for assessments for public improvements against any of the mortgaged property that remain unpaid and no such assessment has been proposed in writing. The Issuers have not received any written notice or order by any governmental authority, any insurance company which has issued a policy with respect to any of such mortgaged property or the Korea Fire Protection Association or other body exercising similar functions which (I) related to any material violations of or material non-conformity with any applicable law concerning zoning, building, safety or subdivision with respect to any of the mortgaged property, (II) claims any material defect or deficiency with respect to any of the mortgaged property or (III) requests the performance of any material repairs, alterations or other work to or in any of the mortgaged property or in the streets bounding the same. There is no pending condemnation, expropriation, eminent domain or similar proceeding affecting all or any portion of any of the mortgaged property and no such proceeding is threatened. The water, oil, gas, electrical, telecommunications, sewer, storm and waste water systems and other utility services or systems for the mortgaged property which have been installed are operational and sufficient for the operation of the Issuers and Guarantors business as currently conducted. Except to the extent that such condition would not reasonably be expected to have a Material Adverse Effect or not have a material adverse effect on the affected mortgaged property or materially impair the conduct of Issuers' and the Guarantors' business as currently conducted, (I) no improvements erected on any mortgaged property encroaches on any adjoining property or street; (II) the Issuers and Guarantors are in actual exclusive possession or control of the mortgaged property, subject to space leases which do not materially interfere with the conduct of the business as currently conducted; and (III) each owned mortgaged property and the use thereof by the Issuers and the Guarantors in connection with the business as currently used complies with all material covenants, easements, and restrictions of record affecting such mortgaged property.

(xiv) [Reserved].

(xv) Neither the Parent, the Issuers nor any Guarantor is (A) in violation of its charter, bylaws or other constitutive documents, (B) in default (or, with notice or lapse of time or both, would be in default) in the due performance or observance of any obligation, agreement, covenant or condition contained in any bond, debenture, note, indenture, mortgage, deed of trust, loan or credit agreement, lease, license, franchise agreement, authorization, permit, certificate or other agreement or instrument to which the Parent, the Issuers or any Subsidiary is a party or by which any of them is bound or to which any of their assets or properties is subject (collectively, "**Agreements and Instruments**"), or (C) in violation of any law, statute, rule or regulation

or any judgment, order or decree of any domestic or foreign court or other governmental or regulatory authority, agency or other body with jurisdiction over any of them or any of their assets or properties ("**Governmental Authority**"), except, in the case of clauses (B) and (C), for such defaults or violations as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(xvi) The execution, delivery and performance of the Transaction Documents and consummation of the Transactions does not and will not (i) violate the charter, bylaws or other constitutive documents of the Parent, the Issuers or any Subsidiary, (ii) conflict with or constitute a breach of or a default under (or an event that with notice or the lapse of time, or both, would constitute a default), or require consent under, or result in a Repayment Event (as defined below), other than a Repayment Event that will be satisfied at the Closing Time as contemplated by the Offering Memorandum, or the creation or imposition of a lien, charge or encumbrance on any property or assets of the Parent, the Issuers or any Subsidiary (other than as created pursuant to or permitted by the Senior Notes Indenture, the Security Documents and the Credit Documents) under any of the Agreements and Instruments or (iii) violate any law, statute, rule or regulation, including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System, or any judgment, order or decree of any Governmental Authority, except in the case of clauses (ii) and (iii), for such conflict or violation which could not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect. Assuming the accuracy of the representations and warranties of the Initial Purchasers in Section 5(b) of this Agreement, no consent, approval, authorization or order of, or filing, registration, qualification, license or permit of or with, any Governmental Authority is required to be obtained or made by the Parent, the Issuers or any Guarantor for the execution, delivery and performance by the Parent, the Issuers or any Guarantor of the Transaction Documents and the consummation of the Transactions, except (A) such as have been or will be obtained or made on or prior to the Closing Date, (B) registration of the Exchange Offer or resale of the Notes under the Act pursuant to the Registration Rights Agreements, and qualification of the Indentures under the Trust Indenture Act of 1939, as amended (the "**Trust Indenture Act**"), in connection with the issuance of the Exchange Notes, (C) such filings and recordings with Governmental Authorities as may be required to perfect liens under the Security Documents and the Credit Documents, (D) such consents, approvals, authorizations, orders, filings, registrations, qualifications, licenses or permits as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Notes or (E) with respect to such consent, approval, authorization or order of, or filing, registration, qualification, license or permit, which could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect . No consents or waivers from any other person or entity are required for the execution, delivery and performance of the Transaction Documents and the consummation of the Transactions, other than such consents and waivers as have been obtained or will be obtained prior to the Closing Date and will be in full force and effect. As used herein, a "**Repayment Event**" means any event or condition which gives the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Parent, the Issuers or any Subsidiary.

(xvii) The public accountant whose report is included in the Offering Memorandum are independent within the meaning of Rule 101 of the *Code of Professional Conduct* of the American Institute of Certified Public Accountants, and its rulings and interpretations. The historical financial statements (including the notes thereto) included in the Offering Memorandum present fairly in all material respects the consolidated financial position, results of operations, cash flows and changes in stockholder's equity of the entities to

which they relate at the respective dates and for the respective periods indicated. All such financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("**GAAP**") applied on a consistent basis throughout the periods presented (except as disclosed therein) and in compliance with Regulation S-X ("**Regulation S-X**") under the Exchange Act, except that the interim financial statements do not include full footnote disclosure, and, because MagnaChip Semiconductor, Ltd. (Korea) is not guaranteeing the Subordinated Securities, an additional footnote to the financial statements is required to show condensed financial information for the guarantor and non-guarantor financial statements in a consolidating format. The historical financial information set forth under the captions "Offering memorandum summary — Summary historical and pro forma consolidated financial data," "Summary historical and pro forma consolidated financial data" and "Selected financial and other data" included in the Offering Memorandum have been prepared on a basis consistent with that of the audited financial statements of MagnaChip Semiconductor, Limited. The ratio of earnings to fixed charges has been calculated in compliance with Item 503(d) of Regulation S-K. Since the date as of which information is given in the Offering Memorandum, except as set forth or contemplated in the Offering Memorandum, (A) neither the Parent, the Issuers or any Guarantor has (1) incurred any liabilities or obligations, direct or contingent, that could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, or (2) entered into any material transaction not in the ordinary course of business, (B) there has not been any event or development in respect of the business or condition (financial or other) of the Issuers or any Guarantor that, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, (C) there has been no dividend or distribution of any kind declared, paid or made by the Parent on any of its equity interests and (D) there has not been any material increase in the long-term debt of the Issuers or any Guarantor.

(xviii) The unaudited proforma consolidated financial statements (including notes "(a)" through "(dd)" thereto) under the caption "Unaudited proforma consolidated financial information" included in the Offering Memorandum have been prepared in good faith and the Issuers believe that they substantially comply with the applicable requirements of Regulation S-X and the Commission's rules and guidelines with respect to pro forma financial statements. The proforma adjustments related to the proforma condensed consolidated income statement have been computed assuming the Acquisition (as defined in the Offering Memorandum) or the Acquisition and the offering and sale of the Securities (the "Offering"), as applicable, were consummated at the beginning of the fiscal year presented and includes all adjustments which give effect to events that are (i) directly attributable to the Acquisition or the Acquisition and the Offering, as applicable, (ii) expected to have a continued impact on the Issuers and (iii) factually supportable. The pro forma adjustments related to the condensed consolidated balance sheet was computed assuming the Acquisition or the Acquisition and the Offering, as applicable, was consummated at the end of the most recent period for which a balance sheet is required by Rule 3-01 of Regulation SX and includes all adjustments which give effect to events that are directly attributable to the Acquisition or the Acquisition and the Offering, as applicable, and are factually supportable regardless of whether they have a continuing impact or are non-recurring. All adjustments are referenced to notes that clearly explain the assumptions involved. The assumptions and computations used in preparing the pro forma financial statements and the other pro forma financial data included in the Offering Memorandum are made on a reasonable basis and in good faith, and present fairly in all material respects the historical financial information and impact of the Acquisition and the Offering as contemplated by the Offering Memorandum.

(xix) The statistical and market-related data included in the Offering Memorandum are based on or derived from sources that the Issuers believe to be reliable and accurate in all material respects and represent their good faith estimates that are made on the basis of data derived from such sources. The Issuers have obtained the written consent to the use of such data from such sources to the extent required.

(xx) As of the date hereof and as of the Closing Date, immediately prior to and immediately following the consummation of the Transactions, together, the Issuers are and will be Solvent. As used herein, "**Solvent**" shall mean, for any person on a particular date, that on such date (A) the fair value of the property of such person is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such person, (B) the present fair salable value of the assets of such person is not less than the amount that will be required to pay the probable liability of such person on its debts as they become absolute and matured, (C) such person does not intend to, and does not believe that it will, incur debts and liabilities beyond such person's ability to pay as such debts and liabilities mature, (D) such person is not engaged in a business or a transaction, and is not about to engage in a business or a transaction, for which such person's property would constitute an unreasonably small capital and (E) such person is able to pay its debts as they become due and payable.

(xxi) Except as set forth in the Offering Memorandum, there is (A) no action, suit or proceeding before or by any Governmental Authority or arbitrator, now pending or, to the knowledge of the Issuers, threatened or contemplated, to which the Parent, the Issuers or any Guarantor is or may be a party or to which the business, assets or property of the Parent, the Issuers or any Guarantor is or may be subject, (B) no law, statute, rule or regulation that has been enacted, adopted or issued or, to the knowledge of the Issuers, that has been proposed by any Governmental Authority, (C) no judgment, decree or order of any Governmental Authority that, in any of clause (A), (B) or (C), could reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

(xxii) Except as could not reasonably be expected to have a Material Adverse Effect, no labor disturbance by the employees of the Parent, the Issuers or any Subsidiary exists or, to the knowledge of the Issuers, is imminent.

(xxiii) Except as disclosed in the Offering Memorandum or as could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect, (A) the Parent, the Issuers and the Guarantors are in compliance with and not subject to any pending or, to their knowledge, threatened liability under applicable Environmental Laws (as defined below), (B) the Parent, the Issuers and the Guarantors have made all filings and provided all notices required under any applicable Environmental Law, and have, and are in compliance with, all permits, licenses or other approvals required under any applicable Environmental Laws for their current operations and each of them is in full force and effect, (C) there is no civil, criminal or administrative action, suit, demand, claim, hearing, notice of violation, investigation, proceeding, notice or demand letter or request for information pending or, to their knowledge, threatened against the Parent, the Issuers or any Guarantor under any Environmental Law, (D) no lien, charge, encumbrance or restriction is recorded under any Environmental Law with respect to any assets, facility or property owned, operated, leased or controlled by the Issuers or any Guarantor, (E) neither the Parent, the Issuers nor any Guarantor has received notice that it has been identified as a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("**CERCLA**"), or any comparable

law of any state of the United States, Korea or the jurisdiction of incorporation or organization of any of the Guarantors and (F) no property or facility of the Parent, the Issuers or any Guarantor is (y) listed or proposed for listing on the National Priorities List under CERCLA or (z) listed on the Comprehensive Environmental Response, Compensation and Liability Information System List promulgated pursuant to CERCLA, or on any comparable list maintained by any Governmental Authority.

For purposes of this Agreement, "**Environmental Laws**" means the common law and all applicable federal, state, local and foreign laws, regulations, rules, ordinances, codes, orders, decrees, judgments, injunctions or any other legally enforceable requirement issued, promulgated, approved or entered thereunder, relating to pollution or protection of public or employee health and safety or the environment, including, without limitation, laws relating to: (A) emissions, discharges, releases or threatened releases of hazardous materials into the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata), (B) the manufacture, processing, distribution, use, generation, treatment, storage, disposal, transport, arrangement for disposal or transport or handling of hazardous, toxic or dangerous substances or waste, any chemical, any solid waste, or any other pollutant or contaminant, and (C) underground and aboveground storage tanks and related piping, and emissions, discharges, releases or threatened releases therefrom.

(xxiv) The Parent, the Issuers and the Subsidiaries have (A) all licenses, certificates, permits, authorizations, approvals, franchises and other rights from, and has made all declarations and filings with, all applicable Governmental Authorities and all self-regulatory authorities (each, an "**Authorization**") necessary to engage in the business conducted by them in the manner described in the Offering Memorandum, except where the failure to hold such Authorizations could not, individually or in the aggregate, be reasonably expected to have a Material Adverse Effect, and (B) no action suit or proceeding is pending, or to the knowledge of the Parent or any Subsidiary, threatened before or by any Governmental Authority or self-regulatory authority to limit, suspend or revoke any such Authorization, except where such limitation, suspension or revocation would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. All such Authorizations are valid and in full force and effect, and the Parent, the Issuers and the Subsidiaries are in compliance in all material respects with the terms and conditions of all such Authorizations and with the rules and regulations of the authorities having jurisdiction with respect to such Authorizations, except for any invalidity, failure to be in full force and effect or noncompliance with any Authorization that could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(xxv) The Parent, the Issuers and the Guarantors have valid and marketable title in fee simple to all items of owned real property, including, without limitation, all mortgaged property, and valid title to all personal property owned by each of them, including, without limitation, all Collateral (as defined in the Senior Notes Indenture), in each case free and clear of any pledge, lien, encumbrance, security interest or other defect or claim of any third party, except (A) such as could not, individually or in the aggregate, be reasonably expected to have a Material Adverse Effect, (B) liens described in the Offering Memorandum, (C) as created pursuant to the Senior Notes Indenture, the Security Documents, the Credit Documents and (D) liens permitted by the Senior Notes Indenture, Security Documents and Credit Documents. Any real property (including, without limitation, all mortgaged property subject to a leasehold mortgage), personal property (including, without limitation, all Collateral that is leased) and buildings held under lease by the Parent, the Issuers or any such Guarantor are held under valid, subsisting and enforceable leases, with such exceptions as could not

reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect and except for the Enforceability Exceptions.

(xxvi) Except as set forth in the Offering Memorandum, the Parent, the Issuers and each Guarantor owns, possesses or has the right to employ all patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names (collectively, the "**Intellectual Property**") necessary to conduct the businesses operated by it as described in the Offering Memorandum, except where the failure to own, possess or have the right to employ such Intellectual Property, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. Except as set forth in the Offering Memorandum, neither the Parent, the Issuers nor any Guarantor has received any notice of infringement of or conflict with (and neither knows of any such infringement or a conflict with) asserted rights of others with respect to any of the foregoing that would reasonably be expected to have a Material Adverse Effect.

(xxvii) All tax returns required to be filed by the Parent, the Issuers or any Guarantor through the date hereof have been filed in all jurisdictions where such returns are required to be filed; and all taxes, including withholding taxes, value added and franchise taxes, penalties and interest, assessments, fees and other charges due or claimed to be due from such entities or that are due and payable have been paid, other than those being contested in good faith and for which reserves have been provided to the extent required by and in accordance with GAAP or those currently payable without penalty or interest and except where the failure to make such required filings or payments could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(xxviii) Neither the Parent, the Issuers nor any Guarantor has any liability for any prohibited transaction or accumulated funding deficiency (within the meaning of Section 412 of the Internal Revenue Code) or any complete or partial withdrawal liability with respect to any pension, profit sharing or other plan which is subject to the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), to which the Parent, the Issuers or any Guarantor makes or ever has made a contribution and in which any employee of the Issuers or any Guarantor is or has ever been a participant except as would not reasonably be expected to have a Material Adverse Effect. With respect to such plans, the Parent, the Issuers and each Guarantor is in compliance in all material respects with all applicable provisions of ERISA.

(xxix) Neither the Parent, the Issuers nor any Guarantor is, or after giving effect to the Transactions will be, required to be registered as an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(xxx) The Parent, the Issuers and the Guarantors maintain a system of internal accounting controls sufficient to provide reasonable assurance that: (A) transactions are executed in accordance with management's general or specific authorizations; (B) transactions are recorded as necessary to permit preparation of their financial statements in accordance with GAAP and to maintain accountability for assets; (C) access to assets is permitted only in accordance with management's general or specific authorization; and (D) the recorded accountability for their assets is compared with the existing assets at reasonable intervals.

(xxxi) Prior to the date hereof, neither the Issuers nor any of their affiliates (as defined in Rule 501(b) of Regulation D under the Act) has, directly or through any person acting on its or their behalf (other than any Initial Purchaser, or anyone acting on its behalf, as to which no representation is made), (A) taken, directly or indirectly, any action designed to, or that might reasonably be expected to, cause or result in stabilization or manipulation of the price of any security of any Issuer to facilitate the sale or resale of the Securities, (B) sold, bid for, purchased or paid any person any compensation for soliciting purchases of the Securities in a manner that would require registration of the Securities under the Act or paid or agreed to pay to any person any compensation for soliciting another to purchase any other securities of any Issuer in a manner that would require registration of the Securities under the Act, (C) sold, offered for sale, contracted to sell, pledged, solicited offers to buy or otherwise disposed of or negotiated in respect of any security (as defined in the Act) that is currently or will be integrated with the sale of the Securities in a manner that would require the registration of the Securities under the Act or (D) engaged in any directed selling effort (as defined by Regulation S) with respect to the Securities, and each of them has complied with the offering restrictions requirement of Regulation S.

(xxxii) No form of general solicitation or general advertising (as those terms are used in Regulation D under the Act) was used by the Issuers or any person acting on their behalf (other than any Initial Purchaser, or anyone acting on its behalf, as to which no representation is made) in connection with the offer and sale of any of the Securities or in connection with Exempt Resales. Neither the Issuers nor any of their affiliates have entered into any contractual arrangement with respect to the distribution of the Securities except for this Agreement.

(xxxiii) Except as described in the sections entitled “Plan of distribution” or “Certain relationships and related transactions” in the Offering Memorandum, there are no contracts, agreements or understandings between the Issuers or any Guarantor and any other person other than the Initial Purchasers pursuant to this Agreement that would give rise to a valid claim against the Parent, the Issuers, any Guarantor or any of the Initial Purchasers for a brokerage commission, finder’s fee or like payment in connection with the issuance, purchase and sale of the Securities.

(xxxvi) Each certificate signed by any officer of any Issuer and delivered to the Initial Purchasers or counsel for the Initial Purchasers pursuant to, or in connection with, this Agreement shall be deemed to be a representation and warranty by the Issuers to the Initial Purchasers as to the matters covered by such certificate.

The Issuers acknowledge that the Initial Purchasers and, for purposes of the opinions to be delivered to the Initial Purchasers pursuant to Section 8 of this Agreement, counsel to the Issuers and counsel to the Initial Purchasers will rely upon the accuracy and truth of the foregoing representations and the Issuers hereby consent to such reliance.

(b) Each Initial Purchaser represents that it is a QIB, with such knowledge and experience in financial and business matters as are necessary in order to evaluate the merits and risks of an investment in the Securities, and acknowledges that it is purchasing the Securities pursuant to a private sale exemption from registration under the Act, and that the Securities have not been registered under the Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant

to an exemption from the registration requirements of the Act. The Initial Purchasers have advised the Issuers that they will offer the Original Senior Notes and the Original Subordinated Notes to Eligible Purchasers at a price initially equal to 100%, of the principal amount thereof, plus accrued interest, if any, from the date of issuance of the Original Notes. Each Initial Purchaser, severally and not jointly, represents, warrants and covenants to the Issuers that:

(i) Neither it, nor any person acting on its behalf, has or will solicit offers for, or offer or sell, the Securities by any form of general solicitation or general advertising (as those terms are used in Regulation D under the Act) or in any manner involving a public offering within the meaning of Section 4(2) of the Act, and it has solicited and will solicit offers for the Securities only from, and will offer and sell the Securities only to, (1) persons whom such Initial Purchaser reasonably believes to be QIBs or, if any such person is buying for one or more institutional accounts for which such person is acting as fiduciary or agent, only when such person has represented to such Initial Purchaser that each such account is a QIB to whom notice has been given that such sale or delivery is being made in reliance on Rule 144A, and, in each case, in reliance on the exemption from the registration requirements of the Act pursuant to Rule 144A, or (2) persons other than U.S. persons outside the United States in reliance on, and in compliance with, the exemption from the registration requirements of the Act provided by Regulation S.

(ii) With respect to offers and sales outside the United States, such Initial Purchaser has offered the Securities and will offer and sell the Securities (1) as part of its distribution at any time and (2) otherwise until 40 days after the later of the commencement of the offering of the Securities and the Closing Date, only in accordance with Rule 903 of Regulation S or another exemption from the registration requirements of the Act. Accordingly, neither such Initial Purchasers nor any person acting on their behalf has engaged or will engage in any directed selling efforts (within the meaning of Regulation S) with respect to the Securities, and any such persons have complied and will comply with the offering restrictions requirements of Regulation S. Terms used in this Section 5(b)(ii) have the meanings given to them by Regulation S.

Each Initial Purchaser severally agrees that, at or prior to confirmation of a sale of Securities pursuant to Regulation S it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Securities from it or through it during the restricted period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States or to or for the account or benefit of, U.S. persons (i) as part of their distribution at any time and (ii) otherwise until forty days after the later of the date upon which the offering of the Securities commenced and the date of closing, except in either case in accordance with Regulation S or Rule 144A under the Securities Act. Terms used above have the meaning given to them by Regulation S."

The Initial Purchasers understand that the Issuers and, for purposes of the opinions to be delivered to them pursuant to Section 8 hereof, counsel to the Issuers and counsel to the Initial Purchasers will rely upon the accuracy and truth of the foregoing representations, and each Initial Purchaser hereby consents to such reliance.

6. Indemnification. (a) Each of the Issuers and the Guarantors, jointly and severally, agree to indemnify and hold harmless the Initial Purchasers, each person, if any, who controls any Initial Purchaser within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, the agents, employees, officers and directors of any Initial Purchaser and the agents, employees, officers and directors of any such controlling person from and against any and all losses, liabilities, claims, damages and expenses whatsoever (including, but not limited, to reasonable attorneys' fees and any and all reasonable expenses whatsoever incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever, and any and all reasonable amounts paid in settlement of any claim or litigation) (collectively, "**Losses**") to which they or any of them may become subject under the Act, the Exchange Act or otherwise insofar as such Losses (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Preliminary Offering Memorandum or the Offering Memorandum, or in any supplement thereto or amendment thereof, or arise out of or are based upon the omission or alleged omission to state therein a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided*, the Issuers and the Guarantors will not be liable in any such case to the extent, but only to the extent, that any such Loss arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission relating to an Initial Purchaser made therein in reliance upon and in conformity with written information furnished to the Issuers by or on behalf of such Initial Purchaser through the Representative expressly for use therein; *provided*, *further*, that with respect to any untrue statement or alleged untrue statement of a material fact or omission or alleged omission of material fact in the Preliminary Offering Memorandum or Offering Memorandum, or any supplement thereto or amendment thereof, the indemnity agreement contained in this Section 6 shall not inure to the benefit of any Initial Purchaser from whom such person asserting any such Loss purchased the Notes, to the extent that any such Loss of such Initial Purchaser occurs under the circumstance where (i) the Issuers had previously furnished the Offering Memorandum or amendment or supplement, as the case may be, to the Initial Purchasers, (ii) delivery of the Offering Memorandum or amendment or supplement, as the case may be, to such person was required by the Act, (iii) the untrue statement or omission of a material fact contained in the Preliminary Offering Memorandum or Offering Memorandum was corrected in the Offering Memorandum or amendment or supplement, as the case may be, and (iv) there was not sent or given to such person, at or prior to the written confirmation of the sale of Securities to such person, a copy of the Offering Memorandum or amendment or supplement, as the case may be. This indemnity agreement will be in addition to any liability that the Issuers and Guarantors may otherwise have, including, but not limited to, liability under this Agreement.

(b) Each Initial Purchaser agrees to indemnify and hold harmless the Issuers and the Guarantors, and each person, if any, who controls any of the Issuers and the Guarantors within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, the agents, employees, officers and directors of any of the Issuers and the Guarantors and the agents, employees, officers and directors of any such controlling person from and against any and all Losses to which they or any of them may become subject under the Act, the Exchange Act or otherwise insofar as such Losses (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Preliminary Offering Memorandum or the Offering Memorandum, or in any amendment thereof or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, in each case to the extent, but only to the extent, that any such Loss arises out of or is based upon

any untrue statement or alleged untrue statement or omission or alleged omission relating to such Initial Purchaser made therein in reliance upon and in conformity with information furnished in writing to the Issuers by or on behalf of such Initial Purchaser through the Representative expressly for use therein. This indemnity agreement will be in addition to any liability that the Initial Purchasers may otherwise have, including, but not limited to, liability under this Agreement. The Issuers, the Guarantors and the Initial Purchasers acknowledge that the information described in Section 9 is the only information furnished in writing by the Initial Purchasers to the Issuers expressly for use in the Preliminary Offering Memorandum or the Offering Memorandum. This indemnity agreement will be in addition to any liability that the Initial Purchasers may otherwise have, including, but not limited to, liability under this Agreement.

(c) Promptly after receipt by an indemnified party under subsection 6(a) or 6(b) above of notice of the commencement of any action, suit or proceeding (collectively, an "**action**"), such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify each party against whom indemnification is to be sought in writing of the commencement of such action (but the failure so to notify an indemnifying party shall not relieve such indemnifying party from any liability that it may have under this Section 6 except to the extent that it has been prejudiced in any material respect by such failure). In case any such action is brought against any indemnified party, and it notifies an indemnifying party of the commencement of such action, the indemnifying party will be entitled to participate in such action, and to the extent it may elect by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense of such action with counsel reasonably satisfactory to such indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof except as follows. Notwithstanding the foregoing, the indemnified party or parties shall have the right to employ its or their own counsel in any such action, but the reasonable fees and expenses of such counsel shall be at the expense of such indemnified party or parties unless (i) the employment of such counsel shall have been authorized in writing by the indemnifying parties in connection with the defense of such action, (ii) the indemnifying parties shall not have employed counsel to take charge of the defense of such action within a reasonable time after notice of commencement of the action, or (iii) the named parties to such action (including any impleaded parties) include such indemnified party and the indemnifying parties (or such indemnifying parties have assumed the defense of such action), and such indemnified party or parties shall have reasonably concluded that there may be defenses available to it or them that are different from or additional to those available to one or all of the indemnifying parties (in which case the indemnifying parties shall not have the right to direct the defense of such action on behalf of the indemnified party or parties), in any of which events such reasonable fees and expenses of counsel shall be borne by the indemnifying parties. In no event shall the indemnifying parties be liable for the fees and expenses of more than one counsel (together with appropriate local counsel) at any time for all indemnified parties in connection with any one action or separate but substantially similar or related actions arising in the same jurisdiction out of the same general allegations or circumstances. An indemnifying party shall not be liable for any settlement of any claim or action effected without its written consent, which consent may not be unreasonably withheld. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by paragraph (a) or (b) of this Section 6, then the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement

is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement and (iii) such indemnified party shall have given the indemnifying party at least 45 days' prior notice of its intention to settle. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement (x) includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding and (y) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

7. Contribution. In order to provide for contribution in circumstances in which the indemnification provided for in Section 6 of this Agreement is for any reason held to be unavailable from the indemnifying party, or is insufficient to hold harmless a party indemnified under Section 6 of this Agreement, each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such aggregate Losses (i) in such proportion as is appropriate to reflect the relative benefits received by the Issuers and the Guarantors, on the one hand, and the Initial Purchasers, on the other hand, from the offering of the Securities or (ii) if such allocation is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to above but also the relative fault of the Issuers and the Guarantors, on the one hand, and the Initial Purchasers, on the other hand, in connection with the statements or omissions that resulted in such Losses, as well as any other relevant equitable considerations. The relative benefits received by the Issuers and the Guarantors, on the one hand, and the Initial Purchasers, on the other hand, shall be deemed to be in the same proportion as (x) the total proceeds from the offering of Securities (net of discounts and commissions but before deducting expenses) received by the Issuers and the Guarantors are to (y) the total discount and commissions received by the Initial Purchasers. The relative fault of the Issuers and the Guarantors, on the one hand, and the Initial Purchasers, on the other hand, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by an Issuer and the Guarantors or the Initial Purchasers and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission or alleged statement or omission.

The Issuers and the Guarantors and the Initial Purchasers agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to above. Notwithstanding the provisions of this Section 7, (i) in no case shall any Initial Purchaser be required to contribute any amount in excess of the amount by which the total discount and commissions applicable to the Securities purchased by such Initial Purchaser pursuant to this Agreement exceeds the amount of any damages that such Initial Purchaser has otherwise been required to pay by reason of any untrue or alleged untrue statement or omission or alleged omission and (ii) no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 7, each person, if any, who controls any Initial Purchaser within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act shall have the same rights to contribution as the Initial Purchasers, and each person, if any, who controls an Issuer or Guarantor within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act and each director, officer, employee and agent of an Issuer or Guarantor shall have the same rights to contribution as the Issuers or the

Guarantors. Any party entitled to contribution will, promptly after receipt of notice of commencement of any action against such party in respect of which a claim for contribution may be made against another party or parties under this Section 7, notify such party or parties from whom contribution may be sought, but the omission to so notify such party or parties shall not relieve the party or parties from whom contribution may be sought from any obligation it or they may have under this Section 7 or otherwise, except to the extent that it has been prejudiced in any material respect by such failure; *provided*, *however*, that no additional notice shall be required with respect to any action for which notice has been given under Section 6 for purposes of indemnification. Anything in this section to the contrary notwithstanding, no party shall be liable for contribution with respect to any action or claim settled without its written consent; *provided*, *however*, that such written consent was not unreasonably withheld. The obligations of the Initial Purchasers under this Section 7 are several in proportion to their respective purchase obligations and not joint.

8. Conditions of Initial Purchasers' Obligations. The obligations of the Initial Purchasers to purchase and pay for the Securities, as provided for in this Agreement, shall be subject to satisfaction of the following conditions prior to or concurrently with such purchase:

(a) All of the representations and warranties of the Issuers and the Guarantors contained in this Agreement shall be true and correct on the date of this Agreement and on the Closing Date. The Issuers and the Guarantors shall have performed or complied with all of the agreements and covenants contained in this Agreement and required to be performed or complied with by them at or prior to the Closing Date.

(b) The Offering Memorandum shall have been printed and copies distributed to the Initial Purchasers on the date of this Agreement or at such later date as the Initial Purchasers may determine. No stop order suspending the qualification or exemption from qualification of the Securities in any jurisdiction shall have been issued and no proceeding for that purpose shall have been commenced or shall be pending or threatened.

(c) Since the execution of this Agreement, there shall not have been any decrease in the rating of any debt of the Parent, the Issuers or any Subsidiary by any "nationally recognized statistical rating organization" (as defined for purposes of Rule 436(g) under the Act), or any notice given of any intended or potential decrease in any such rating or of a possible change in any such rating that does not indicate the direction of the possible change.

(d) The Initial Purchasers shall have received on the Closing Date (i) opinions dated the Closing Date, addressed to the Initial Purchasers, of (x) Dechert LLP, counsel to the Issuers and the Guarantors as to matters of U.S. federal, Delaware, New York, and Luxembourg law and the laws of England and Wales, (y) White & Case LLP (Japan), White & Case LLP (Hong Kong), Lee, Tsai & Partners, Attorneys-at-law, Kim & Chang and NautaDutilh N.V., counsel to the Issuers and Guarantors as to matters of Japanese, Hong Kong, Taiwanese, Korean, and Dutch law, respectively, and (z) John McFarland, general counsel of the Issuers, in each case in form and substance reasonably satisfactory to the Initial Purchasers and (ii) copies of any opinions delivered in connection with any of the other Transactions together with reliance letters relating to such opinions in form and substance reasonably satisfactory to the Representative and counsel to the Initial Purchasers.

(e) The Initial Purchasers shall have received on the Closing Date an opinion dated the Closing Date of Latham & Watkins LLP, counsel to the Initial Purchasers, in form and substance satisfactory to the Representative. Such counsel shall have been furnished with such certificates and documents as they may reasonably request to enable them to review or pass upon the matters referred to in this Section 8 and in order to evidence the accuracy, completeness or satisfaction in all material respects of any of the representations, warranties or conditions contained in this Agreement.

(f) On the date hereof, the Initial Purchasers shall have received a "comfort letter" from Samil PricewaterhouseCoopers, the independent public accountants for the Issuers and the Guarantors, dated the date of this Agreement, addressed to the Initial Purchasers and in form and substance satisfactory to the Representative and counsel to the Initial Purchasers (it being understood that if the Offering Memorandum is not printed on the date hereof, such comfort letter shall, on the date hereof, contain excerpts from the Preliminary Offering Memorandum indicating the procedures performed by such independent public accountants on the financial data included in the Preliminary Offering Memorandum and that, within twenty-four hours after the Offering Memorandum becomes available in final form (electronically or otherwise), the Initial Purchasers shall receive replacement excerpts from the Offering Memorandum indicating the procedures performed by such independent public accountants on the financial data included therein in form and substance satisfactory to the Representative and counsel to the Initial Purchasers). In addition, the Initial Purchasers shall have received a "bring-down comfort letter" from Samil PricewaterhouseCoopers, the independent public accountants for the Issuers and the Guarantors, dated as of the Closing Date, addressed to the Initial Purchasers and in form and substance satisfactory to the Representative and counsel to the Initial Purchasers.

(g) The Issuers, the Guarantors and the Trustee shall have executed and delivered the Indentures and the Security Documents and the Initial Purchasers shall have received copies thereof. The Issuers and the Guarantors shall have executed and delivered the Registration Rights Agreements and the Initial Purchasers shall have received executed counterparts thereof.

(h) In accordance with the terms of the Indentures, the Initial Purchasers and the Trustee shall have received each of the following documents which shall be reasonably satisfactory in form and substance to the Initial Purchasers, the Trustee and each of their respective counsel with respect to each mortgaged property and the Collateral, as appropriate:

(i) a Mortgage in favor of the Trustee encumbering each Issuer's, the Parent's or a Subsidiary's fee interest in each mortgaged property, duly executed and acknowledged by such owner or holder of the fee interest constituting each such mortgaged property, in form for recording in the appropriate recording office of the political subdivision where such mortgaged property is situated, together with such certificates, affidavits, questionnaires or returns as shall be required in connection with the recording or filing thereof and such financing statements and other similar statements as are contemplated in respect of each such mortgage by the local counsel opinion referred to in subparagraph (xii) below, and any other instruments necessary to grant the interests purported to be granted by each such mortgage under the laws of any applicable jurisdiction, which mortgages and financing statements and other instruments shall be effective to create a Lien on such mortgaged property in favor of

the Parity Lien Collateral Agent, subject to no Liens other than Permitted Prior Liens, as of the Closing Date, and thereafter;

(ii) such consents, approvals, amendments, supplements, estoppels, tenant subordination agreements or other instruments as shall be reasonably necessary in order for the owner or holder of the fee interest or leasehold interest to grant the lien contemplated by the mortgage with respect to each mortgaged property;

(iii) with respect to each Mortgage, a policy of title insurance (or commitment to issue such a policy) insuring (or committing to insure) the lien of such Mortgage as a valid mortgage lien on the real property and fixtures described therein, with the priority described in the Offering Memorandum, in respect of the Senior Securities in an amount not less than $100,000,000 or as reasonably determined, in good faith, by the Issuers and reasonably acceptable to the Initial Purchasers, and which policy (or commitment) shall (a) be issued by a title company reasonably acceptable to the Initial Purchasers, (b) have been supplemented by endorsements reasonably requested by the Initial Purchasers (including, without limitation, endorsements on matters relating to usury, public road access, contiguity (where appropriate), address, survey, and so-called comprehensive coverage over covenants and restrictions); it being understood that where such endorsements are not available at commercially reasonable rates, the Issuers will obtain from local or special counsel opinions relating to usury and zoning letters from the appropriate governmental authorities or other evidence as to such matters, in each case, in form and substance reasonably satisfactory to the Initial Purchasers and (c) contain only such exceptions to title as shall be reasonably agreed to by the Initial Purchasers with respect to each such mortgaged property;

(iv) policies or certificates of insurance as required by the Security Documents, which policies or certificates shall bear endorsements of the character required pursuant to the Security Documents;

(v) Uniform Commercial Code ("**UCC**") financing statements in appropriate form for filing under the UCC, and such other documents under applicable requirements of law in each jurisdiction as may be necessary or appropriate or, in the reasonable opinion of the Collateral Agent, desirable to perfect the Liens created, or purported to be created, by the Security Documents;

(vi) evidence acceptable to the Collateral Agent of payment or arrangements for payment by the Issuers and Guarantors of all applicable recording taxes, fees, charges, costs and expenses required for the recording of the Security Documents.

(vii) such affidavits, certificates and instruments of indemnification as shall be reasonably required to induce the title insurance company to issue the policy or policies (or commitment) contemplated in subparagraph (iii) above;

(viii) checks or wire transfers to the title insurance company in respect of amounts in payment of required registration cost and transfer taxes, if any, due in respect of the execution,

delivery or registration of the Mortgages, together with a check or wire transfer in the currency designated by the title company for the title insurance company in payment of its premium, search and examination charges, applicable survey costs and any other amounts then due in connection with the issuance of its policies (or commitments);

(ix) to the extent applicable, copies of all Leases and Subleases, if any, (as defined in the Mortgages), all of which Leases and Subleases shall be satisfactory to the Initial Purchasers; and

(x) All Security Documents shall have been executed by the Issuers and Guarantors parties thereto in form and substance reasonably satisfactory to the Initial Purchasers.

(i) The Initial Purchasers shall have been furnished with wiring instructions for the application of the proceeds of the Securities in accordance with this Agreement and such other information as they may reasonably request.

(j) The Securities shall be eligible for trading in Portal upon issuance. All agreements set forth in the blanket representation letter of the Issuers to DTC relating to the approval of the Notes by DTC for "book-entry" transfer shall have been complied with.

(k) The Parent, the Issuers and the Subsidiaries parties thereto shall have executed and delivered the Credit Documents and the Security Documents and the Initial Purchasers shall have received copies thereof. Each of the other Transactions (other than those aspects of the Refinancing scheduled to take place after the Closing Date) shall have been, or shall substantially simultaneously be, consummated without any amendment or waiver of any of the Transaction Documents (other than any such amendment or waiver approved by the Representative, such approval not to be unreasonably withheld), and the Initial Purchasers shall have received satisfactory evidence thereof

(l) The Initial Purchasers shall have received confirmation that the Issuers, the Parent and the Subsidiaries have appointed an authorized agent in the City and County of New York upon which service of process may be served in accordance with Section 15 of this Purchase Agreement.

(m) The Initial Purchasers shall have received a certificate, dated as of the Closing Date, of the President or any Vice President and a principal financial or accounting officer of MagnaChip Semiconductor Ltd. (Korea) in which such officers, shall state that (i) the representations and warranties of the Issuers and the Guarantors in this Agreement are true and correct as of the Closing Date (except representations and warranties expressly stated to relate to a specified date prior to the date of this Agreement, in which case such representations and warranties are true and correct in all material respects as of such specified date), (ii) the Issuers and the Guarantors have complied with all agreements and satisfied all conditions on their part to be performed or satisfied hereunder at or prior to the Closing Date, (iii) subsequent to the dates of the most recent financial statements in the Offering Memorandum, there has been no material adverse change, in the financial condition, business, properties or results of operations of the Issuers and the Subsidiaries taken as a whole except as set forth in the Offering Memorandum or as described in such certificate, (iv) since the execution of this Agreement, there shall not have been any decrease in the rating of any debt of the Parent, the Issuers or any Subsidiary by any "nationally recognized statistical rating organization" (as defined for purposes

of Rule 436(g) under the Act), or any notice given of any intended or potential decrease in any such rating or of a possible change in any such rating that does not indicate the direction of the possible change, and (v) any and all financial information contained in the Offering Memorandum with respect product category are true and correct in all material respects.

(n) The Initial Purchasers shall have received written confirmation that the Bank of Korea has formally approved MagnaChip Semiconductor, Ltd. (Korea)'s Guarantee of the Senior Notes as provided for in the Senior Indenture including the form of notation of guarantee attached thereto.

(o) The Initial Purchasers shall have received reasonably satisfactory written confirmation that MagnaChip Semiconductor S.a r.l. shall have been converted to a Luxembourg public limited liability company (*societe anonyme*).

(p) The Initial Purchasers shall have received MagnaChip Semiconductor, Ltd. (Korea)'s amended Articles of Incorporation evidencing that it is permitted to pay dividends twice a year.

(q) Subsequent to the execution and delivery of this Agreement, there shall not have occurred any change, or any development or event involving a prospective change, in the financial condition, business, properties or results of operations of the Parent, the Issuers and the Subsidiaries, taken as a whole which, in the judgment of a majority in interest of the Initial Purchasers, is material and adverse and makes it impracticable or inadvisable to proceed with the completion of the offering or the sale of and payment for the Securities.

If any of the conditions specified in this Section 8 shall not have been fulfilled when and as required by this Agreement to be fulfilled (or waived by the Initial Purchasers), this Agreement may be terminated by the Initial Purchasers on notice to the Issuers at any time at or prior to the Closing Date, and such termination shall be without liability of any party to any other party.

The documents required to be delivered by this Section 8 will be delivered at the office of counsel for the Initial Purchasers on the Closing Date.

9. Initial Purchasers Information. The Issuers and the Initial Purchasers severally acknowledge that the statements set forth in the last full paragraph on page ii, and the first sentence of paragraph 5, the first two sentences of paragraph 7, and paragraphs 10 and 11 under "Plan of distribution" in the Preliminary Offering Memorandum and the Offering Memorandum constitute the only information furnished in writing by or behalf of any Initial Purchaser expressly for use in the Preliminary Offering Memorandum or the Offering Memorandum.

10. Survival of Representations and Agreements. All representations and warranties, covenants and agreements contained in this Agreement, including the agreements contained in Sections 4(f) and 11(d), the indemnity agreements contained in Section 6 and the contribution agreements contained in Section 7, shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Initial Purchasers or any controlling person thereof or by or on behalf of the Issuers or any controlling person thereof, and shall survive delivery of and payment for the Original Notes to and by the Initial

Purchasers. The agreements contained in Sections 4(f), 6, 7, 9 and 11(d) shall survive the termination of this Agreement, including pursuant to Section 11.

11. Effective Date of Agreement; Termination. (a) This Agreement shall become effective upon execution and delivery of a counterpart hereof by each of the parties hereto.

(b) The Initial Purchasers shall have the right to terminate this Agreement at any time prior to the Closing Date by notice to the Issuers from the Initial Purchasers, without liability (other than with respect to Sections 6 and 7) on the Initial Purchasers' part to the Issuers or any affiliate thereof if, on or prior to such date, (i) the Issuers and the Guarantors shall have failed, refused or been unable to perform any agreement on its part to be performed under this Agreement when and as required; (ii) any other condition to the obligations of the Initial Purchasers under this Agreement to be fulfilled by the Issuers and the Guarantors pursuant to Section 8 is not fulfilled when and as required in any material respect; (iii) trading in securities generally on the New York Stock Exchange, the American Stock Exchange or the Nasdaq National Market shall have been suspended or materially limited, or minimum prices shall have been established thereon by the Commission, or by such exchange or other regulatory body or governmental authority having jurisdiction; (iv) a general moratorium shall have been declared by either Federal or New York State or Korean authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States or Korea shall have occurred; (v) there is an outbreak or escalation of hostilities or national or international calamity in any case involving the United States, on or after the date of this Agreement, or if there has been a declaration by the United States of a national emergency or war or other national or international calamity or crisis (economic, political, financial or otherwise) which affects the U.S. and international markets, making it, in the Representative's judgment, impracticable to proceed with the offering or delivery of the Securities on the terms and in the manner contemplated in the Offering Memorandum; or (vi) there shall have been such a material adverse change in general economic, political or financial conditions or the effect (or potential effect if the financial markets in the United States have not yet opened) of international conditions on the financial markets in the United States shall be such as, in the Representative's judgment, to make it inadvisable or impracticable to proceed with the offering or delivery of the Securities on the terms and in the manner contemplated in the Offering Memorandum.

(c) Any notice of termination pursuant to this Section 11 shall be given at the address specified in Section 12 below by telephone or facsimile, confirmed in writing by letter.

(d) If this Agreement shall be terminated pursuant to clause (i) or (ii) of Section 11(b), or if the sale of the Securities provided for in this Agreement is not consummated because of any refusal, inability or failure on the part of the Issuers or the Guarantors to satisfy any condition to the obligations of the Initial Purchasers set forth in this Agreement to be satisfied on their part or because of any refusal, inability or failure on the part of the Issuers or the Guarantors to perform any agreement in this Agreement or comply with any provision of this Agreement, the Issuers and the Guarantors, jointly and severally, will, subject to demand by the Initial Purchasers, reimburse the Initial Purchasers (other than any defaulting Initial Purchaser pursuant to paragraph (e) below) for all of their reasonable out-of-pocket expenses (including, without limitation, the fees and expenses of the Initial Purchasers' counsel) reasonably incurred in connection with this Agreement and the transactions contemplated hereby.

(e) If any one or more Initial Purchasers shall fail to purchase and pay for any of the Securities agreed to be purchased by such Initial Purchaser hereunder and such failure to purchase shall constitute a default in the performance of its or their obligations under this Agreement, the remaining Initial Purchasers shall be obligated severally to take up and pay for (in the respective proportions which the principal amount of Securities set forth opposite their names in Schedule I hereto bears to the aggregate principal amount of Securities set forth opposite the names of all the remaining Initial Purchasers) the Securities which the defaulting Initial Purchaser or Initial Purchasers agreed but failed to purchase; provided, however, that in the event that the aggregate principal amount of Securities which the defaulting Initial Purchaser or Initial Purchasers agreed but failed to purchase shall exceed 10% of the aggregate principal amount of Securities set forth in Schedule I hereto, the remaining Initial Purchasers shall have the right to purchase all, but shall not be under any obligation to purchase any, of the Securities, and if such nondefaulting Initial Purchasers do not purchase all the Securities, this Agreement will terminate without liability to any nondefaulting Initial Purchaser or the Issuers. In the event of a default by any Initial Purchaser as set forth in this Section 11(e), the Closing Date shall be postponed for such period, not exceeding seven Business Days, as is reasonably necessary in the opinion of the Representative in order that the required changes in the Offering Memorandum or in any other documents or arrangements may be effected. Nothing contained in this Agreement shall relieve any defaulting Initial Purchaser of its liability, if any, to the Issuers or any nondefaulting Initial Purchaser for damages occasioned by its default hereunder.

12. Notice. All communications with respect to or under this Agreement, except as may be otherwise specifically provided in this Agreement, shall be in writing and, if sent to the Initial Purchasers, shall be mailed, delivered or telecopied and confirmed in writing to c/o UBS Securities LLC, 677 Washington Blvd., Stamford, CT 06901 (fax number: 203-719-1075), Attention: High Yield Syndicate Department, with a copy for information purposes only to (i) UBS Securities LLC, 677 Washington Blvd., Stamford, CT 06901 (fax number: 203-719-0680), Attention: Legal and Compliance Department and (ii) Latham & Watkins LLP, 885 Third Avenue, New York, NY 10022 (fax number: 212-751-4869), Attention: Robert A. Zuccaro; and if sent to the Issuers, shall be mailed, delivered or telecopied and confirmed in writing to MagnaChip Semiconductor, Ltd., 1 Hyangjeong-dong, hungduk-gu, Cheongju-si, 361-725, Korea, (telephone: (82-2-3459-3073), fax: (82-2-3459-3674), Attention: General Counsel, with a copy to Dechert LLP, 4000 Bell Atlantic Tower, 1717 Arch Street, Philadelphia, Pennsylvania 19103, Attention: Geraldine Sinatra (Fax: (215) 994-2222) and Sang Park (Fax: (212) 314-0061).

All such notices and communications shall be deemed to have been duly given: when delivered by hand, if personally delivered; five business days after being deposited in the mail, postage prepaid, if mailed; when receipt acknowledged by telecopier machine, if telecopied; one business day after being timely delivered to a next-day air courier (for U.S. destinations); and on the third Business Day, if timely delivered to an air courier guaranteeing three-day delivery (if to a non-U.S. destination). The Issuers and Guarantors shall be entitled to act and rely upon any request, consent, notice or agreement given or made on behalf of the Initial Purchasers by the Representative

13. Parties. This Agreement shall inure solely to the benefit of, and shall be binding upon, the Initial Purchasers, the Issuers and the other indemnified parties referred to in Sections 6 and 7, and their respective successors and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Agreement or any provision herein

contained. The term "successors and assigns" shall not include a purchaser, in its capacity as such, of Notes from the Initial Purchasers.

14. Construction. This Agreement shall be construed in accordance with the internal laws of the State of New York (without giving effect to any provisions thereof relating to conflicts of law).

15. Submission to Jurisdiction; Waiver of Jury Trial. No proceeding related to this Agreement or the transactions contemplated hereby may be commenced, prosecuted or continued in any court other than the courts of the State of New York located in the City and County of New York or in the United States District Court for the Southern District of New York, which courts shall have jurisdiction over the adjudication of such matters, and the Issuers hereby consent to the jurisdiction of such courts and personal service with respect thereto. The Issuers and each Guarantor shall irrevocably appoint an authorized agent pursuant to Section 8(l) of this Purchase Agreement, as its authorized agent in the City and County of New York upon which process may be served in any such suit or proceeding, and agrees that service of process upon such agent, and written notice of said service to each Issuer and each Guarantor, by the person serving the same to the address provided in Section 12, shall be deemed in every respect effective service of process upon each Issuer and each Guarantor, as applicable, in such suit or proceeding. The Issuers and each Guarantor hereby waive all right to trial by jury in any proceeding (whether based upon contract, tort or otherwise) in any way arising out of or relating to this Agreement. The Issuers agree that a final judgment in any such proceeding brought in any such court shall be conclusive and binding upon the Issuers and may be enforced in any other courts in the jurisdiction of which the Issuers are or may be subject, by suit upon such judgment.

16. Judgment Currency. In respect of any judgment or order given or made for any amount due hereunder that is expressed and paid in a currency (the "**judgment currency**") other than United States dollars, the Issuers and the Guarantors, as applicable, will indemnify each Initial Purchaser, and the Initial Purchasers will indemnify the Issuers and the Guarantors, against any loss incurred by such Initial Purchaser or the Issuers and the Guarantors, as the case may be, as a result of any variation as between (i) the rate of exchange at which the United States dollar amount is converted into the judgment currency for the purpose of such judgment or order and (ii) the spot rate of exchange in The City of New York at which such party on the date of payment of such judgment or order is able to purchase United States dollars with the amount of the judgment currency actually received by such party. The foregoing indemnity shall constitute a separate and independent obligation of each of the Issuers, the Guarantors and the Initial Purchasers and shall continue in full force and effect notwithstanding any such judgment or order as aforesaid. The term "**rate of exchange**" shall include any premiums and costs of exchange payable in connection with the purchase of or conversion into United States dollars.

17. Captions. The captions included in this Agreement are included solely for convenience of reference and are not to be considered a part of this Agreement.

18. Counterparts. This Agreement may be executed in various counterparts that together shall constitute one and the same instrument.

[Signature Pages Follow]

If the foregoing Purchase Agreement correctly sets forth the understanding among the Issuers and the Initial Purchasers, please so indicate in the space provided below for the purpose, whereupon this letter and your acceptance shall constitute a binding agreement among the Issuers and the Initial Purchasers.

MagnaChip Semiconductor S.a. r.l.

By: _____
Name:
Title:

MagnaChip Semiconductor Finance Company

By: _____
Name:
Title:

MagnaChip Semiconductor LLC

By: _____
Name:
Title:

MagnaChip Semiconductor Inc.

By: _____
Name:
Title:

MagnaChip Semiconductor Ltd (United Kingdom)

By: _____
Name:
Title:

MagnaChip Semiconductor Inc. (Japan)

By: _____
Name:
Title:

MagnaChip Semiconductor Ltd. (Hong Kong)

By: _____
Name:
Title:

MagnaChip Semiconductor Ltd. (Taiwan)

By: _____
Name:
Title:

MagnaChip Semiconductor B.V. (Netherlands)

By: _____
Name:
Title:

MagnaChip Semiconductor, Ltd. (Korea)

By: _____
Name:
Title:

MagnaChip Semiconductor SA Holdings LLC

By: _____
Name:
Title:

Confirmed and accepted as of the date first above written:

UBS SECURITIES LLC
CITIGROUP GLOBAL MARKETS INC.
GOLDMAN, SACHS & CO.
J.P. MORGAN SECURITIES INC.
DEUTSCHE BANK SECURITIES INC.

By: UBS SECURITIES LLC
as Representative of the several Initial Purchasers and on behalf of UBS Securities Limited, Seoul Branch, as Selling Agent

By: _____
Name:
Title:

By: _____
Name:
Title:

**Schedule I**

| Initial Purchaser | Principal Amount of Original Fixed Rate Notes to Be Purchased |
|---|---|
| UBS Securities LLC | $ 90,000,000 |
| Citigroup Global Markets Inc. | $ 60,000,000 |
| Goldman Sachs & Co. | $ 60,000,000 |
| J.P. Morgan Securities Inc. | $ 60,000,000 |
| Deutsche Bank Securities Inc. | $ 30,000,000 |
| **Total** | $ 300,000,000 |

| Initial Purchaser | Principal Amount of Original Floating Rate Notes to Be Purchased |
|---|---|
| UBS Securities LLC | $ 60,000,000 |
| Citigroup Global Markets Inc. | $ 40,000,000 |
| Goldman Sachs & Co. | $ 40,000,000 |
| J.P. Morgan Securities Inc. | $ 40,000,000 |
| Deutsche Bank Securities Inc. | $ 20,000,000 |
| **Total** | $ 200,000,000 |

| Initial Purchaser | Principal Amount of Original Subordinated Notes to Be Purchased |
|---|---|
| UBS Securities LLC | $ 75,000,000 |
| Citigroup Global Markets Inc. | $ 50,000,000 |
| Goldman Sachs & Co. | $ 50,000,000 |
| J.P. Morgan Securities Inc. | $ 50,000,000 |
| Deutsche Bank Securities Inc. | $ 25,000,000 |
| **Total** | $ 250,000,000 |

| Selling Agent |
|---|
| UBS Securities Limited, Seoul Branch |

**Schedule II**

| Subsidiary | Jurisdiction of Organization | % |
|---|---|---|
| MagnaChip Semiconductor SA Holdings LLC (USA) | Delaware | 100% |
| MagnaChip Semiconductor, Inc. (USA) | Delaware | 100% |
| MagnaChip Semiconductor Inc. (Japan) | Japan | 100% |
| MagnaChip Semiconductor Ltd. (United Kingdom) | United Kingdom | 100% |
| MagnaChip Semiconductor, Ltd. (Hong Kong) | Hong Kong | 100% |
| MagnaChip Semiconductor Ltd. (Taiwan) | Taiwan | 100% |
| MagnaChip Semiconductor Ltd. (Korea) | Korea | 100% |
| MagnaChip Semiconductor B.V. (Netherlands) | Netherlands | 100% |
| MagnaChip Semiconductor Company | Delaware | 100% |

"THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (A "QIB"), (B) IT IS NOT A U.S. PERSON, IS NOT ACQUIRING THIS NOTE FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT OR (C) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT) (AN "IAI"), (2) AGREES THAT IT WILL NOT, WITHIN THE TIME PERIOD REFERRED TO UNDER RULE 144(k) (TAKING INTO ACCOUNT THE PROVISIONS OF RULE 144(d) UNDER THE SECURITIES ACT, IF APPLICABLE) UNDER THE SECURITIES ACT AS IN EFFECT ON THE DATE OF THE TRANSFER OF THIS NOTE, RESELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE ISSUERS OR ANY SUBSIDIARY THEREOF, (B) TO A PERSON WHOM THE HOLDER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (D) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (E) TO AN IAI THAT, PRIOR TO SUCH TRANSFER, FURNISHES TO THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE REGISTRATION OF TRANSFER OF THIS NOTE (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM THE TRUSTEE) AND, IF SUCH TRANSFER IS IN RESPECT OF AN AGGREGATE PRINCIPAL AMOUNT OF NOTES AT THE TIME OF TRANSFER OF LESS THAN $250,000, AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUERS THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT OR (F) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND, IN EACH CASE, IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS NOTE OR ANY INTEREST HEREIN WITHIN THE TIME PERIOD REFERRED TO ABOVE, THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS CERTIFICATE TO THE TRUSTEE. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE IN VIOLATION OF THE FOREGOING RESTRICTIONS."

The following exhibit has been excluded from this Exhibit 10.1:

Exhibit B—Form of Registration Rights Agreement

The registrant agrees to furnish supplementally a copy of any omitted exhibit to the Securities and Exchange Commission upon request.

**Exhibit 10.2**

**Execution Version**

---

**$100,000,000**

# CREDIT AGREEMENT

**dated as of December 23, 2004,**

**among**

**MAGNACHIP SEMICONDUCTOR S.A.**
**and**
**MAGNACHIP SEMICONDUCTOR FINANCE COMPANY**
**as Borrowers,**

**MAGNACHIP SEMICONDUCTOR LLC**
**and**
**THE OTHER GUARANTORS PARTY HERETO,**
**as Guarantors,**

**THE LENDERS PARTY HERETO**

**and**

**UBS SECURITIES LLC,**
**as Arranger, Bookmanager, Documentation Agent and Syndication Agent,**

**and**

**KOREA EXCHANGE BANK,**
**as Issuing Bank**

**and**

**UBS AG, STAMFORD BRANCH,**
**as Administrative Agent and Collateral Agent,**

**and**

**UBS LOAN FINANCE LLC,**
**as Swingline Lender**

Latham & Watkins LLP
Sears Tower, Suite 5800
233 South Wacker Drive
Chicago, Illinois 60606-6401

---

**TABLE OF CONTENTS**

**CREDIT AGREEMENT**

This CREDIT AGREEMENT (this "**Agreement**") dated as of December 23, 2004, among MAGNACHIP SEMICONDUCTOR S.A., a *société anonyme*, organized and existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 10, rue de Vianden, L-2680 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Register of commerce and companies under the number B 97,483, MAGNACHIP SEMICONDUCTOR FINANCE COMPANY, a Delaware corporation (collectively, "**Borrowers**"), MAGNACHIP SEMICONDUCTOR LLC, a Delaware limited liability company ("**Holdings**"), the Subsidiary Guarantors listed on the signature pages hereto (such term and each other capitalized term used but not defined herein having the meaning given to it in Article I), the Lenders, UBS SECURITIES LLC, as lead arranger (in such capacity, "**Arranger**"), as documentation agent (in such capacity, "**Documentation Agent**") and as syndication agent (in such capacity, "**Syndication Agent**"), UBS LOAN FINANCE LLC, as swingline lender (in such capacity, "**Swingline Lender**"), and KOREA EXCHANGE BANK, as issuing bank (in such capacity, "**Issuing Bank**"), UBS AG, STAMFORD BRANCH, as administrative agent (in such capacity, "**Administrative Agent**") for the Lenders and as collateral agent (in such capacity, "**Collateral Agent**") for the Secured Parties and the Issuing Bank.

**WITNESSETH:**

WHEREAS, Borrowers have requested the Lenders to extend credit in the form of Revolving Loans at any time and from time to time prior to the Revolving Maturity Date, in an aggregate principal amount at any time outstanding not in excess of $100,000,000, none of which may be drawn on the Closing Date.

WHEREAS, Borrowers have requested the Swingline Lender to make Swingline Loans, at any time and from time to time prior to the Revolving Maturity Date, in an aggregate principal amount at any time outstanding not in excess of $10,000,000.

WHEREAS, Borrowers have requested the Issuing Bank to issue letters of credit, in an aggregate face amount at any time outstanding not in excess of $40,000,000, to support payment obligations incurred in the ordinary course of business by Borrowers and their Subsidiaries.

WHEREAS, the proceeds of the Loans are to be used in accordance with Section 3.12.

NOW, THEREFORE, the Lenders are willing to extend such credit to Borrowers and the Issuing Bank is willing to issue letters of credit for the account of Borrowers on the terms and subject to the conditions set forth herein. Accordingly, the parties hereto agree as follows:

**ARTICLE I**

**DEFINITIONS**

**SECTION 1.01 Defined Terms**. As used in this Agreement, the following terms shall have the meanings specified below:

"**ABR**", when used in reference to any Loan or Borrowing, is used when such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"**ABR Borrowing**" shall mean a Borrowing comprised of ABR Revolving Loans.

"**ABR Revolving Loan**" shall mean any Revolving Loan bearing interest at a rate determined by reference to the Alternate Base Rate in accordance with the provisions of Article II.

"**Acquired Business**" means the System IC division of Hynix Semiconductor acquired by Korean Opco pursuant to the Acquisition.

"**Acquisition**" shall mean the purchase of System IC division from Hynix Semiconductor Inc. by Korean Opco.

"**Acquisition Consideration**" shall mean the purchase consideration for any Permitted Acquisition and all other payments by Holdings or any of its Subsidiaries in exchange for, or as part of, or in connection with, any Permitted Acquisition, whether paid in cash or by exchange of Equity Interests or of properties or otherwise and whether payable at or prior to the consummation of such Permitted Acquisition or deferred for payment at any future time, whether or not any such future payment is subject to the occurrence of any contingency, and includes any and all payments representing the purchase price and any assumptions of Indebtedness, "earn-outs" and other agreements to make any payment the amount of which is, or the terms of payment of which are, in any respect subject to or contingent upon the revenues, income, cash flow or profits (or the like) of any person or business; *provided* that any such future payment that is subject to a contingency shall be considered Acquisition Consideration only to the extent of the reserve, if any, required under GAAP at the time of such sale to be established in respect thereof by Holdings or any of its Subsidiaries.

"**Adjusted LIBOR Rate**" shall mean, with respect to any Eurodollar Borrowing for any Interest Period, (a) an interest rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) determined by the Administrative Agent to be equal to the LIBOR Rate for such Eurodollar Borrowing in effect for such Interest Period divided by (b) 1 *minus* the Statutory Reserves (if any) for such Eurodollar Borrowing for such Interest Period.

"**Administrative Agent**" shall have the meaning assigned to such term in the preamble hereto and includes each other person appointed as the successor pursuant to Article X.

"**Administrative Agent Fees**" shall have the meaning assigned to such term in Section 2.05(b).

"**Administrative Questionnaire**" shall mean an Administrative Questionnaire in substantially the form of Exhibit A.

"**Affiliate**" shall mean, when used with respect to a specified person, another person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the person specified; *provided, however*, that, for purposes of Section 6.09, the term "Affiliate" shall also include (i) any person that directly or indirectly owns more than 10% of any class of Equity Interests of the person specified or (ii) any person that is an executive officer or director of the person specified.

"**Agents**" shall mean the Administrative Agent and the Collateral Agent; and "**Agent**" shall mean any of them.

"**Agreement**" shall have the meaning assigned to such term in the preamble hereto.

"**Alternate Base Rate**" shall mean, for any day, a rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) equal to the greater of (a) the Base Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day *plus* 0.50%. If the Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Federal Funds Effective Rate for any reason, including the inability or failure of the Administrative Agent to obtain sufficient quotations in accordance with the terms of the definition thereof, the Alternate Base Rate shall be determined without regard to clause (b) of the preceding sentence until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Base Rate or the Federal Funds Effective Rate shall be effective on the effective date of such change in the Base Rate or the Federal Funds Effective Rate, respectively.

"**Alternative Currency**" shall mean each of Pound Sterling, Euro, Yen, and each other currency (other than Dollars) that is approved by the Administrative Agent and the Issuing Bank in their sole discretion.

"**Alternative Currency Letter of Credit**" means a Letter of Credit denominated in an Alternative Currency.

"**Anti-Terrorism Laws**" shall have the meaning assigned to such term in Section 3.21.

"**Applicable Fee**" shall mean .50% per annum.

"**Applicable Margin**" shall mean, for any day, with respect to any Revolving Loan, the applicable percentage set forth in Annex I under the appropriate caption.

"**Approved Fund**" shall mean any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"**Arranger**" shall have the meaning assigned to such term in the preamble hereto.

"**Asset Sale**" shall mean (a) any conveyance, sale, assignment, transfer or other disposition (including by way of merger or consolidation, any lease, sublease, license or sublicense that is in effect a disposition and any Sale and Leaseback Transaction) of any property excluding sales of inventory, dispositions of cash equivalents and Intellectual Property licenses, in each case, in the ordinary course of business, by Holdings or any of its Subsidiaries and (b) any issuance or sale of any Equity Interests of any Subsidiary of Holdings, in each case, to any person other than (i) any Borrower or (ii) any Subsidiary Guarantor.

"**Assignment and Assumption**" shall mean an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 10.04(b)), and accepted by the Administrative Agent, in substantially the form of Exhibit B, or any other form approved by the Administrative Agent.

"**Attributable Indebtedness**" shall mean, when used with respect to any Sale and Leaseback Transaction, as at the time of determination, the present value (discounted at a rate equivalent to Borrowers' then-current weighted average cost of funds for borrowed money as at the time of determination, compounded on a semi-annual basis) of the total obligations of the lessee for rental payments during the remaining term of the lease included in any such Sale and Leaseback Transaction.

"**Bailee Letter**" shall have the meaning assigned thereto in the Security Agreement.

"**Base Rate**" shall mean, for any day, a rate per annum that is equal to the corporate base rate of interest established by the Administrative Agent from time to time; each change in the Base Rate shall be effective on the date such change is effective. The corporate base rate is not necessarily the lowest rate charged by the Administrative Agent to its customers.

"**Board**" shall mean the Board of Governors of the Federal Reserve System of the United States.

"**Board of Directors**" shall mean, with respect to any person, (i) in the case of any corporation, the board of directors of such person, (ii) in the case of any limited liability company, the board of managers of such person, (iii) in the case of any partnership, the Board of Directors of the general partner of such person and (iv) in any other case, the functional equivalent of the foregoing.

"**Borrowers**" shall have the meaning assigned to such term in the preamble hereto.

"**Borrowing**" shall mean (a) Loans of the same Class and Type, made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect, or (b) a Swingline Loan.

"**Borrowing Request**" shall mean a request by any Borrower in accordance with the terms of Section 2.03 and substantially in the form of Exhibit C, or such other form as shall be approved by the Administrative Agent.

"**Business Day**" shall mean any day other than a Saturday, Sunday or other day on which banks in New York City are authorized or required by law to close. *provided, however*, that when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"**Capital Expenditures**" shall mean, for any period, without duplication, the increase during that period in the gross property, plant or equipment account in the consolidated balance sheet of Holdings and its Subsidiaries, determined in accordance with GAAP, whether such increase is due to purchase of properties for cash or financed by the incurrence of Indebtedness, but excluding (i) expenditures made in connection with the replacement, substitution or restoration of property pursuant to Section 2.09(f) and (ii) any portion of such increase attributable solely to acquisitions of property, plant and equipment in Permitted Acquisitions.

"**Capital Lease Obligations**" of any person shall mean the obligations of such person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"**Cash Equivalents**" shall mean, as to any person, (a) Dollars, Korean Won, Pound Sterling, Hong Kong dollars, New Taiwan dollars, Euros and Japanese Yen; (b) securities issued or directly and fully guaranteed or insured by the United States government, Korean government, EU member states with a sovereign credit rating of A or better, the Japanese government, the Taiwan government, the Hong Kong government, or any agency or instrumentality of any such government (provided that the full faith and credit of any such government is pledged in support of those securities) having maturities of not more

than one year from the date of acquisition; (c) Dollar denominated and Korean Won denominated certificates of deposit, eurodollar time deposits and other similar instruments in the United States, Hong Kong, Taiwan and Japan with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding one year and overnight bank deposits, in each case, with any Lender or with any domestic commercial bank having capital and surplus in excess of $500.0 million and a Thomson Bank Watch Rating of "B" or better or comparable rating by a comparable rating agency in the relevant jurisdiction if a Moody's or S&P rating is unavailable, (d) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (b) and (c) above entered into with any financial institution meeting the qualifications specified in clause (c) above; (e) commercial paper having one of the three highest ratings obtainable from S&P and one of the two highest ratings obtainable from Moody's or comparable rating by a comparable rating agency in the relevant jurisdiction if a Moody's or S&P rating is unavailable and, in each case, maturing within one year after the date of acquisition; and (f) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (a) through (f) of this definition.

"**Cash Interest Expense**" shall mean, for any period, Consolidated Interest Expense for such period, *less* the sum of (a) interest on any debt paid by the increase in the principal amount of such debt including by issuance of additional debt of such kind, (b) items described in clause (c) or, other than to the extent paid in cash, clause (g) of the definition of "Consolidated Interest Expense" and (c) gross interest income of Holdings and its Subsidiaries for such period.

"**Casualty Escrow Account**" shall mean an escrow account pledged to the Collateral Agent as additional collateral for the Secured Obligations pursuant to documentation in form and substance satisfactory to the Collateral Agent.

"**Casualty Event**" shall mean any loss of title or any loss of or damage to or destruction of, or any condemnation or other taking (including by any Governmental Authority) of, any property of Holdings or any of its Subsidiaries. "Casualty Event" shall include but not be limited to any taking of all or any part of any Real Property of any person or any part thereof, in or by condemnation or other eminent domain proceedings pursuant to any Requirement of Law, or by reason of the temporary requisition of the use or occupancy of all or any part of any Real Property of any person or any part thereof by any Governmental Authority, civil or military, or any settlement in lieu thereof.

"**CERCLA**" shall mean the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. § 9601 *et seq* and any implementing regulations.

A "**Change in Control**" shall be deemed to have occurred if:

(a) Holdings at any time ceases to own 99% of the Equity Interests of Lux Borrower, 100% of the Equity Interests of the U.S. Sales Subsidiary or 100% of the Equity Interests of MagnaChip SA Holdings,

(b) MagnaChip SA Holdings ceases to own 1 % of the Equity Interests of Lux Borrower;

(c) Lux Borrower ceases to own 100% of the Equity Interests of each of Dutch Holdco, MagnaChip Semiconductor Finance Company or any Foreign Sales Subsidiary;

(d) Dutch Holdco ceases to own 100% of the Equity Interests of Korean Opco;

(e) at any time a change of control occurs under any Material Indebtedness;

(f) prior to an IPO, (i) the Permitted Holders cease to own, or to have the power to vote or direct the voting of, Voting Stock of Holdings representing a majority of the voting power of the total outstanding Voting Stock of Holdings or (ii) the Permitted Holders cease to own Equity Interests representing a majority of the total economic interests of the Equity Interests of Holdings;

(g) following an IPO, (i) the Post IPO Permitted Holders shall fail to own, or to have the power to vote or direct the voting of, Voting Stock of Holdings representing more than 25% of the voting power of the total outstanding Voting Stock of Holdings, (ii) the Post IPO Permitted Holders cease to own Equity Interests representing more than 25% of the total economic interests of the Equity Interests of Holdings or (iii) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), other than one or more Permitted Holders, is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that for purposes of this clause such person or group shall be deemed to have "beneficial ownership" of all securities that such person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of Voting Stock of Holdings representing more than 25% of the voting power of the total outstanding Voting Stock of Holdings; or

(h) following an IPO, during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of Holdings (together with any new directors whose election to such Board of Directors or whose nomination for election was approved by a vote of a majority of the members of the Board of Directors of Holdings, which members comprising such majority are then still in office and were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of Holdings.

For purposes of this definition, a person shall not be deemed to have beneficial ownership of Equity Interests subject to a stock purchase agreement, merger agreement or similar agreement until the consummation of the transactions contemplated by such agreement.

"**Change in Law**" shall mean the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking into effect of any law, treaty, order, policy, rule or regulation, (b) any change in any law, treaty, order, policy, rule or regulation or in the administration, interpretation or application thereof by any Governmental Authority or (c) the making or issuance of any request, guideline or directive (whether or not having the force of law) by any Governmental Authority.

"**Charges**" shall have the meaning assigned to such term in Section 10.15.

"**Class**," when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans, Term Loans or Swingline Loans and, when used in reference to any Commitment, refers to whether such Commitment is a Revolving Commitment, Term Loan Commitment or Swingline Commitment, in each case, under this Agreement, as originally in effect or pursuant to Section 2.18, of which such Loan, Borrowing or Commitment shall be a part.

"**Clearing House**" shall mean the means the Seoul Clearing House, an institution appointed by the Minster of the Ministry of Justice of Korea pursuant to Article 83 of the Bills of Exchange

and Promissory Notes Law of Korea and Article 69 of the Cheques Law of Korea and operated by the Korea Financial Telecommunications and Clearing Institute for settlement activities by way of exchange of bills of exchange, promissory notes and cheques in Korea.

"**Closing Date**" shall mean the date of the initial Credit Extension hereunder.

"**Code**" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"**Collateral**" shall mean, collectively, all of the Security Agreement Collateral, the Mortgaged Property and all other property wherever situate of whatever kind and nature subject or purported to be subject from time to time to a Lien under any Security Document.

"**Collateral Agent**" shall have the meaning assigned to such term in the preamble hereto.

"**Collateral Trust Agreement**" shall mean that certain Collateral Trust Agreement dated as of the date hereof by and among the Administrative Agent, the Collateral Agent, the Senior Secured Notes Trustee, Korean Opco and the Collateral Trustee.

"**Collateral Trustee**" shall mean U.S. Bank National Association, its successors and assigns.

"**Collateral Trust Documents**" shall mean the Collateral Trust Agreement and all other documents executed and delivered in connection therewith relating to the granting of liens or the issuance of guarantees by Korean Opco.

"**Commercial Letter of Credit**" shall mean any letter of credit or similar instrument issued for the purpose of providing credit support in connection with the purchase of materials, goods or services by Borrowers or any of their Subsidiaries in the ordinary course of their businesses.

"**Commitment**" shall mean, with respect to any Lender, such Lender's Revolving Commitment or Swingline Commitment or any Commitment to make Term Loans of a new Class extended by such Lender as provided in Section 2.18.

"**Commitment Fee**" shall have the meaning assigned to such term in Section 2.05(a).

"**Companies**" shall mean Holdings and its Subsidiaries; and "**Company**" shall mean any one of them.

"**Compliance Certificate**" shall mean a certificate of a Financial Officer substantially in the form of Exhibit D.

"**Consolidated Amortization Expense**" shall mean, for any period, the amortization expense of Holdings and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

"**Consolidated Depreciation Expense**" shall mean, for any period, the depreciation expense of Holdings and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

"**Consolidated EBITDA**" shall mean, for any period, Consolidated Net Income for such period, adjusted by (x) *adding thereto*, in each case only to the extent (and in the same proportion) deducted in determining such Consolidated Net Income (and with respect to the portion of Consolidated Net Income attributable to any Subsidiary of Holdings only if a corresponding amount would be permitted at the date of determination to be distributed to a Borrower by such Subsidiary without prior approval (that has not been obtained), pursuant to the terms of its Organizational Documents and all agreements, instruments and Requirements of Law applicable to such Subsidiary or its equityholders):

(a) Consolidated Interest Expense for such period,

(b) Consolidated Amortization Expense for such period,

(c) Consolidated Depreciation Expense for such period,

(d) Consolidated Tax Expense for such period plus the amount of any Permitted Tax Distributions made by Holdings pursuant to Section 6.08(c),

(e) costs and expenses directly incurred in connection with the Transactions in an aggregate amount not to exceed $26 million, and

(f) the aggregate amount of all other non-cash charges reducing Consolidated Net Income (excluding any non-cash charge that results in an accrual of a reserve for cash charges in any future period) for such period, and

(y) *subtracting therefrom* the aggregate amount of all non-cash items increasing Consolidated Net Income (other than the accrual of revenue or recording of receivables in the ordinary course of business) for such period.

Consolidated EBITDA shall be calculated on a Pro Forma Basis to give effect to any Permitted Acquisition and Asset Sales (other than any dispositions in the ordinary course of business) consummated at any time on or after the first day of the Test Period thereof as if each such Permitted Acquisition had been effected on the first day of such period and as if each such Asset Sale had been consummated on the day prior to the first day of such period.

For purposes of determining Consolidated EBITDA for any Test Period that includes the quarterly periods ending June 30, 2004 or September 30, 2004, the Consolidated EBITDA for each such quarterly period shall be deemed to be $99,067,000.

"**Consolidated Indebtedness**" shall mean, as at any date of determination, the aggregate amount of all Indebtedness and all LC Exposure of Holdings and its Subsidiaries, determined on a consolidated basis in accordance with GAAP.

"**Consolidated Interest Coverage Ratio**" shall mean, for any Test Period, the ratio of (x) Consolidated EBITDA for such Test Period to (y) Consolidated Interest Expense for such Test Period.

"**Consolidated Interest Coverage Ratio (Excluding CapEx)**" shall mean, for any Test Period, the ratio of (x) Consolidated EBITDA for such Test Period minus Capital Expenditures made during such Test Period to (y) Consolidated Interest Expense for such Test Period. For purposes of determining Capital Expenditures for the Test Periods ending on March 31, 2005, June 30, 2005 and September 30, 2005, Capital Expenditures for such Test Periods shall be computed as follows: (i) for the Test

Period ending March 31, 2005 Capital Expenditures shall equal four times the amount of Capital Expenditures for the period commencing January 1, 2005 and ending March 31, 2005, (ii) for the Test Period Ending June 30, 2005 Capital Expenditures shall equal two times the amount of Capital Expenditures for the period commencing January 1, 2005 and ending June 30, 2005 and (iii) for the Test Period Ending September 30, 2005, Capital Expenditures shall equal one and one-third times the amount of Capital Expenditures for the period commencing January 1, 2005 and ending September 30, 2005

"**Consolidated Interest Expense**" shall mean, for any period, the total consolidated interest expense of Holdings and its Subsidiaries for such period determined on a consolidated basis in accordance with GAAP *plus*, without duplication:

(a) imputed interest on Capital Lease Obligations and Attributable Indebtedness of Holdings and its Subsidiaries for such period;

(b) commissions, discounts and other fees and charges owed by Holdings or any of its Subsidiaries with respect to letters of credit securing financial obligations, bankers' acceptance financing and receivables financings for such period;

(c) amortization of debt issuance costs, debt discount or premium and other financing fees and expenses incurred by any Borrower or any of its Subsidiaries for such period;

(d) cash contributions to any employee stock ownership plan or similar trust made by Holdings or any of its Subsidiaries to the extent such contributions are used by such plan or trust to pay interest or fees to any person (other than any Borrower or a Wholly Owned Subsidiary) in connection with Indebtedness incurred by such plan or trust for such period;

(e) all interest paid or payable with respect to discontinued operations of Holdings or any of its Subsidiaries for such period;

(f) the interest portion of any deferred payment obligations of Holdings or any of its Subsidiaries for such period;

(g) all interest on any Indebtedness of Holdings or any of its Subsidiaries of the type described in clause (f) or (k) of the definition of "Indebtedness" for such period**;**

*provided* that (a) to the extent directly related to the Transactions, debt issuance costs, debt discount or premium and other financing fees and expenses shall be excluded from the calculation of Consolidated Interest Expense and (b) Consolidated Interest Expense shall be calculated after giving effect to Hedging Agreements (including associated costs), but excluding unrealized gains and losses with respect to Hedging Agreements.

Consolidated Interest Expense shall be calculated on a Pro Forma Basis to give effect to any Indebtedness incurred, assumed or permanently repaid or extinguished during the relevant Test Period in connection with any Permitted Acquisitions and Asset Sales (other than any dispositions in the ordinary course of business) as if such incurrence, assumption, repayment or extinguishing had been effected on the first day of such period.

For purposes of determining Consolidated Interest Expense for the Test Periods ending on March 31, 2005, June 30, 2005 and September 30, 2005, Consolidated Interest Expense for such Test Periods shall be computed as follows: (i) for the Test Period ending March 31, 2005 Consolidated Interest

Expense shall equal four times the amount of Consolidated Interest Expense for the period commencing January 1, 2005 and ending March 31, 2005, (ii) for the Test Period Ending June 30, 2005 Consolidated Interest Expense shall equal two times the amount of Consolidated Interest Expense for the period commencing January 1, 2005 and ending June 30, 2005 and (iii) for the Test Period Ending September 30, 2005, Consolidated Interest Expense shall equal one and one-third times the amount of Consolidated Interest Expense for the period commencing January 1, 2005 and ending September 30, 2005.

Consolidated Interest Expense for any period shall exclude interest expense for such period with respect to the Korean Opco Cash Collateralized Acquisition Debt to the extent of income earned during such period on the cash collateral posted as security for such Indebtedness.

"**Consolidated Net Income**" shall mean, for any period, the consolidated net income (or loss) of Holdings and its Subsidiaries determined on a consolidated basis in accordance with GAAP; *provided* that there shall be excluded from such net income (to the extent otherwise included therein), without duplication:

(a) the net income (or loss) of any person (other than a Subsidiary of Holdings) in which any person other than Holdings or any of its Subsidiaries has an ownership interest, except to the extent that cash in an amount equal to any such income has actually been received by such Borrower or (subject to clause (b) below) such Subsidiary during such period;

(b) the net income of any Subsidiary of Holdings during such period to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary of that income is not permitted by operation of the terms of its Organizational Documents or any agreement, instrument or Requirement of Law applicable to that Subsidiary during such period, except that Borrowers' equity in net loss of any such Subsidiary for such period shall be included in determining Consolidated Net Income;

(c) any gain (or loss), together with any related provisions for taxes on any such gain (or the tax effect of any such loss), realized during such period by Holdings or any of its Subsidiaries upon any Asset Sale (other than any dispositions in the ordinary course of business) by any Borrower or any of its Subsidiaries;

(d) gains and losses due solely to fluctuations in currency values and the related tax effects determined in accordance with GAAP for such period;

(e) unrealized gains and losses with respect to Hedging Obligations for such period; and

(f) any extraordinary gain (or extraordinary loss), together with any related provision for taxes on any such gain (or the tax effect of any such loss), recorded or recognized by Holdings or any of its Subsidiaries during such period.

For purposes of this definition of "Consolidated Net Income," Consolidated Net Income shall be reduced (to the extent not already reduced thereby) by the amount of any Permitted Tax Distributions made by Holdings pursuant to Section 6.08(c).

"**Consolidated Tax Expense**" shall mean, for any period, the tax expense of Holdings and its Subsidiaries, for such period, determined on a consolidated basis in accordance with GAAP.

"**Contested Collateral Lien Conditions**" shall mean, with respect to any Permitted Lien of the type described in clauses (a), (b), (e) and (f) of Section 6.02, the following conditions:

(a) Borrowers shall cause any proceeding instituted contesting such Lien to stay the sale or forfeiture of any portion of the Collateral on account of such Lien;

(b) at the option and at the request of the Administrative Agent, to the extent such Lien is in an amount in excess of $3,000,000, the appropriate Loan Party shall maintain cash reserves in an amount sufficient to pay and discharge such Lien and the Administrative Agent's reasonable estimate of all interest and penalties related thereto; and

(c) such Lien shall in all respects be subject and subordinate in priority to the Lien and security interest created and evidenced by the Security Documents, except if and to the extent that the Requirement of Law creating, permitting or authorizing such Lien provides that such Lien is or must be superior to the Lien and security interest created and evidenced by the Security Documents.

"**Contingent Obligation**" shall mean, as to any person, any obligation, agreement, understanding or arrangement of such person guaranteeing or intended to guarantee any Indebtedness, leases, dividends or other obligations ("**primary obligations**") of any other person (the "**primary obligor**") in any manner, whether directly or indirectly, including any obligation of such person, whether or not contingent, (a) to purchase any such primary obligation or any property constituting direct or indirect security therefor; (b) to advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation; (d) with respect to bankers' acceptances, letters of credit and similar credit arrangements, until a reimbursement obligation arises (which reimbursement obligation shall constitute Indebtedness); or (e) otherwise to assure or hold harmless the holder of such primary obligation against loss in respect thereof; *provided, however*, that the term "Contingent Obligation" shall not include endorsements of instruments for deposit or collection in the ordinary course of business or any product warranties. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made (or, if less, the maximum amount of such primary obligation for which such person may be liable, whether singly or jointly, pursuant to the terms of the instrument evidencing such Contingent Obligation) or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such person is required to perform thereunder) as determined by such person in good faith.

"**Control**" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a person, whether through the ownership of voting securities, by contract or otherwise, and the terms "**Controlling**" and "**Controlled**" shall have meanings correlative thereto.

"**Controlled Investment Affiliate**" means, as to any person, any other person which directly or indirectly is in Control of, is Controlled by, or is under common Control with, such person and is organized by such person (or any person Controlling such person) primarily for making equity or debt investments in Holdings or other portfolio companies.

"**Credit Extension**" shall mean, as the context may require, (i) the making of a Loan by a Lender or (ii) the issuance of any Letter of Credit, or the amendment, extension or renewal of any existing Letter of Credit, by the Issuing Bank.

"**CRPL**" shall mean the Corporate Restructuring Promotion Law of Korea (Law Number 06504 (enacted in 2001)) and all regulations, rules and decrees promulgated under the CRPL and any successor statute or law.

"**Debt Issuance**" shall mean the incurrence by Holdings or any of its Subsidiaries of any Indebtedness after the Closing Date (other than as permitted by Section 6.01).

"**Debt Service**" shall mean, for any period, Cash Interest Expense for such period plus scheduled principal amortization of all Indebtedness for such period.

"**Default**" shall mean any event, occurrence or condition which is, or upon notice, lapse of time or both would constitute, an Event of Default.

"**Default Rate**" shall have the meaning assigned to such term in Section 2.06(c).

"**Disqualified Capital Stock**" shall mean any Equity Interest which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, (a) matures (excluding any maturity as the result of an optional redemption by the issuer thereof) or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, on or prior to the first anniversary of the Revolving Maturity Date, (b) is convertible into or exchangeable (unless at the sole option of the issuer thereof) for (i) debt securities or (ii) any Equity Interests referred to in (a) above, in each case at any time on or prior to the first anniversary of the Revolving Maturity Date, or (c) contains any repurchase obligation which may come into effect prior to payment in full of all Obligations; *provided, however*, that any Equity Interests that would not constitute Disqualified Capital Stock but for provisions thereof giving holders thereof (or the holders of any security into or for which such Equity Interests is convertible, exchangeable or exercisable) the right to require the issuer thereof to redeem such Equity Interests upon the occurrence of a change in control or an asset sale occurring prior to the first anniversary of the Revolving Maturity Date shall not constitute Disqualified Capital Stock if such Equity Interests provide that the issuer thereof will not redeem any such Equity Interests pursuant to such provisions prior to the repayment in full of the Obligations.

"**Dividend**" with respect to any person shall mean that such person has declared or paid a dividend or returned any equity capital to the holders of its Equity Interests or authorized or made any other distribution, payment or delivery of property (other than Qualified Capital Stock of such person) or cash to the holders of its Equity Interests as such, or redeemed, retired, purchased or otherwise acquired, directly or indirectly, for consideration any of its Equity Interests outstanding (or any options or warrants issued by such person with respect to its Equity Interests), or set aside any funds for any of the foregoing purposes, or shall have permitted any of its Subsidiaries to purchase or otherwise acquire for consideration any of the Equity Interests of such person outstanding (or any options or warrants issued by such person with respect to its Equity Interests). Without limiting the foregoing, "Dividends" with respect to any person shall also include all payments made or required to be made by such person with respect to any stock appreciation rights, plans, equity incentive or achievement plans or any similar plans or setting aside of any funds for the foregoing purposes.

"**Documentation Agent**" shall have the meaning assigned to such term in the preamble hereto.

"**Dutch Holdco**" shall mean MagnaChip Semiconductor B.V., a Dutch privately held limited liability company.

"**Dollars**" or "**$**" shall mean lawful money of the United States.

"**Dollar Equivalent**" means, at any time, (a) with respect to any amount denominated in Dollars, such amount, and (b) with respect to any amount denominated in any Alternative Currency, the equivalent amount thereof in Dollars as determined by the Administrative Agent or the Issuing Bank, as the case may be, at such time on the basis of the Spot Rate (determined in respect of the most recent Revaluation Date) for the purchase of Dollars with such Alternative Currency.

"**Eligible Assignee**" shall mean (a) if the assignment does not include assignment of a Revolving Commitment, (i) any Lender, (ii) an Affiliate of any Lender, (iii) an Approved Fund and (iv) any other person approved by the Administrative Agent and Borrowers (each such approval not to be unreasonably withheld or delayed) and (b) if the assignment includes assignment of a Revolving Commitment, (i) any Revolving Lender, (ii) an Affiliate of any Revolving Lender, (iii) an Approved Fund of a Revolving Lender and (iv) any other person approved by the Administrative Agent, the Issuing Bank, the Swingline Lender and Borrowers (each such approval not to be unreasonably withheld or delayed); *provided* that in the case of each of clauses (i) and (ii), (x) no approval of any Borrower shall be required during the continuance of a Default and (y) "Eligible Assignee" shall not include any Borrower or any of its Affiliates or Subsidiaries or any natural person.

"**Embargoed Person**" shall have the meaning assigned to such term in Section 6.21.

"**Environment**" shall mean ambient air, surface water and groundwater (including potable water, navigable water and wetlands), the land surface and subsurface strata, natural resources, the workplace, and any other area or medium in any Environmental Law.

"**Environmental Claim**" shall mean any claim, notice, demand, order, action, suit, proceeding or other communication alleging liability for an obligation with respect to any investigation, remediation, removal, cleanup, response, corrective action, damages to natural resources, personal injury, property damage, fines, penalties or other costs resulting from, related to or arising out of (i) the presence, Release or threatened Release in or into the Environment of Hazardous Material at any location or (ii) any violation or alleged violation of any Environmental Law, and shall include any claim seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from, related to or arising out of the presence, Release or threatened Release of Hazardous Material or alleged injury or threat of injury to health, safety or the Environment.

"**Environmental Law**" shall mean any and all applicable present and future treaties, laws, statutes, ordinances, regulations, rules, decrees, orders, judgments, consent orders, consent decrees, code or other binding requirements, and the common law, in any jurisdiction relating to protection of public health or the Environment, the Release or threatened Release of Hazardous Material, natural resources or natural resource damages, or occupational safety or health.

"**Environmental Permit**" shall mean any permit, license, approval, registration, notification, exemption, consent or other authorization required in any jurisdiction by or from a Governmental Authority under Environmental Law.

"**Equity Interest**" shall mean, with respect to any person, any and all shares, interests, participations or other equivalents, including membership interests (however designated, whether voting or nonvoting), of equity of such person, including, if such person is a partnership, partnership interests (whether general or limited) and any other interest or participation that confers on a person the right to receive a share of the profits and losses of, or distributions of property of, such partnership, whether outstanding on the date hereof or issued after the Closing Date, but excluding debt securities convertible or exchangeable into such equity.

"**Equity Issuance**" shall mean, without duplication, (i) any issuance or sale by Holdings after the Closing Date of any Equity Interests in Holdings (including any Equity Interests issued upon exercise of any warrant or option) or any warrants or options to purchase Equity Interests or (ii) any contribution to the capital of Holdings.

"**ERISA**" shall mean the Employee Retirement Income Security Act of 1974, as the same may be amended from time to time.

"**ERISA Affiliate**" shall mean, with respect to any person, any trade or business (whether or not incorporated) that, together with such person, is treated as a single employer under Section 414 of the Code.

"**ERISA Event**" shall mean (a) any "reportable event," as defined in Section 4043 of ERISA or the regulations issued thereunder, with respect to a Plan (other than an event for which the 30-day notice period is waived by regulation); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the failure to make by its due date a required installment under Section 412(m) of the Code with respect to any Plan or the failure to make any required contribution to a Multiemployer Plan; (d) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (e) the incurrence by any Company or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (f) the receipt by any Company or any of its ERISA Affiliates from the PBGC or a plan administrator of any notice relating to the intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan, or the occurrence of any event or condition which could reasonably be expected to constitute grounds under ERISA for the termination of, or the appointment of a trustee to administer, any Plan; (g) the incurrence by any Company or any of its ERISA Affiliates of any liability with respect to the withdrawal from any Plan or Multiemployer Plan; (h) the receipt by any Company or its ERISA Affiliates of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA; (i) the "substantial cessation of operations" within the meaning of Section 4062(e) of ERISA with respect to a Plan; (j) the making of any amendment to any Plan which could result in the imposition of a lien or the posting of a bond or other security; and (k) the occurrence of a nonexempt prohibited transaction (within the meaning of Section 4975 of the Code or Section 406 of ERISA) which could reasonably be expected to result in liability to any Company.

"**Eurodollar Borrowing**" shall mean a Borrowing comprised of Eurodollar Revolving Loans.

"**Eurodollar Revolving Borrowing**" shall mean a Borrowing comprised of Eurodollar Revolving Loans.

"**Eurodollar Revolving Loan**" shall mean any Revolving Loan bearing interest at a rate determined by reference to the Adjusted LIBOR Rate in accordance with the provisions of Article II.

"**Event of Default**" shall have the meaning assigned to such term in Section 8.01.

"**Excess Amount**" shall have the meaning assigned to such term in Section 2.09(h).

"**Exchange Act**" shall mean the Securities Exchange Act of 1934, as amended.

"**Excluded Taxes**" shall mean, with respect to the Administrative Agent, any Lender, the Issuing Bank or any other recipient of any payment to be made by or on account of any obligation of any Borrower hereunder, (a) taxes imposed on or measured by its overall net income (however denominated), franchise taxes imposed on it (in lieu of net income taxes) and branch profits taxes imposed on it, by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located and (b) any Luxembourg federal withholding tax that is imposed on amounts payable to any Lender at the time such Lender becomes a party hereto (or designates a new lending office) or is attributable to such Lender's failure to comply with Section 2.14(e), except to the extent that such Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from Borrower with respect to such withholding tax pursuant to Section 2.14(a); *provided* that this clause (b) shall not apply to any Tax imposed on a Lender in connection with an interest or participation in any Loan or other obligation that such Lender was required to acquire pursuant to Section 2.13(c).

"**Executive Order**" shall have the meaning assigned to such term in Section 3.22.

"**Existing Letters of Credit**" shall mean the letters of credit issued prior to the Closing Date and set forth on Schedule 2.17.

"**Existing Lien**" shall have the meaning assigned to such term in Section 6.02(c).

"**Federal Funds Effective Rate**" shall mean, for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System of the United States arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for the day for such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it.

"**Fee Letter**" shall mean the confidential Fee Letter, dated December 23, 2004, among Holdings, UBS Loan Finance LLC and UBS Securities LLC.

"**Fees**" shall mean the Commitment Fees, the Administrative Agent Fees, the LC Participation Fees and the Fronting Fees.

"**Finance Subsidiary**" shall mean MagnaChip Semiconductor Finance Company, a Delaware limited liability company.

"**Financial Officer**" of any person shall mean the chief financial officer, principal accounting officer, treasurer or controller of such person.

"**FIRREA**" shall mean the Federal Institutions Reform, Recovery and Enforcement Act of 1989, as amended.

"**Foreign Plan**" shall mean any employee benefit plan, program, policy, arrangement or agreement maintained or contributed to by any Company with respect to employees employed outside the United States.

"**Foreign Sales Subsidiaries**" means each of the Sales Subsidiaries other than the US Sales Subsidiary.

"**Foreign Subsidiary**" shall mean a Subsidiary that is organized under the laws of a jurisdiction other than the United States or any state thereof or the District of Columbia.

"**Fronting Fee**" shall have the meaning assigned to such term in Section 2.05(c).

"**Fund**" shall mean any person that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"**GAAP**" shall mean generally accepted accounting principles in the United States applied on a consistent basis.

"**Governmental Authority**" shall mean the government of the United States of America or any other nation, or of any political subdivision thereof, whether state, provincial or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank) in any jurisdiction.

"**Governmental Real Property Disclosure Requirements**" shall mean any Requirement of Law of any Governmental Authority requiring notification of the buyer, lessee, mortgagee, assignee or other transferee of any Real Property, facility, establishment or business, or notification, registration or filing to or with any Governmental Authority, in connection with the sale, lease, mortgage, assignment or other transfer (including any transfer of control) of any Real Property, facility, establishment or business, of the actual or threatened presence or Release in or into the Environment, or the use, disposal or handling of Hazardous Material on, at, under or near the Real Property, facility, establishment or business to be sold, leased, mortgaged, assigned or transferred.

"**Guaranteed Obligations**" shall have the meaning assigned to such term in Section 7.01.

"**Guarantees**" shall mean the guarantees issued pursuant to Article VII by Holdings and the Subsidiary Guarantors and the Korean Opco Bank Guarantee.

"**Guarantors**" shall mean Holdings and the Subsidiary Guarantors.

"**Hazardous Materials**" shall mean the following: hazardous substances; hazardous wastes; polychlorinated biphenyls ("**PCBs**") or any substance or compound containing PCBs; asbestos or any asbestos-containing materials in any form or condition; radon or any other radioactive materials including any source, special nuclear or by-product material; petroleum, crude oil or any fraction thereof; and any other pollutant or contaminant or chemicals, wastes, materials, compounds, constituents or substances, subject to regulation or which can give rise to liability under any Environmental Laws.

"**Hedging Agreement**" shall mean any swap, cap, collar, forward purchase or similar agreements or arrangements dealing with interest rates, currency exchange rates or commodity prices, either generally or under specific contingencies.

"**Hedging Obligations**" shall mean obligations under or with respect to Hedging Agreements.

"**Holdings**" shall have the meaning assigned to such term in the preamble hereto.

"**Hynix Related Account Debtors**" means Hynix Semiconductor Inc. and each of its Subsidiaries that is an account debtor with respect to any Hynix Related Receivable.

"**Hynix Related Receivables**" means any "accounts" as defined in the New York UCC owing to any of the Companies by and Hynix Related Account Debtors,

"**Increase Effective Date**" shall have the meaning assigned to such term in Section 2.18(a).

"**Increase Joinder**" shall have the meaning assigned to such term in Section 2.18(c).

"**Indebtedness**" of any person shall mean, without duplication, (a) all obligations of such person for borrowed money or advances; (b) all obligations of such person evidenced by bonds, debentures, notes or similar instruments; (c) all obligations of such person upon which interest charges are customarily paid or accrued; (d) all obligations of such person under conditional sale or other title retention agreements relating to property purchased by such person; (e) all obligations of such person issued or assumed as the deferred purchase price of property or services (excluding trade accounts payable and accrued obligations incurred in the ordinary course of business on normal trade terms and, unless subject to a good faith dispute, not overdue by more than 90 days; (f) all Indebtedness of others secured by any Lien on property owned or acquired by such person, whether or not the obligations secured thereby have been assumed, but limited to the fair market value of such property; (g) all Capital Lease Obligations, Purchase Money Obligations and synthetic lease obligations of such person; (h) all Hedging Obligations to the extent required to be reflected on a balance sheet of such person; (i) all Attributable Indebtedness of such person; (j) all obligations of such person for the reimbursement of any obligor in respect of letters of credit, letters of guaranty, bankers' acceptances and similar credit transactions; and (k) all Contingent Obligations of such person in respect of Indebtedness or obligations of others of the kinds referred to in clauses (a) through (j) above. The Indebtedness of any person shall include the Indebtedness of any other entity (including any partnership in which such person is a general partner) to the extent such person is liable therefor as a result of such person's ownership interest in or other relationship with such entity, except (other than in the case of general partner liability) to the extent that terms of such Indebtedness expressly provide that such person is not liable therefor.

"**Indemnified Taxes**" shall mean all Taxes other than Excluded Taxes.

"**Indemnitee**" shall have the meaning assigned to such term in Section 10.03(b).

"**Information**" shall have the meaning assigned to such term in Section 10.13.

"**Insurance Policies**" shall mean the insurance policies and coverages required to be maintained by each Loan Party which is an owner of Mortgaged Property with respect to the applicable Mortgaged Property pursuant to Section 5.04 and all renewals and extensions thereof.

"**Insurance Requirements**" shall mean, collectively, all provisions of the Insurance Policies, all requirements of the issuer of any of the Insurance Policies and all orders, rules, regulations and any other requirements of the National Board of Fire Underwriters (or any other body exercising similar functions) binding upon each Loan Party which is an owner of Mortgaged Property and applicable to the Mortgaged Property or any use or condition thereof.

"**Intellectual Property**" shall mean collectively, all rights, privileges relating to intellectual property, whether arising under United States, state, multinational or foreign laws or otherwise, including, without limitation, copyrights, patents, trademarks, service-marks, trade names, domain names, technology, proprietary information, know-how and processes, recipes, formulas, trade secrets, all applications for registration or issuance of any of the foregoing, and all rights to sue at law or in equity for any past, present or future infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

"**Intercompany Loan Document**" shall mean each of the intercompany loan agreements existing as of the Closing Date (after giving effect to the repayments thereof contemplated in connection with the Transactions), and listed on Schedule 4.01(n) hereto, together with any future intercompany loan agreement, note or other instrument evidencing, or governing the terms of, any extension of credit by any Loan Party to Holdings or any of its Subsidiaries.

"**Intercreditor Agreement**" shall mean the Intercreditor Agreement dated as of the date hereof by and among the Administrative Agent, the Collateral Trustee, the Senior Secured Noted Collateral Trustee, the Senior Secured Notes Trustee and each of the Companies.

"**Interest Election Request**" shall mean a request by any Borrower to convert or continue a Revolving Borrowing in accordance with Section 2.08(b), substantially in the form of Exhibit E.

"**Interest Payment Date**" shall mean (a) with respect to any ABR Revolving Loan (including Swingline Loans), the last Business Day of each March, June, September and December to occur during any period in which such Loan is outstanding, (b) with respect to any Eurodollar Revolving Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Revolving Loan with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period, and (c) with respect to any Revolving Loan or Swingline Loan, the Revolving Maturity Date or such earlier date on which the Revolving Commitments are terminated, as the case may be.

"**Interest Period**" shall mean, with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months (or, if each affected Lender so agrees, nine months) thereafter, as any Borrower may elect; *provided* that (a) if any Interest Period would end on a day other

than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day, and (b) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing; *provided, however*, that an Interest Period shall be limited to the extent required under Section 2.02(e).

"**Investments**" shall have the meaning assigned to such term in Section 6.04.

"**IPO**" shall mean the first underwritten public offering by Holdings of its Equity Interests after the Closing Date pursuant to a registration statement filed with the Securities and Exchange Commission in accordance with the Securities Act.

"**Issuing Bank**" shall mean, as the context may require, (a) Korea Exchange Bank, in its capacity as issuer of Letters of Credit issued by it, including, without limitation, each of the Existing Letters of Credit; (b) any other Lender that may become an Issuing Bank pursuant to Sections 2.17(j) and (k) in its capacity as issuer of Letters of Credit issued by such Lender; or (c) collectively, all of the foregoing.

"**Joinder Agreement**" shall mean a joinder agreement substantially in the form of Exhibit F.

"**Judgment Currency**" shall have the meaning assigned to such term in Section 10.18(a).

"**Judgment Currency Conversion Date**" shall have the meaning assigned to such term in Section 10.18(a).

"**Korean Opco**" shall mean MagnaChip Semiconductor Ltd., a Korean *yuhan hoesa*.

"**Korean Opco Bank Guarantee**" shall have the meaning assigned to such term in Section 4.01(r)(i).

"**Korean Opco Cash Collateralized Acquisition Debt**" means the portion of Indebtedness incurred by Korean Opco in connection with the Acquisition originally owing to non-Korean lenders which has been purchased from such lenders by Korea Exchange Bank and which shall remain outstanding and be cash collateralized in full promptly after the Closing Date with proceeds of the Senior Secured Notes.

"**Korean Opco Loan Documents**" shall mean the Korean Opco Bank Guarantee, the Korean Opco Security Documents, and all other documents executed and delivered with respect thereto.

"**Korean Opco Security Documents**" shall mean each of the documents executed by Korean Opco granting liens and/or security interests in each of its assets in favor of the Collateral Trustee as security for the obligations of Korean Opco under the Korean Opco Guarantee and all documents and other instruments related, directly or indirectly, thereto (including, without limitation, such documents and instruments set forth on Schedule 1.01(a)).

"**Korean Opco Senior Secured Notes Guarantee**" shall mean the guarantee contained in the Senior Secured Notes Indenture by Korean Opco in favor of the Senior Secured Notes Trustee guaranteeing the repayment of the Senior Secured Notes.

"**Landlord Access Agreement**" shall mean a Landlord Access Agreement, substantially in the form of Exhibit G, or such other form as may reasonably be acceptable to the Administrative Agent.

"**LC Commitment**" shall mean the commitment of the Issuing Bank to issue Letters of Credit pursuant to Section 2.17. The amount of the LC Commitment shall initially be $40,000,000, but in no event exceed the Revolving Commitment.

"**LC Disbursement**" shall mean a payment or disbursement made by the Issuing Bank pursuant to a Letter of Credit.

"**LC Exposure**" shall mean at any time the sum of (a) the Dollar Equivalent of the aggregate undrawn amount of all outstanding Letters of Credit at such time *plus* (b) the Dollar Equivalent of the aggregate principal amount of all Reimbursement Obligations outstanding at such time. The LC Exposure of any Revolving Lender at any time shall mean its Pro Rata Percentage of the aggregate LC Exposure at such time.

"**LC Participation Fee**" shall have the meaning assigned to such term in Section 2.05(c).

"**LC Request**" shall mean a request by any Borrower in accordance with the terms of Section 2.17(b) and substantially in the form of Exhibit H, or such other form as shall be approved by the Administrative Agent.

"**Leases**" shall mean any and all leases, subleases, tenancies, options, concession agreements, rental agreements, occupancy agreements, franchise agreements, access agreements and any other agreements (including all amendments, extensions, replacements, renewals, modifications and/or guarantees thereof), whether or not of record and whether now in existence or hereafter entered into, affecting the use or occupancy of all or any portion of any Real Property.

"**Lender Addendum**" shall mean with respect to any Lender on the Closing Date, a lender addendum in the form of Exhibit I, to be executed and delivered by such Lender on the Closing Date as provided in Section 10.16.

"**Lenders**" shall mean (a) the financial institutions that have become a party hereto pursuant to a Lender Addendum and (b) any financial institution that has become a party hereto pursuant to an Assignment and Assumption, other than, in each case, any such financial institution that has ceased to be a party hereto pursuant to an Assignment and Assumption. Unless the context clearly indicates otherwise, the term "Lenders" shall include the Swingline Lender.

"**Letter of Credit**" shall mean any (i) Standby Letter of Credit and (ii) Commercial Letter of Credit, in each case, issued or to be issued by an Issuing Bank for the account of any Borrower pursuant to Section 2.17, including, without limitation, each Existing Letter of Credit.

"**Letter of Credit Expiration Date**" shall mean the date which is fifteen days prior to the Revolving Maturity Date.

"**LIBOR Rate**" shall mean, with respect to any Eurodollar Borrowing for any Interest Period, the rate per annum determined by the Administrative Agent to be the arithmetic mean (rounded upward, if necessary, to the nearest 1/100th of 1%) of the offered rates for deposits in dollars with a term comparable to such Interest Period that appears on the Telerate British Bankers Assoc. Interest Settlement Rates Page (as defined below) at approximately 11:00 a.m., London, England time, on the second full Business Day preceding the first day of such Interest Period; *provided, however*, that (i) if no comparable term for an Interest Period is available, the LIBOR Rate shall be determined using the weighted average of the offered rates for the two terms most nearly corresponding to such Interest Period and (ii) if there shall at any time no longer exist a Telerate British Bankers Assoc. Interest Settlement Rates Page, "LIBOR Rate" shall mean, with respect to each day during each Interest Period pertaining to Eurodollar Borrowings comprising part of the same Borrowing, the rate per annum equal to the rate at which the Administrative Agent is offered deposits in dollars at approximately 11:00 a.m., London, England time, two Business Days prior to the first day of such Interest Period in the London interbank market for delivery on the first day of such Interest Period for the number of days comprised therein and in an amount comparable to its portion of the amount of such Eurodollar Borrowing to be outstanding during such Interest Period. "**Telerate British Bankers Assoc. Interest Settlement Rates Page**" shall mean the display designated as Page 3750 on the Telerate System Incorporated Service (or such other page as may replace such page on such service for the purpose of displaying the rates at which dollar deposits are offered by leading banks in the London interbank deposit market).

"**Lien**" shall mean, with respect to any property, (a) any mortgage, deed of trust, lien, pledge, encumbrance, claim, charge, assignment, hypothecation, security interest or encumbrance of any kind or any arrangement to provide priority or preference or any filing of any financing statement under the UCC or any other similar notice of lien under any similar notice or recording statute of any Governmental Authority, including any easement, right-of-way or other encumbrance on title to Real Property, in each of the foregoing cases whether voluntary or imposed by law, and any agreement to give any of the foregoing; (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such property; and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"**Loan Documents**" shall mean this Agreement, the Letters of Credit, the Notes (if any), the Security Documents, the Collateral Trust Documents, the Intercreditor Agreement, the Korean Opco Loan Documents and, solely for purposes of paragraph (e) of Section 8.01, the Fee Letter.

"**Loan Parties**" shall mean Holdings, Borrowers and the Subsidiary Guarantors.

"**Loans**" shall mean, as the context may require, a Revolving Loan, a Swingline Loan for a Term Loan.

"**Lux Borrower**" shall mean MagnaChip Semiconductor S.A., a Luxembourg corporation.

"**MagnaChip SA Holdings**" shall mean MagnaChip Semiconductor SA Holdings LLC, a Delaware limited liability company.

"**Management Services Agreements**" shall mean, collectively (i) that certain Advisory Agreement dated October 6, 2004 by and between Holdings, MagnaChip Semiconductor, Ltd. and CVC Management LLC; (ii) that certain Advisory Agreement dated October 6, 2004 by and between Holdings,

MagnaChip Semiconductor, Ltd. and CVC Capital Partners Asia Limited and (iii) that certain Advisory Agreement dated October 6, 2004 by and between Holdings, MagnaChip Semiconductor, Ltd. and Francisco Partners Management, LLC.

"**Margin Stock**" shall have the meaning assigned to such term in Regulation U.

"**Material Adverse Effect**" shall mean (a) a material adverse effect on the business, property, results of operations, prospects or condition, financial or otherwise, of Borrowers and their Subsidiaries, taken as a whole, or Holdings and its Subsidiaries taken as a whole; (b) material impairment of the ability of the Loan Parties to perform any of their obligations under any Loan Document; (c) material impairment of the rights of or benefits or remedies available to the Lenders or the Collateral Agent under any Loan Document; or (d) a material adverse effect on the Collateral or the Liens in favor of the Collateral Agent (for its benefit and for the benefit of the other Secured Parties) on the Collateral or the priority of such Liens.

"**Material Indebtedness**" shall mean (a) the Indebtedness set forth on Schedule 1.01(b) and (b) any other Indebtedness (other than the Loans and Letters of Credit) or Hedging Obligations of Holdings or any of its Subsidiaries in an aggregate outstanding principal amount exceeding $3.0 million. For purposes of determining Material Indebtedness, the "principal amount" in respect of any Hedging Obligations of any Loan Party at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that such Loan Party would be required to pay if the related Hedging Agreement were terminated at such time.

"**Maximum Rate**" shall have the meaning assigned to such term in Section 10.15.

"**Mortgage**" shall mean an agreement, including, but not limited to, a mortgage, deed of trust or any other document, creating and evidencing a Lien on a Mortgaged Property, which shall reasonably satisfactory to the Collateral Agent and include such provisions as shall be necessary to conform such document to applicable local or foreign law or as shall be customary under applicable local or foreign law.

"**Mortgaged Property**" shall mean (a) all Real Property securing all or any portion of the Secured Obligations or any obligations of Korean Opco under the Korean Opco Loan Documents and (b) each Real Property, if any, which shall be subject to a Mortgage delivered after the Closing Date pursuant to Section 5.10(c).

"**Multiemployer Plan**" shall mean a multiemployer plan within the meaning of Section 4001(a)(3) or Section 3(37) of ERISA (a) to which any Company or any ERISA Affiliate is then making or accruing an obligation to make contributions; (b) to which any Company or any ERISA Affiliate has within the preceding five plan years made contributions; or (c) with respect to which any Company could incur liability.

"**Net Cash Proceeds**" shall mean:

(d) with respect to any Asset Sale (other than any issuance or sale of Equity Interests), the cash proceeds received by Holdings or any of its Subsidiaries (including cash proceeds subsequently received (as and when received by Holdings or any of its Subsidiaries) in respect of non-cash consideration initially received) net of (i) selling expenses (including reasonable brokers' fees or commissions, legal, accounting and other professional and transactional fees, transfer

and similar taxes and Borrowers' good faith estimate of income taxes paid or payable in connection with such sale); (ii) amounts provided as a reserve, in accordance with GAAP, against (x) any liabilities under any indemnification obligations associated with such Asset Sale or (y) any other liabilities retained by Holdings or any of its Subsidiaries associated with the properties sold in such Asset Sale (*provided* that, to the extent and at the time any such amounts are released from such reserve, such amounts shall constitute Net Cash Proceeds); (iii) Borrowers' good faith estimate of payments required to be made with respect to unassumed liabilities relating to the properties sold within 90 days of such Asset Sale (*provided* that, to the extent such cash proceeds are not used to make payments in respect of such unassumed liabilities within 90 days of such Asset Sale, such cash proceeds shall constitute Net Cash Proceeds); and (iv) the principal amount, premium or penalty, if any, interest and other amounts on any Indebtedness for borrowed money which is secured by a Lien on the properties sold in such Asset Sale (so long as such Lien was permitted to encumber such properties under the Loan Documents at the time of such sale) and which is repaid with such proceeds (other than any such Indebtedness assumed by the purchaser of such properties);

(e) with respect to any Debt Issuance, any Equity Issuance or any other issuance or sale of Equity Interests by Holdings or any of its Subsidiaries, the cash proceeds thereof, net of customary fees, commissions, costs and other expenses incurred in connection therewith; and

(f) with respect to any Casualty Event, the cash insurance proceeds, condemnation awards and other compensation received in respect thereof, net of all reasonable costs and expenses incurred in connection with the collection of such proceeds, awards or other compensation in respect of such Casualty Event.

"**Non Guarantor Subsidiaries**" means each Subsidiary of Holdings that is not a Subsidiary Guarantor.

"**Non-Reinvested Asset Sale Proceeds**" shall have the meaning assigned to such term in Section 2.09(c).

"**Non-Reinvested Casualty Proceeds**" shall have the meaning assigned to such term in Section 2.09(f).

"**Non-Reinvested Proceeds**" shall mean, collectively, the Non-Reinvested Asset Sale Proceeds and the Non-Reinvested Casualty Proceeds.

"**Notes**" shall mean any notes evidencing the Revolving Loans or Swingline Loans issued pursuant to this Agreement, if any, substantially in the form of Exhibit K-1 or K-2.

"**Notes Offering Memorandum**" shall mean that certain Offering Memorandum dated as of December 16, 2004, relating to the issuance of the Senior Secured Notes and the Senior Subordinated Notes.

"**Obligation Currency**" shall have the meaning assigned to such term in Section 10.18(a).

"**Obligations**" shall mean (a) obligations of Borrowers and the other Loan Parties from time to time arising under or in respect of the due and punctual payment of (i) the principal of and premium, if any, and interest (including interest accruing during the pendency of any bankruptcy, insolvency,

receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, (ii) each payment required to be made by Borrowers and the other Loan Parties under this Agreement in respect of any Letter of Credit, when and as due, including payments in respect of Reimbursement Obligations, interest thereon and obligations to provide cash collateral and (iii) all other monetary obligations, including fees, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of Borrowers and the other Loan Parties under this Agreement and the other Loan Documents, (b) the due and punctual performance of all covenants, agreements, obligations and liabilities of Borrowers and the other Loan Parties under or pursuant to this Agreement and the other Loan Documents and (c) the due and punctual payment and performance of all obligations in respect of overdrafts and related liabilities owed to any Lender, any Affiliate of a Lender, the Administrative Agent or the Collateral Agent arising from treasury, depositary and cash management services or in connection with any automated clearinghouse transfer of funds.

"**OFAC**" shall have the meaning assigned to such term in Section 3.21.

"**Officers' Certificate**" shall mean a certificate executed by the chairman of the Board of Directors (if an officer), the chief executive officer or the president and one of the Financial Officers, each in his or her official (and not individual) capacity.

"**Organizational Documents**" shall mean, with respect to any person, (i) in the case of any corporation, the certificate of incorporation and by-laws (or similar documents) of such person, (ii) in the case of any limited liability company, the certificate of formation and operating agreement (or similar documents) of such person, (iii) in the case of any limited partnership, the certificate of formation and limited partnership agreement (or similar documents) of such person, (iv) in the case of any general partnership, the partnership agreement (or similar document) of such person and (v) in any other case, the functional equivalent of the foregoing.

"**Other Taxes**" shall mean all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

"**Participant**" shall have the meaning assigned to such term in Section 10.04(d).

"**PBGC**" shall mean the Pension Benefit Guaranty Corporation referred to and defined in ERISA.

"**Perfection Certificate**" shall mean a certificate in the form of Exhibit L-1 or any other form approved by the Collateral Agent, as the same shall be supplemented from time to time by a Perfection Certificate Supplement or otherwise.

"**Perfection Certificate Supplement**" shall mean a certificate supplement in the form of Exhibit L-2 or any other form approved by the Collateral Agent.

"**Permitted Acquisition**" shall mean any transaction or series of related transactions for the direct or indirect (a) acquisition of all or substantially all of the property of any person, or of any business

or division of any person; (b) acquisition of in excess of 50% of the Equity Interests of any person, and otherwise causing such person to become a Subsidiary of such person; or (c) merger or consolidation or any other combination with any person, if each of the following conditions is met:

(i) no Default then exists or would result therefrom;

(ii) after giving effect to such transaction on a Pro Forma Basis, Borrowers shall be in compliance with all covenants set forth in Section 6.10 as of the most recent Test Period (assuming, for purposes of Section 6.10, that such transaction, and all other Permitted Acquisitions consummated since the first day of the relevant Test Period for each of the financial covenants set forth in Section 6.10 ending on or prior to the date of such transaction, had occurred on the first day of such relevant Test Period),

(iii) no Company shall, in connection with any such transaction, assume or remain liable with respect to any Indebtedness or other liability (including any material tax or ERISA liability) of the related seller or the business, person or properties acquired, except (A) to the extent permitted under Section 6.01 and (B) obligations not constituting Indebtedness incurred in the ordinary course of business and necessary or desirable to the continued operation of the underlying properties, and any other such liabilities or obligations not permitted to be assumed or otherwise supported by any Company hereunder shall be paid in full or released as to the business, persons or properties being so acquired on or before the consummation of such acquisition;

(iv) the person or business to be acquired shall be, or shall be engaged in, a business of the type that Borrowers and their Subsidiaries are permitted to be engaged in under Section 6.15 and the property acquired in connection with any such transaction shall be made subject to the Lien of the Security Documents (to the extent permitted by applicable law) and shall be free and clear of any Liens, other than Permitted Collateral Liens;

(v) the Board of Directors of the person to be acquired shall not have indicated publicly its opposition to the consummation of such acquisition (which opposition has not been publicly withdrawn);

(vi) all transactions in connection therewith shall be consummated in accordance with all applicable Requirements of Law;

(vii) with respect to any transaction involving Acquisition Consideration of more than $25.0 million, unless the Administrative Agent shall otherwise agree, Borrowers shall have provided the Administrative Agent and the Lenders with (A) historical financial statements for the last three fiscal years (or, if less, the number of years since formation) of the person or business to be acquired (audited if available without undue cost or delay) and unaudited financial statements thereof for the most recent interim period which are available, (B) reasonably detailed projections for the succeeding five years pertaining to the person or business to be acquired and updated projections for Borrowers after giving effect to such transaction, (C) a reasonably detailed description of all material information relating thereto and copies of all material documentation pertaining to such transaction, and (D) all such other information and data relating to such transaction or the person or business to be acquired as may be reasonably requested by the Administrative Agent or the Required Lenders;

(viii) at least 10 Business Days prior to the proposed date of consummation of the transaction, Borrowers shall have delivered to the Agents and the Lenders an Officers' Certificate certifying that (A) such transaction complies with this definition (which shall have attached thereto reasonably detailed backup data and calculations showing such compliance), and (B) such transaction could not reasonably be expected to result in a Material Adverse Effect; and

(ix) the Acquisition Consideration for such acquisition shall not exceed $25.0 million, and the aggregate amount of the Acquisition Consideration for all Permitted Acquisitions since the Closing Date shall not exceed $100.0 million; *provided* that any Equity Interests constituting all or a portion of such Acquisition Consideration shall not have a cash dividend requirement on or prior to the Revolving Maturity Date.

"**Permitted Collateral Liens**" means (i) Contested Liens (as defined in the Security Agreement), (ii) the Liens described in clauses (a), (b), (c), (d), (e), (f), (g), (h), (j), (k), (l), (m) and (n) of Section 6.02 and (iii) in the case of Mortgaged Property, "Permitted Collateral Liens" shall mean the Liens described in clauses (a), (b), (d), (e), (g) and (l) of Section 6.02, and (iii) for the first ten (10) Business Days after the Closing Date, Liens in existence on the Closing Date securing the Korean Opco Cash Collateralized Acquisition Debt.

"**Permitted Holders**" shall mean (a) each Sponsor, (b) its Controlled Investment Affiliates and (c) and such person's Related Parties.

"**Permitted Liens**" shall have the meaning assigned to such term in Section 6.02.

"**Permitted Tax Distributions**" means, for so long as Holdings is treated as a partnership for U.S. federal income tax purposes, payments in respect of tax liabilities of Holdings' investors arising from direct or indirect ownership of Holdings' equity interests. Permitted Tax Distributions shall be calculated by reference to the amount of Holdings' and its Subsidiaries' income determined to be an amount required to be included in income under section 951 of the Code times 35%. A nationally recognized accounting firm chosen by Holdings shall determine the amount of Permitted Tax Distributions.

"**person**" shall mean any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"**Plan**" shall mean any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA which is maintained or contributed to by any Company or its ERISA Affiliate or with respect to which any Company could incur liability (including under Section 4069 of ERISA).

"**Post IPO Permitted Holders**" shall mean (a) each Sponsor, (b) its Controlled Investment Affiliates and (c) and such person's Post IPO Related Parties.

"**Post IPO Principals**" shall mean:

(1) (A) Francisco Partners, L.P. ("FP"), any FP fund or co-investment partnership, (B) any general partner of any FP fund or co-investment partnership (collectively, an "FP Partner"), and any corporation, partnership or other entity that is an Affiliate of any FP Partner (collectively "FP Affiliates"), (C) any managing director, general partner, director, officer or employee of an FP fund, and FP Partner or any FP Affiliate, or any spouse, lineal descendant, sibling, parent, heir, executor, administrator, testamentary

trustee, legatee or beneficiary of any of the foregoing persons described in this clause (C) (collectively, "FP Associates") and (D) any trust, the beneficiaries of which, any charitable trust, the grantor of which, or any corporation, limited liability company or partnership, the stockholders, members or general or limited partners of which include only FP, FP Partners, FP Affiliates, FP Associates, their spouses or their lineal descendants;

(2) (A) Citigroup Venture Capital Equity Partners, L.P. ("CVC"), CVC/SSB Employee Fund, L.P., CVC Executive Fund LLC, Natasha Foundation, Citigroup Venture Capital Ltd., any CVC fund or co-investment partnership, Citigroup, any affiliate of Citigroup or any general partner of any CVC fund or co-investment partnership (collectively, a "CVC Partner"), and any corporation, partnership or other entity that is an Affiliate of Citigroup or any CVC Partner (collectively "CVC Affiliates"), (B) any managing director, general partner, director, officer or employee of any CVC fund, any CVC Partner or any CVC Affiliate, or any spouse, lineal descendant, sibling, parent, heir, executor, administrator, testamentary trustee, legatee or beneficiary of any of the foregoing persons described in this clause (B) (collectively, "CVC Associates") and (C) any trust, the beneficiaries of which, any charitable trust, the grantor of which, or any corporation, limited liability company or partnership, the stockholders, members or general or limited partners of which include only CVC, CVC Partners, CVC Affiliates, CVC Associates, their spouses or their lineal descendants;

(3) (A) CVC Capital Partners Asia II Limited ( "CVC Asia Pacific"), CVC Capital Partners Asia Pacific LP, Asia Investors LLC, any CVC Asia Pacific fund or co-investment partnership, or any general partner of any CVC Asia Pacific fund or co-investment partnership (collectively, a "CVC Asia Pacific Partner"), and any corporation, partnership or other entity that is an Affiliate of any CVC Asia Pacific Partner (collectively "CVC Asia Pacific Affiliates"), (B) any managing director, general partner, director, officer or employee of any CVC Asia Pacific fund, any CVC Asia Pacific Partner or any CVC Asia Pacific Affiliate, or any spouse, lineal descendant, sibling, parent, heir, executor, administrator, testamentary trustee, legatee or beneficiary of any of the foregoing persons described in this clause (B) (collectively, "CVC Asia Pacific Associates") and (C) any trust, the beneficiaries of which, any charitable trust, the grantor of which, or any corporation, limited liability company or partnership, the stockholders, members of general or limited partners of which include only CVC Asia Pacific, CVC Asia Pacific Partners, CVC Asia Pacific Affiliates, CVC Asia Pacific Associates, their spouses or their lineal descendants; and

(4) officers and directors of Holdings or its Subsidiaries on the Closing Date.

"**Post IPO Related Parties**" shall mean with respect to any person (i) any controlling stockholder, 80% (or more) Subsidiary, or immediate family member (in the case of an individual) or any Post IPO Principal; or (ii) any trust corporation, partnership, limited liability company or other entity, the beneficiaries, stockholders, partners, members, owners or persons beneficially holding an 80% or more controlling interest of which any one or more Post IPO Principals and/or such other persons referred to in the immediately preceding clause (i).

"**Preferred Stock**" shall mean, with respect to any person, any and all preferred or preference Equity Interests (however designated) of such person whether now outstanding or issued after the Closing Date.

"**Preferred Stock Issuance**" shall mean the issuance or sale by Holdings or any of its Subsidiaries of any Preferred Stock after the Closing Date (other than as permitted by Section 6.01).

"**Premises**" shall have the meaning assigned thereto in the applicable Mortgage.

"**Pro Forma Basis**" shall mean on a basis in accordance with GAAP and Regulation S-X and otherwise reasonably satisfactory to the Administrative Agent.

"**Pro Rata Percentage**" of any Revolving Lender at any time shall mean the percentage of the total Revolving Commitments of all Revolving Lenders represented by such Lender's Revolving Commitment.

"**property**" shall mean any right, title or interest in or to property, undertaking or assets of any kind whatsoever, wherever situate, whether real, personal or mixed and whether tangible or intangible and including Equity Interests or other ownership interests of any person and whether now in existence or owned or hereafter entered into or acquired, including all Real Property.

"**Property Material Adverse Effect**" shall have the meaning assigned thereto in the Mortgage.

"**Purchase Money Obligation**" shall mean, for any person, the obligations of such person in respect of Indebtedness (including Capital Lease Obligations) incurred for the purpose of financing all or any part of the purchase price of any property (including Equity Interests of any person) or the cost of installation, construction or improvement of any property and any refinancing thereof; *provided, however*, that (i) such Indebtedness is incurred within one year after such acquisition of such property by such person and (ii) the amount of such Indebtedness does not exceed 100% of the cost of such acquisition, installation, construction or improvement, as the case may be.

"**Qualified Capital Stock**" of any person shall mean any Equity Interests of such person that are not Disqualified Capital Stock.

"**Real Property**" shall mean, collectively, all right, title and interest (including any leasehold, mineral or other estate) in and to any and all parcels of or interests in real property owned, leased or operated by any person, whether by lease, license or other means, together with, in each case, all easements, hereditaments and appurtenances relating thereto, all improvements and appurtenant fixtures and equipment, all general intangibles and contract rights and other property and rights incidental to the ownership, lease or operation thereof.

"**Refinancing**" shall mean the repayment in full and the termination of any commitment to make extensions of credit under all of the outstanding indebtedness of Holdings or any of its Subsidiaries listed on Schedule 1.01(c).

"**Register**" shall have the meaning assigned to such term in Section 10.04(c).

"**Regulation D**" shall mean Regulation D of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"**Regulation S-X**" shall mean Regulation S-X promulgated under the Securities Act.

"**Regulation T**" shall mean Regulation T of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"**Regulation U**" shall mean Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"**Regulation X**" shall mean Regulation X of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"**Reimbursement Obligations**" shall mean Borrowers' obligations under Section 2.17(e) to reimburse LC Disbursements.

"**Related Parties**" shall mean, with respect to any person, such person's Affiliates and the partners, directors, officers, employees, agents and advisors of such person and of such person's Affiliates.

"**Release**" shall mean any spilling, leaking, seepage, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, disposing, depositing, dispersing, emanating or migrating of any Hazardous Material in, into, onto or through the Environment.

"**Required Lenders**" shall mean (i) at any time that any one Lender has more than 33 1/3% of the sum of all Loans, outstanding LC Exposure and unused Revolving Commitments and there are three or more Lenders, three or more Lenders who in the aggregate have more than 50% of the sum of all Loans outstanding, LC Exposure and unused Revolving Commitments and (ii) at all other times, Lenders having more than 50% of the sum of all Loans outstanding, LC Exposure and unused Revolving Commitments.

"**Requirements of Law**" shall mean, collectively, any and all requirements of any Governmental Authority including any and all laws, judgments, orders, decrees, ordinances, rules, regulations, statutes or case law in any jurisdiction.

"**Response**" shall mean (a) "response" as such term is defined in CERCLA, 42 U.S.C. § 9601(24), and (b) all other actions required by any Governmental Authority or voluntarily undertaken to (i) clean up, remove, treat, abate or in any other way address any Hazardous Material in the Environment; (ii) prevent the Release or threat of Release, or minimize the further Release, of any Hazardous Material; or (iii) perform studies and investigations in connection with, or as a precondition to, or to determine the necessity of the activities described in, clause (i) or (ii) above.

"**Responsible Officer**" of any person shall mean any executive officer or Financial Officer of such person and any other officer or similar official thereof with responsibility for the administration of the obligations of such person in respect of this Agreement.

"**Revolving Availability Period**" shall mean the period from and including the Closing Date to but excluding the earlier of (i) the Business Day preceding the Revolving Maturity Date and (ii) the date of termination of the Revolving Commitments.

"**Revolving Borrowing**" shall mean a Borrowing comprised of Revolving Loans.

"**Revolving Commitment**" shall mean, with respect to each Lender, the commitment, if any, of such Lender to make Revolving Loans hereunder up to the amount set forth on Schedule I to the Lender Addendum executed and delivered by such Lender or by an Increase Joinder, or in the Assignment and Assumption pursuant to which such Lender assumed its Revolving Commitment, as applicable, as the same may be (a) reduced from time to time pursuant to Section 2.07 and (b) reduced or increased

from time to time pursuant to assignments by or to such Lender pursuant to Section 10.04. The aggregate amount of the Lenders' Revolving Commitments on the Closing Date is $100 million.

"**Revolving Exposure**" shall mean, with respect to any Lender at any time, the aggregate principal amount at such time of all outstanding Revolving Loans of such Lender, *plus* the aggregate amount at such time of such Lender's LC Exposure, *plus* the aggregate amount at such of such Lender's Swingline Exposure.

"**Revolving Lender**" shall mean a Lender with a Revolving Commitment.

"**Revolving Loan**" shall mean a Loan made by the Lenders to Borrowers pursuant to Section 2.02(b). Each Revolving Loan shall either be an ABR Revolving Loan or a Eurodollar Revolving Loan.

"**Revolving Maturity Date**" shall mean December 22, 2009.

"**Sale and Leaseback Transaction**" has the meaning assigned to such term in Section 6.03.

"**Sales Subsidiaries**" shall mean, collectively, (i) MagnaChip Semiconductor, Inc., a Delaware corporation, (ii) MagnaChip Semiconductor Limited, a company incorporated in England and Wales with registered number 05232381, (iii) MagnaChip Semiconductor Ltd., a Japan company, (iv) MagnaChip Semiconductor Ltd. a Hong Kong company and (v) MagnaChip Semiconductor Ltd., a Taiwan company.

"**Sarbanes-Oxley Act**" shall mean the United States Sarbanes-Oxley Act of 2002, as amended, and all rules and regulations promulgated thereunder.

"**Secured Obligations**" shall mean the Obligations and the due and punctual payment and performance of all obligations of Borrowers and the other Loan Parties under each Hedging Agreement entered into with any counterparty that is a Secured Party.

"**Secured Parties**" shall mean, collectively, the Administrative Agent, the Collateral Agent, the Collateral Trustee, each other Agent, the Lenders and each party to a Hedging Agreement relating to the Loans if at the date of entering into such Hedging Agreement such person was a Lender or an Affiliate of a Lender and such person executes and delivers to the Administrative Agent a letter agreement in form and substance reasonably acceptable to the Administrative Agent pursuant to which such person (i) appoints the Collateral Agent as its agent under the applicable Loan Documents and (ii) agrees to be bound by the provisions of Sections 10.03 and 10.09.

"**Securities Act**" shall mean the Securities Act of 1933.

"**Securities Collateral**" shall have the meaning assigned to such term in the Security Agreement, together with all other certificated Equity Interests, note or other instruments pledged pursuant to any of the Security Documents.

"**Security Agreement**" shall mean a Security Agreement substantially in the form of Exhibit M among certain of the Loan Parties and Collateral Agent for the benefit of the Secured Parties.

"**Security Agreement Collateral**" shall mean all property pledged or granted as collateral pursuant to the Security Agreement delivered (a) on the Closing Date or (b) thereafter pursuant to Section 5.11.

"**Security Documents**" shall mean the Security Agreement, the Mortgages, the Korean Opco Security Documents and each other security document or pledge agreement delivered in accordance with applicable local or foreign law to grant a valid, perfected security interest in any property as collateral for the Secured Obligations and/or Guaranteed Obligations, and all UCC or other financing statements or instruments of perfection required by this Agreement, the Security Agreement, any Mortgage, the Korean Opco Security Documents or any other such security document or pledge agreement to be filed with respect to the security interests in property and fixtures created pursuant to the Security Agreement, any Mortgage or the Korean Opco Security Documents and any other document or instrument utilized to pledge, assign, charge or grant or purport to pledge, assign, charge or grant a security interest or lien under the laws of any jurisdiction on any property as collateral for the Secured Obligations.

"**Senior Secured Fixed Rate Notes**" shall mean Borrowers' 6 7/8% Second Priority Senior Secured Notes due 2011 issued pursuant to the Senior Secured Notes Indenture in an aggregate principal amount not to exceed $200,000,000, and any registered notes issued by Borrowers in exchange for, and as contemplated by, such notes with substantially identical terms as such notes.

"**Senior Secured Floating Rate Notes**" shall mean Borrowers' Floating Rate Second Priority Senior Secured Notes due 2011 issued pursuant to the Senior Secured Notes Indenture in an aggregate principal amount not to exceed $300,000,000 and any registered notes issued by Borrowers in exchange for, and as contemplated by, such notes with substantially identical terms as such notes.

"**Senior Secured Note Documents**" shall mean the Senior Secured Notes, the Senior Secured Notes Indenture, the Senior Secured Note Guarantees and all other documents executed and delivered with respect to the Senior Secured Notes or the Senior Secured Notes Indenture.

"**Senior Secured Note Guarantees**" shall mean the guarantees of Holdings and certain of the Subsidiary Guarantors pursuant to the Senior Secured Notes Indenture and the Korean Opco Senior Secured Notes Guarantee.

"**Senior Secured Notes**" shall mean the Senior Secured Fixed Rate Notes and the Senior Secured Floating Rate Notes.

"**Senior Secured Notes Indenture**" shall mean any indenture, note purchase agreement or other agreement pursuant to which the Senior Secured Notes are issued as in effect on the date hereof and thereafter amended from time to time subject to the requirements of this Agreement.

"**Senior Secured Notes Trustee**" shall mean The Bank of New York, as trustee, and its successors and assigns.

"**Senior Subordinated Note Documents**" shall mean the Senior Subordinated Notes, the Senior Subordinated Note Indenture, the Senior Subordinated Note Guarantees and all other documents executed and delivered with respect to the Senior Subordinated Notes or the Senior Subordinated Note Indenture.

"**Senior Subordinated Note Guarantees**" shall mean the guarantees of Holdings and certain of the Subsidiary Guarantors pursuant to the Senior Subordinated Notes Indenture.

"**Senior Subordinated Notes**" shall mean Borrower's 8% Senior Subordinated Notes due 2014 issued pursuant to the Senior Subordinated Note Indenture in an aggregate principal amount not to exceed $250,000,000 and any registered notes issued by Borrower in exchange for, and as contemplated by, such notes with substantially identical terms as such notes.

"**Senior Subordinated Notes Indenture**" shall mean any indenture, note purchase agreement or other agreement pursuant to which the Senior Subordinated Notes are issued as in effect on the date hereof and thereafter amended from time to time subject to the requirements of this Agreement.

"**Sponsors**" shall mean, collectively (i) CVC Management LLC; (ii) CVC Capital Partners Asia Limited; and (iii) Francisco Partners Management, LLC.

"**Spot Rate**" for a currency means the rate determined by the Administrative Agent or the Issuing Bank, as applicable, to be the rate quoted by the Person acting in such capacity as the spot rate for the purchase by such Person of such currency with another currency through its principal foreign exchange trading office at approximately 10:00 a.m. on the date as of which the foreign exchange computation is made; provided that the Administrative Agent or the Issuing Bank may obtain such spot rate from another financial institution designated by the Administrative Agent or the Issuing Bank if the Person acting in such capacity does not have as of the date of determination a spot buying rate for any such currency.

"**Standby Letter of Credit**" shall mean any standby letter of credit or similar instrument issued for general corporate purposes.

"**Statutory Reserves**" shall mean for any Interest Period for any Eurodollar Borrowing, the average maximum rate at which reserves (including any marginal, supplemental or emergency reserves) are required to be maintained during such Interest Period under Regulation D by member banks of the United States Federal Reserve System in New York City with deposits exceeding one billion dollars against "Eurocurrency liabilities" (as such term is used in Regulation D).

"**Subordinated Indebtedness**" shall mean Indebtedness of any Borrower or any Guarantor that is by its terms subordinated in right of payment to the Obligations of such Borrower and such Guarantor, as applicable, including, without limitation, the Senior Subordinated Notes.

"**Subsidiary**" shall mean, with respect to any person (the "**parent**") at any date, (i) any person the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, (ii) any other corporation, limited liability company, association or other business entity of which securities or other ownership interests representing more than 50% of the voting power of all Equity Interests entitled (without regard to the occurrence of any contingency) to vote in the election of the Board of Directors thereof are, as of such date, owned, controlled or held by the parent and/or one or more subsidiaries of the parent, (iii) any partnership (a) the sole general partner or the managing general partner of which is the parent and/or one or more subsidiaries of the parent or (b) the only general partners of which are the parent and/or one or more subsidiaries of the parent and (iv) any other person that is otherwise Controlled by the parent and/or one or more subsidiaries of the parent. Unless the context requires otherwise, "Subsidiary" refers to a Subsidiary of any Borrower.

"**Subsidiary Guarantor**" shall mean each Subsidiary listed on Schedule 1.01(d), Korean Opco, and each other Subsidiary that is or becomes a party to this Agreement pursuant to Section 5.11.

"**Survey**" shall mean a survey of any Mortgaged Property (and all improvements thereon) which is (a) (i) prepared by a surveyor or engineer licensed to perform surveys in the jurisdiction where such Mortgaged Property is located, (ii) dated (or redated) not earlier than six months prior to the date of delivery thereof and (b) otherwise in form and substance substantially satisfactory to the Collateral Agent.

"**Swingline Commitment**" shall mean the commitment of the Swingline Lender to make loans pursuant to Section 2.16, as the same may be reduced from time to time pursuant to Section 2.07 or Section 2.16. The amount of the Swingline Commitment shall initially be $10.0 million, but in no event exceed the Revolving Commitment.

"**Swingline Exposure**" shall mean at any time the aggregate principal amount at such time of all outstanding Swingline Loans. The Swingline Exposure of any Revolving Lender at any time shall equal its Pro Rata Percentage of the aggregate Swingline Exposure at such time.

"**Swingline Lender**" shall have the meaning assigned to such term in the preamble hereto.

"**Swingline Loan**" shall mean any loan made by the Swingline Lender pursuant to Section 2.16.

"**Syndication Agent**" shall have the meaning assigned to such term in the preamble hereto.

"**Tax Return**" shall mean all returns, statements, filings, attachments and other documents or certifications required to be filed in respect of Taxes.

"**Taxes**" shall mean all present or future taxes, levies, imposts, duties, registration or stamp duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"**Term Loan**" shall have the meaning assigned to such term in Section 2.18(c)(i).

"**Term Loan Commitments**" shall have the meaning assigned to such term in Section 2.18(a).

"**Test Period**" shall mean, at any time, the four consecutive fiscal quarters of Borrowers (or its predecessor) then last ended.

"**Title Company**" shall mean any title insurance company as shall be retained by Borrowers and reasonably acceptable to the Administrative Agent.

"**Title Policy**" shall have the meaning assigned to such term in Section 4.01(o)(iii).

"**Total Assets**" shall mean the total amount of all assets of a person, determined on a consolidated basis in accordance with GAAP as shown on such person's most recent balance sheet.

"**Total Leverage Ratio**" shall mean, at any date of determination, the ratio of Consolidated Indebtedness on such date to Consolidated EBITDA for the Test Period then most recently ended.

"**Transaction Documents**" shall mean the Loan Documents, Senior Secured Note Documents, the Senior Subordinated Note Documents, Collateral Trust Documents and the Korean Opco Loan Documents.

"**Transactions**" shall mean, collectively, the transactions to occur on or prior to the Closing Date pursuant to the Transaction Documents, including (a) the execution, delivery and performance of the Loan Documents and the initial borrowings hereunder; (b) the Refinancing; (c) the execution, delivery and performance of the Senior Secured Note Documents and the issuance of the Senior Secured Notes thereunder; (d) the execution, delivery and performance of the Collateral Trust Documents; (e) the execution, delivery and performance of the Korean Opco Loan Documents; and (f) the payment of all fees and expenses to be paid on or prior to the Closing Date and owing in connection with the foregoing.

"**Transferred Guarantor**" shall have the meaning assigned to such term in Section 7.09.

"**Type**," when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBOR Rate or the Alternate Base Rate.

"**UCC**" shall mean the Uniform Commercial Code as in effect from time to time (except as otherwise specified) in any applicable state or jurisdiction.

"**UK Sales Subsidiary**" shall mean MagnaChip Semiconductor Limited, a company incorporated in England and Wales with registered number 05232381.

"**United States**" shall mean the United States of America.

"**U.S. Sales Subsidiary**" shall mean MagnaChip Semiconductor, Inc., a Delaware corporation.

"**Voting Stock**" shall mean, with respect to any person, any class or classes of Equity Interests pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the Board of Directors of such person.

"**Wholly Owned Subsidiary**" shall mean, as to any person, (a) any corporation 100% of whose capital stock (other than directors' qualifying shares) is at the time owned by such person and/or one or more Wholly Owned Subsidiaries of such person and (b) any partnership, association, joint venture, limited liability company or other entity in which such person and/or one or more Wholly Owned Subsidiaries of such person have a 100% equity interest at such time.

"**Withdrawal Liability**" shall mean liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

**SECTION 1.02 Classification of Loans and Borrowings**. For purposes of this Agreement, Loans may be classified and referred to by Class (*e.g.*, a "Revolving Loan") or by Type (*e.g.*, a "Eurodollar Revolving Loan") or by Class and Type (*e.g.*, a "Eurodollar Revolving Loan"). Borrowings also may be classified and referred to by Type (*e.g.*, a "Eurodollar Borrowing").

**SECTION 1.03 Terms Generally**. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any

pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise (a) any definition of or reference to any Loan Document, agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any person shall be construed to include such person's successors and assigns, (c) the words "herein," "hereof" and "hereunder," and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, (e) any reference to any law or regulation herein shall refer to such law or regulation as amended, modified or supplemented from time to time, (f) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights and (g) "on," when used with respect to the Mortgaged Property or any property adjacent to the Mortgaged Property, means "on, in, under, above or about."

**SECTION 1.04 Accounting Terms; GAAP**. Except as otherwise expressly provided herein, all financial statements to be delivered pursuant to this Agreement shall be prepared in accordance with GAAP as in effect from time to time and all terms of an accounting or financial nature shall be construed and interpreted in accordance with GAAP, as in effect on the date hereof unless otherwise agreed to by Borrowers and the Required Lenders.

**SECTION 1.05 Resolution of Drafting Ambiguities**. Each Loan Party acknowledges and agrees that it was represented by counsel in connection with the execution and delivery of the Loan Documents to which it is a party, that it and its counsel reviewed and participated in the preparation and negotiation hereof and thereof and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be employed in the interpretation hereof or thereof.

## ARTICLE II

## THE CREDITS

**SECTION 2.01 Commitments**. Subject to the terms and conditions and relying upon the representations and warranties herein set forth, each Lender agrees, severally and not jointly, to make Revolving Loans to Borrowers, at any time and from time to time on or after the Closing Date until the earlier of the Revolving Maturity Date and the termination of the Revolving Commitment of such Lender in accordance with the terms hereof, in an aggregate principal amount at any time outstanding that will not result in such Lender's Revolving Exposure exceeding such Lender's Revolving Commitment. Within the limits set forth above and subject to the terms, conditions and limitations set forth herein, Borrowers may borrow, pay or prepay and reborrow Revolving Loans.

**SECTION 2.02 Loans**.

(a) Each Loan (other than Swingline Loans) shall be made as part of a Borrowing consisting of Loans made by the Lenders ratably in accordance with their applicable Commitments; *provided* that the failure of any Lender to make its Loan shall not in itself relieve any other Lender of its obligation

to lend hereunder (it being understood, however, that no Lender shall be responsible for the failure of any other Lender to make any Loan required to be made by such other Lender). Except for Loans deemed made pursuant to Section 2.17(e)(ii), (x) ABR Revolving Loans comprising any Borrowing shall be in an aggregate principal amount that is (i) an integral multiple of $1.0 million and not less than $5.0 million or (ii) equal to the remaining available balance of the applicable Commitments and (y) the Eurodollar Revolving Loans comprising any Borrowing shall be in an aggregate principal amount that is (i) an integral multiple of $1.0 million and not less than $5.0 million or (ii) equal to the remaining available balance of the Commitments.

(b) Subject to Sections 2.11 and 2.12, each Borrowing shall be comprised entirely of ABR Revolving Loans or Eurodollar Revolving Loans as any Borrower may request pursuant to Section 2.03. Each Lender may at its option make any Eurodollar Revolving Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; *provided* that any exercise of such option shall not affect the obligation of Borrowers to repay such Loan in accordance with the terms of this Agreement. Borrowings of more than one Type may be outstanding at the same time; *provided* that Borrowers shall not be entitled to request any Borrowing that, if made, would result in more than five Eurodollar Borrowings outstanding hereunder at any one time. For purposes of the foregoing, Borrowings having different Interest Periods, regardless of whether they commence on the same date, shall be considered separate Borrowings.

(c) Except with respect to Loans deemed made pursuant to Section 2.17(e)(ii), each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds to such account in New York City as the Administrative Agent may designate not later than 11:00 a.m., New York City time, and the Administrative Agent shall promptly credit the amounts so received to an account as directed by any Borrower in the applicable Borrowing Request maintained with the Administrative Agent or, if a Borrowing shall not occur on such date because any condition precedent herein specified shall not have been met, return the amounts so received to the respective Lenders.

(d) Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's portion of such Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of such Borrowing in accordance with paragraph (c) above, and the Administrative Agent may, in reliance upon such assumption, make available to Borrowers on such date a corresponding amount. If the Administrative Agent shall have so made funds available, then, to the extent that such Lender shall not have made such portion available to the Administrative Agent, each of such Lender and Borrowers severally agrees to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to Borrowers until the date such amount is repaid to the Administrative Agent at (i) in the case of Borrowers, the interest rate applicable at the time to the Loans comprising such Borrowing and (ii) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation. If such Lender shall repay to the Administrative Agent such corresponding amount, such amount shall constitute such Lender's Loan as part of such Borrowing for purposes of this Agreement, and Borrowers' obligation to repay the Administrative Agent such corresponding amount pursuant to this Section 2.02(d) shall cease.

(e) Notwithstanding any other provision of this Agreement, none of the Borrowers shall be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Revolving Maturity Date.

**SECTION 2.03 Borrowing Procedure**. To request a Revolving Borrowing a Borrower shall deliver, by hand delivery or telecopier, a duly completed and executed Borrowing Request to the Administrative Agent (i) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Borrowing or (ii) in the case of an ABR Borrowing, not later than 9:00 a.m., New York City time, on the date of the proposed Borrowing. Each Borrowing Request shall be irrevocable and shall specify the following information in compliance with Section 2.02:

(a) the aggregate amount of such Borrowing;

(b) the date of such Borrowing, which shall be a Business Day;

(c) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;

(d) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period";

(e) the location and number of such Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.02(c); and

(f) that the conditions set forth in Sections 4.02(b)-(d) have been satisfied as of the date of the notice.

If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Borrowing, then such Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

**SECTION 2.04 Evidence of Debt; Repayment of Loans**.

(a) Promise to Repay. Each Borrower hereby unconditionally promises to pay (i) to the Administrative Agent for the account of each Revolving Lender, the then unpaid principal amount of each Revolving Loan of such Revolving Lender on the Revolving Maturity Date and (ii) to the Swingline Lender, the then unpaid principal amount of each Swingline Loan on the earlier of the Revolving Maturity Date and the first date after such Swingline Loan is made that is the 15th or last day of a calendar month and is at least two Business Days after such Swingline Loan is made; *provided* that on each date that a Revolving Borrowing is made, Borrowers shall repay all Swingline Loans that were outstanding on the date such Borrowing was requested.

(b) Lender and Administrative Agent Records. Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of Borrowers to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement. The Administrative Agent shall maintain accounts in which it will record (i) the amount of each Loan made hereunder,

the Type and Class thereof and the Interest Period applicable thereto; (ii) the amount of any principal or interest due and payable or to become due and payable from Borrowers to each Lender hereunder; and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof. The entries made in the accounts maintained pursuant to this paragraph shall be *prima facie* evidence of the existence and amounts of the obligations therein recorded; *provided* that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligations of Borrowers to repay the Loans in accordance with their terms.

(c) Promissory Notes. Any Lender by written notice to Borrowers (with a copy to the Administrative Agent) may request that Loans of any Class made by it be evidenced by a promissory note. In such event, Borrowers shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) in the form of Exhibit K-1 or K-2, as the case may be. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 10.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

**SECTION 2.05 Fees**.

(a) Commitment Fee. Borrowers agree to pay to the Administrative Agent for the account of each Lender a commitment fee (a "**Commitment Fee**") equal to the Applicable Fee per annum on the average daily unused amount of each Commitment of such Lender during the period from and including the date hereof to but excluding the date on which such Commitment terminates. Accrued Commitment Fees shall be payable in arrears (A) on the last Business Day of March, June, September and December of each year, commencing on the first such date to occur after the date hereof, and (B) on the date on which such Commitment terminates. Commitment Fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day). For purposes of computing Commitment Fees with respect to Revolving Commitments, a Revolving Commitment of a Lender shall be deemed to be used to the extent of the outstanding Revolving Loans and LC Exposure of such Lender (and the Swingline Exposure of such Lender shall be disregarded for such purpose). For purposes of computing the Commitment Fee under this clause (a), the portion of the average daily amount of the LC Exposure with respect to Alternative Currency Letters of Credit, shall be calculated by multiplying (i) the average daily balance of each Alternative Currency Letter of Credit (expressed in the currency in which such Alternative Currency Letter of Credit is denominated) by (ii) the Spot Rate for each such Alternative Currency in effect on the last Business Day of such period or by such other reasonable method that the Administrative deems appropriate.

(b) Administrative Agent Fees. Borrowers agree to pay to the Administrative Agent, for its own account, the administrative fees set forth in the Fee Letter or such other fees payable in the amounts and at the times separately agreed upon between Borrowers and the Administrative Agent (the "**Administrative Agent Fees**").

(c) LC and Fronting Fees. Borrower agrees to pay (i) to the Administrative Agent for the account of each Revolving Lender a participation fee ("**LC Participation Fee**") with respect to its participations in Letters of Credit, which shall accrue at a rate equal to the Applicable Margin from time to time used to determine the interest rate on Eurodollar Revolving Loans pursuant to Section 2.06 on the average daily amount of such Lender's LC Exposure (excluding any portion thereof attributable to Reimbursement Obligations) during the period from and including the Closing Date to but excluding the later

of the date on which such Lender's Revolving Commitment terminates and the date on which such Lender ceases to have any LC Exposure, and (ii) to the Issuing Bank a fronting fee ("**Fronting Fee**"), which shall accrue at the rate of 0.25% per annum on the average daily amount of the LC Exposure (excluding any portion thereof attributable to Reimbursement Obligations) during the period from and including the Closing Date to but excluding the later of the date of termination of the Revolving Commitments and the date on which there ceases to be any LC Exposure, as well as the Issuing Bank's customary fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Accrued LC Participation Fees and Fronting Fees shall be payable in arrears (i) on the last Business Day of March, June, September and December of each year, commencing on the first such date to occur after the Closing Date, and (ii) on the date on which the Revolving Commitments terminate. Any such fees accruing after the date on which the Revolving Commitments terminate shall be payable on demand. Any other fees payable to the Issuing Bank pursuant to this paragraph shall be payable within 10 days after demand therefor. All LC Participation Fees and Fronting Fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day). For purposes of computing the LC Participation Fee and the LC Fronting Fee under this clause (c), the portion of the average daily amount of the LC Exposure with respect to Alternative Currency Letters of Credit, shall be calculated by multiplying (i) the average daily balance of each Alternative Currency Letter of Credit (expressed in the currency in which such Alternative Currency Letter of Credit is denominated) by (ii) the Spot Rate for each such Alternative Currency in effect on the last Business Day of such period or by such other reasonable method that the Administrative deems appropriate.

(d) All Fees shall be paid on the dates due, in immediately available funds, to the Administrative Agent for distribution, if and as appropriate, among the Lenders, except that Borrower shall pay the Fronting Fees directly to the Issuing Bank. Once paid, none of the Fees shall be refundable under any circumstances.

**SECTION 2.06 Interest on Loans**.

(a) ABR Revolving Loans. Subject to the provisions of Section 2.06(c), the Loans comprising each ABR Borrowing, including each Swingline Loan, shall bear interest at a rate per annum equal to the Alternate Base Rate plus the Applicable Margin in effect from time to time.

(b) Eurodollar Revolving Loans. Subject to the provisions of Section 2.06(c), the Loans comprising each Eurodollar Borrowing shall bear interest at a rate per annum equal to the Adjusted LIBOR Rate for the Interest Period in effect for such Borrowing plus the Applicable Margin in effect from time to time.

(c) Default Rate. Notwithstanding the foregoing, during the continuance of an Event of Default, all Obligations shall, to the extent permitted by applicable law, bear interest, after as well as before judgment, at a per annum rate equal to 2% *plus* the Alternate Base Rate plus the Applicable Margin (the "**Default Rate**").

(d) Interest Payment Dates. Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan; *provided* that (i) interest accrued pursuant to Section 2.06(c) shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan or a Swingline Loan), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in

the event of any conversion of any Eurodollar Revolving Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(e) Interest Calculation. All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate or Adjusted LIBOR Rate shall be determined by the Administrative Agent in accordance with the provisions of this Agreement and such determination shall be conclusive absent manifest error.

**SECTION 2.07 Termination; Reduction and Suspension of Commitments**.

(a) Termination of Commitments. The Revolving Commitments, the Swingline Commitment and the LC Commitment shall automatically terminate on the Revolving Maturity Date. Notwithstanding the foregoing, all the Commitments shall automatically terminate at 5:00 p.m., New York City time, on December 31, 2004, if the initial Credit Extension shall not have occurred by such time.

(b) Optional Terminations and Reductions. At its option, Borrowers may at any time terminate, or from time to time permanently reduce, the Commitments of any Class; *provided* that (i) each reduction of the Commitments of any Class shall be in an amount that is an integral multiple of $1.0 million and not less than $5.0 million and (ii) the Revolving Commitments shall not be terminated or reduced if, after giving effect to any concurrent prepayment of the Revolving Loans in accordance with Section 2.09, the aggregate amount of Revolving Exposures would exceed the aggregate amount of Revolving Commitments.

(c) Borrowers Notice. Borrowers shall notify the Administrative Agent in writing of any election to terminate or reduce the Commitments under Section 2.07(b) at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by Borrowers pursuant to this Section shall be irrevocable. Any termination or reduction of the Commitments of any Class shall be permanent. Each reduction of the Commitments of any Class shall be made ratably among the Lenders in accordance with their respective Commitments of such Class.

**SECTION 2.08 Interest Elections**.

(a) Generally. Each Revolving Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, any Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section. Any Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. Notwithstanding anything to the contrary, none of the Borrowers shall be entitled to request any conversion or continuation that, if made, would result in more than five Eurodollar Borrowings outstanding hereunder at any one time. This Section shall not apply to Swingline Borrowings, which may not be converted or continued.

(b) Interest Election Notice. To make an election pursuant to this Section, a Borrower shall deliver, by hand delivery or telecopier, a duly completed and executed Interest Election Request to the Administrative Agent not later than the time that a Borrowing Request would be required under Section 2.03 if such Borrower were requesting a Revolving Borrowing of the Type resulting from such election to be made on the effective date of such election. Each Interest Election Request shall be irrevocable. Each Interest Election Request shall specify the following information in compliance with Section 2.03:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, or if outstanding Borrowings are being combined, allocation to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period."

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then such Borrower shall be deemed to have selected an Interest Period of one month's duration.

Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(c) Automatic Conversion to ABR Borrowing. If an Interest Election Request with respect to a Eurodollar Borrowing is not timely delivered prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing, the Administrative Agent or the Required Lenders may require, by notice to Borrowers, that (i) no outstanding Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

**SECTION 2.09 Optional and Mandatory Prepayments of Loans**.

(a) Optional Prepayments. Borrowers shall have the right at any time and from time to time to prepay any Borrowing, in whole or in part, subject to the requirements of this Section 2.09; *provided* that each partial prepayment shall be in an amount that is an integral multiple of $1.0 million and not less than $5.0 million.

(b) Revolving Loan Prepayments.

(i) In the event of the termination of all the Revolving Commitments, Borrowers shall, on the date of such termination, repay or prepay all its outstanding Revolving Borrowings

and all outstanding Swingline Loans and replace all outstanding Letters of Credit or cash collateralize all outstanding Letters of Credit in accordance with the procedures set forth in Section 2.17(i).

(ii) In the event of any partial reduction of the Revolving Commitments, then (x) at or prior to the effective date of such reduction, the Administrative Agent shall notify Borrowers and the Revolving Lenders of the sum of the Revolving Exposures after giving effect thereto and (y) if the sum of the Revolving Exposures would exceed the aggregate amount of Revolving Commitments after giving effect to such reduction, then Borrowers shall, on the date of such reduction, *first*, repay or prepay Swingline Loans, *second*, repay or prepay Revolving Borrowings and *third*, replace outstanding Letters of Credit or cash collateralize outstanding Letters of Credit in accordance with the procedures set forth in Section 2.17(i), in an aggregate amount sufficient to eliminate such excess.

(iii) In the event that the sum of all Lenders' Revolving Exposures exceeds the Revolving Commitments then in effect, Borrowers shall, without notice or demand, immediately *first*, repay or prepay Revolving Borrowings, and *second*, replace outstanding Letters of Credit or cash collateralize outstanding Letters of Credit in accordance with the procedures set forth in Section 2.17(i), in an aggregate amount sufficient to eliminate such excess.

(iv) In the event that the aggregate LC Exposure exceeds the LC Commitment then in effect, Borrowers shall, without notice or demand, immediately replace outstanding Letters of Credit or cash collateralize outstanding Letters of Credit in accordance with the procedures set forth in Section 2.17(i), in an aggregate amount sufficient to eliminate such excess.

(c) Asset Sales. Not later than three (3) Business Day following the receipt of any Net Cash Proceeds of any Asset Sale by Holdings or any of its Subsidiaries, Borrowers shall make prepayments in accordance with Sections 2.09(h) and (i) in an aggregate amount equal to 100% of such Net Cash Proceeds; *provided* that:

(i) no such prepayment shall be required under this Section 2.09(c)(i) with respect to (A) any Asset Sale permitted by Section 6.06(a), (B) the disposition of property which constitutes a Casualty Event, or (C) Asset Sales for fair market value resulting in less than $3.0 million in Net Cash Proceeds in any fiscal year; *provided* that clause (C) shall not apply in the case of any Asset Sale described in clause (b) of the definition thereof; and

(ii) so long as no Default shall then exist or would arise therefrom, such proceeds shall not be required to be so applied on such date to the extent that Borrowers shall have delivered an Officers' Certificate to the Administrative Agent on or prior to such date stating that such Net Cash Proceeds are expected to be reinvested in fixed or capital assets within 360 days following the date of such Asset Sale (which Officers' Certificate shall set forth the estimates of the proceeds to be so expended); *provided* that if all or any portion of such Net Cash Proceeds is not so reinvested within such 360-day period, such unused portion ( the "Non-Reinvested Asset Sale Proceeds") shall be applied on the last day of such period as a mandatory prepayment as provided in this Section 2.09(c); *provided, further*, that if the property subject to such Asset Sale constituted Collateral, then all property purchased with the Net Cash Proceeds thereof pursuant to this subsection shall be made subject to the Lien of the applicable Security Documents in favor of the Collateral Agent, for its benefit and for the benefit of the other Secured Parties in accordance with Sections 5.11 and 5.12.

(d) [Intentionally Omitted.]

(e) [Intentionally Omitted.]

(f) Casualty Events. Not later than three (3) Business Day following the receipt of any Net Cash Proceeds from a Casualty Event by Holdings or any of its Subsidiaries in excess of $3.0 million, Borrowers shall do one or more of the following with the full amount of such Net Cash Proceeds: (i) make prepayments of the outstanding Loans or (ii) so long as no Default shall have occurred and be continuing, deliver an Officers' Certificate to the Administrative Agent stating that such proceeds are expected to be used to repair, replace or restore the property in respect of which such Net Cash Proceeds were paid or to reinvest in other fixed or capital assets no later than 360 days following the date of receipt thereof. To the extent any property subject to a Casualty Event generating Net Cash Proceeds in excess of $250,000 constituted Collateral under the Security Documents, the property so purchased with such Net Cash Proceeds shall be made subject to the Lien of the applicable Security Documents in accordance with Sections 5.11 and 5.12. Any portion of the Net Cash Proceeds that is not used to so repair, replace or restore the property in respect of which such Net Cash Proceeds were paid within 360 days after receipt of such Net Cash Proceeds (the "Non-Reinvested Casualty Proceeds") shall be applied as a repayment of the outstanding Loans and a reduction of the Revolving Commitments pursuant to Section 2.09(h). Repayments of Loans pursuant to clause (i) shall also reduce the Revolving Commitments.

(g) [Intentionally Omitted.]

(h) Application of Prepayments. In the event of any optional or mandatory prepayment hereunder, the aggregate amount of such prepayment shall be applied to the Revolving Loans. In addition, any mandatory prepayments made from or with respect to any Non-Reinvested Proceeds shall permanently reduce the Revolving Commitments ratably among the Revolving Lenders in accordance with their applicable Revolving Commitments.

Amounts to be applied pursuant to this Section 2.09 to the prepayment of Revolving Loans shall be applied, as applicable, first to reduce outstanding ABR Revolving Loans, respectively. Any amounts remaining after each such application shall be applied to prepay Eurodollar Revolving Loans, as applicable. Notwithstanding the foregoing, if the amount of any prepayment of Loans required under this Section 2.09 shall be in excess of the amount of the ABR Revolving Loans at the time outstanding (an "**Excess Amount**"), only the portion of the amount of such prepayment as is equal to the amount of such outstanding ABR Revolving Loans shall be immediately prepaid and, at the election of Borrowers, the Excess Amount shall be either (A) deposited in an escrow account on terms satisfactory to the Collateral Agent and applied to the prepayment of Eurodollar Revolving Loans on the last day of the then next-expiring Interest Period for Eurodollar Revolving Loans; *provided* that (i) interest in respect of such Excess Amount shall continue to accrue thereon at the rate provided hereunder for the Loans which such Excess Amount is intended to repay until such Excess Amount shall have been used in full to repay such Loans and (ii) at any time while an Event of Default has occurred and is continuing, the Administrative Agent may, and upon written direction from the Required Lenders shall, apply any or all proceeds then on deposit to the payment of such Loans in an amount equal to such Excess Amount or (B) prepaid immediately, together with any amounts owing to the Lenders under Section 2.12.

(i) Notice of Prepayment. Borrowers shall notify the Administrative Agent (and, in the case of prepayment of a Swingline Loan, the Swingline Lender) by written notice of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of prepayment, (ii) in the case of prepayment of an ABR Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of prepayment

and (iii) in the case of prepayment of a Swingline Loan, not later than 11:00 a.m., New York City time, on the date of prepayment. Each such notice shall be irrevocable; *provided* that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.07, then such notice of prepayment may be revoked if such termination is revoked in accordance with Section 2.07. Each such notice shall specify the prepayment date, the principal amount of each Borrowing or portion thereof to be prepaid and, in the case of a mandatory prepayment, a reasonably detailed calculation of the amount of such prepayment. Promptly following receipt of any such notice (other than a notice relating solely to Swingline Loans), the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Borrowing shall be in an amount that would be permitted in the case of a Credit Extension of the same Type as provided in Section 2.02, except as necessary to apply fully the required amount of a mandatory prepayment. Each prepayment of a Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing and otherwise in accordance with this Section 2.09. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.06.

**SECTION 2.10 Alternate Rate of Interest**. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(a) the Administrative Agent determines (which determination shall be final and conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBOR Rate for such Interest Period; or

(b) the Administrative Agent is advised in writing by the Required Lenders that the Adjusted LIBOR Rate for such Interest Period will not adequately and fairly reflect the cost to such Lenders of making or maintaining their Loans included in such Borrowing for such Interest Period;

then the Administrative Agent shall give written notice thereof to Borrowers and the Lenders as promptly as practicable thereafter and, until the Administrative Agent notifies Borrowers and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective and (ii) if any Borrowing Request requests a Eurodollar Borrowing, such Borrowing shall be made as an ABR Borrowing.

**SECTION 2.11 Yield Protection**.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in, by any Lender (except any reserve requirement reflected in the Adjusted LIBOR Rate) or the Issuing Bank;

(ii) subject any Lender or the Issuing Bank to any tax of any kind whatsoever with respect to this Agreement, any Letter of Credit, any participation in a Letter of Credit or any Eurodollar Revolving Loan made by it, or change the basis of taxation of payments to such Lender or the Issuing Bank in respect thereof (except for Indemnified Taxes or Other Taxes covered by Section 2.14 and the imposition of, or any change in the rate of, any Excluded Tax payable by such Lender or the Issuing Bank); or

(iii) impose on any Lender or the Issuing Bank or the London interbank market any other condition, cost or expense affecting this Agreement or Eurodollar Revolving Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Revolving Loan (or of maintaining its obligation to make any such Loan), or to increase the cost to such Lender, the Issuing Bank or such Lender's or the Issuing Bank's holding company, if any, of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Lender or the Issuing Bank hereunder (whether of principal, interest or any other amount), then, upon request of such Lender or the Issuing Bank, Borrowers will pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank, as the case may be, for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender or the Issuing Bank determines (in good faith, but in its sole absolute discretion) that any Change in Law affecting such Lender or the Issuing Bank or any lending office of such Lender or such Lender's or the Issuing Bank's holding company, if any, regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or the Issuing Bank's capital or on the capital of such Lender's or the Issuing Bank's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the Issuing Bank, to a level below that which such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the Issuing Bank's policies and the policies of such Lender's or the Issuing Bank's holding company with respect to capital adequacy), then from time to time Borrowers will pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender or the Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or the Issuing Bank or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section 2.11 and delivered to Borrowers shall be conclusive absent manifest error. Borrowers shall pay such Lender or the Issuing Bank, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender or the Issuing Bank to demand compensation pursuant to this Section 2.11 shall not constitute a waiver of such Lender's or the Issuing Bank's right to demand such compensation; *provided* that Borrowers shall not be required to compensate a Lender or the Issuing Bank pursuant to this Section for any increased costs incurred or reductions suffered more than six months prior to the date that such Lender or the Issuing Bank, as the case may be, notifies Borrowers of the Change in Law giving rise to such increased costs or reductions and of such Lender's or the Issuing Bank's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the six-month period referred to above shall be extended to include the period of retroactive effect thereof) .

**SECTION 2.12 Breakage Payments**. In the event of (a) the payment or prepayment, whether optional or mandatory, of any principal of any Eurodollar Revolving Loan earlier than the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the

conversion of any Eurodollar Revolving Loan earlier than the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Revolving Loan on the date specified in any notice delivered pursuant hereto or (d) the assignment of any Eurodollar Revolving Loan earlier than the last day of the Interest Period applicable thereto as a result of a request by any Borrower pursuant to Section 2.15(b), then, in any such event, Borrowers shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Revolving Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBOR Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the Eurodollar market. A certificate of any Lender setting forth in reasonable detail any amount or amounts that such Lender is entitled to receive pursuant to this Section 2.12 shall be delivered to Borrowers (with a copy to the Administrative Agent) and shall be conclusive and binding absent manifest error. Borrowers shall pay such Lender the amount shown as due on any such certificate within 5 days after receipt thereof.

**SECTION 2.13 Payments Generally; Pro Rata Treatment; Sharing of Setoffs**.

(a) Payments Generally. Borrowers shall make each payment required to be made by them hereunder or under any other Loan Document (whether of principal, interest, fees or Reimbursement Obligations, or of amounts payable under Section 2.11, 2.12, 2.14 or 10.03, or otherwise) on or before the time expressly required hereunder or under such other Loan Document for such payment (or, if no such time is expressly required, prior to 2:00 p.m., New York City time), on the date when due, in immediately available funds, without setoff, deduction or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 677 Washington Boulevard, Stamford, Connecticut, except payments to be made directly to the Issuing Bank or Swingline Lender as expressly provided herein and except that payments pursuant to Sections 2.11, 2.12, 2.14 and 10.03 shall be made directly to the persons entitled thereto and payments pursuant to other Loan Documents shall be made to the persons specified therein. The Administrative Agent shall distribute any such payments received by it for the account of any other person to the appropriate recipient promptly following receipt thereof. If any payment under any Loan Document shall be due on a day that is not a Business Day, unless specified otherwise, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments under each Loan Document shall be made in dollars, except as expressly specified otherwise.

(b) Insufficient Funds. If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, Reimbursement Obligations, interest and fees then due hereunder, such funds shall be applied (i) *first*, toward payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) *second*, toward payment of principal and Reimbursement Obligations then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and Reimbursement Obligations then due to such parties.

(c) Sharing of Set-Off. Subject to the terms of the Intercreditor Agreement, if any Lender (and/or the Issuing Bank, which shall be deemed a "Lender" for purposes of this Section 2.13(c)) shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or other Obligations resulting in such Lender's receiving payment of a proportion of the aggregate amount of its Loans and accrued interest thereon or other Obligations greater than its *pro rata* share thereof as provided herein, then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans and such other obligations of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them, *provided* that:

(i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(ii) the provisions of this paragraph shall not be construed to apply to (x) any payment made by any Borrower pursuant to and in accordance with the express terms of this Agreement or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to any Borrower or any of its Subsidiaries thereof (as to which the provisions of this paragraph shall apply).

Each Loan Party consents to the foregoing and agrees, to the extent it may effectively do so under applicable Requirements of Law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Loan Party rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Loan Party in the amount of such participation. If under applicable bankruptcy, insolvency or any similar law any Secured Party receives a secured claim in lieu of a setoff or counterclaim to which this Section 2.13(c) applies, such Secured Party shall to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights to which the Secured Party is entitled under this Section 2.13(c) to share in the benefits of the recovery of such secured claim.

(d) Borrowers Default. Unless the Administrative Agent shall have received notice from any Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the Issuing Bank hereunder that such Borrower will not make such payment, the Administrative Agent may assume that such Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the Issuing Bank, as the case may be, the amount due. In such event, if such Borrower has not in fact made such payment, then each of the Lenders or the Issuing Bank, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or the Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(e) Lender Default. If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.02(c), 2.13(d), 2.16(d), 2.17(d), 2.17(e) or 10.03(c), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts

thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

**SECTION 2.14 Taxes**.

(a) Payments Free of Taxes. Any and all payments by or on account of any obligation of any Borrower hereunder or under any other Loan Document shall be made free and clear of and without reduction or withholding for any Indemnified Taxes or Other Taxes; provided that if such Borrower shall be required by applicable Requirements of Law to deduct any Indemnified Taxes (including any Other Taxes) from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, Lender or Issuing Bank, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower shall make such deductions and (iii) such Borrower shall timely pay the full amount deducted to the relevant Governmental Authority in accordance with applicable Requirements of Law.

(b) Payment of Other Taxes by Borrowers. Without limiting the provisions of paragraph (a) above, Borrowers shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable Requirements of Law.

(c) Indemnification by Borrowers. Borrowers shall, jointly and severally, indemnify the Administrative Agent, each Lender and the Issuing Bank, within 10 days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Administrative Agent, such Lender or the Issuing Bank, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to Borrowers by a Lender or the Issuing Bank (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender or the Issuing Bank, shall be conclusive absent manifest error.

(d) Evidence of Payments. As soon as practicable after any payment of Indemnified Taxes or Other Taxes by any Borrower to a Governmental Authority, such Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Status of Lenders. Any Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which any Borrower is resident for tax purposes, or any treaty to which such jurisdiction is a party, with respect to payments hereunder or under any other Loan Document shall, to the extent it may lawfully do so, deliver to such Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable Requirements of Law or reasonably requested by such Borrower or the Administrative Agent, such properly completed and executed documentation prescribed by applicable Requirements of Law as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if requested by any Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable Requirements of Law or reasonably requested by such Borrower or the Administrative Agent as will enable such Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the above

two sentences, in the case of non-U.S. withholding taxes the completion, execution and submission of non-U.S. forms shall not be required if in the Lender's judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would be otherwise disadvantageous to such Lender in any material respect.

(f) Treatment of Certain Refunds. If the Administrative Agent, a Lender or the Issuing Bank determines, in its reasonable discretion, that it has received a refund of any Indemnified Taxes or Other Taxes as to which it has been indemnified by any Borrower or with respect to which any Borrower has paid additional amounts pursuant to this Section, it shall pay to such Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by such Borrower under this Section with respect to the Indemnified Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent, such Lender or the Issuing Bank, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided that such Borrower, upon the request of the Administrative Agent, such Lender or the Issuing Bank, agrees to repay the amount paid over to such Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent, such Lender or the Issuing Bank in the event the Administrative Agent, such Lender or the Issuing Bank is required to repay such refund to such Governmental Authority. This paragraph shall not be construed to require the Administrative Agent, any Lender or the Issuing Bank to make available its tax returns (or any other information relating to its taxes that it deems confidential) to any Borrower or any other person. Notwithstanding anything to the contrary, in no event will any Lender be required to pay any amount to any Borrower the payment of which would place such Lender in a less favorable net after-tax position than such Lender would have been in if the additional amounts giving rise to such refund of any Indemnified Taxes or Other Taxes had never been paid.

**SECTION 2.15 Mitigation Obligations; Replacement of Lenders**.

(a) Designation of a Different Lending Office. If any Lender requests compensation under Section 2.11, or requires any Borrower to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.14, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.11 or 2.14, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. Each Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment. A certificate setting forth such costs and expenses submitted by such Lender to Borrowers shall be conclusive absent manifest error.

(b) Replacement of Lenders. If any Lender requests compensation under Section 2.12, or if any Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.14, or if any Lender defaults in its obligation to fund Loans hereunder, or if any Borrower exercises its replacement rights under Section 10.02(d), then such Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 10.04), all of its interests, rights and obligations under this Agreement and the other Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); *provided* that:

(i) such Borrower shall have paid to the Administrative Agent the processing and recordation fee specified in Section 10.04(b);

(ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in LC Disbursements and Swingline Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 2.12), from the assignee (to the extent of such outstanding principal and accrued interest and fees) or such Borrower (in the case of all other amounts);

(iii) in the case of any such assignment resulting from a claim for compensation under Section 2.12 or payments required to be made pursuant to Section 2.14, such assignment will result in a reduction in such compensation or payments thereafter; and

(iv) such assignment does not conflict with applicable Requirements of Law.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling such Borrower to require such assignment and delegation cease to apply.

**SECTION 2.16 Swingline Loans**.

(a) Swingline Commitment. Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans to Borrowers from time to time during the Revolving Availability Period, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of outstanding Swingline Loans exceeding $10.0 million or (ii) the sum of the total Revolving Exposures exceeding the total Revolving Commitments; *provided* that the Swingline Lender shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. Within the foregoing limits and subject to the terms and conditions set forth herein, Borrowers may borrow, repay and reborrow Swingline Loans.

(b) Swingline Loans. To request a Swingline Loan, any Borrower shall deliver, by hand delivery or telecopier, a duly completed and executed Borrowing Request to the Administrative Agent and the Swingline Lender, not later than 2:00 p.m., New York City time, on the day of a proposed Swingline Loan. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day) and the amount of the requested Swingline Loan. Each Swingline Loan shall be an ABR Revolving Loan. The Swingline Lender shall make each Swingline Loan available to such Borrower by means of a credit to the general deposit account of such Borrower with the Swingline Lender (or, in the case of a Swingline Loan made to finance the reimbursement of an LC Disbursement as provided in Section 2.17(e), by remittance to the Issuing Bank) by 3:00 p.m., New York City time, on the requested date of such Swingline Loan. None of the Borrowers shall request a Swingline Loan if at the time of or immediately after giving effect to the Extension of Credit contemplated by such request a Default has occurred and is continuing or would result therefrom. Swingline Loans shall be made in minimum amounts of $1.0 million and integral multiples of $500,000 above such amount.

(c) Prepayment. Borrowers shall have the right at any time and from time to time to repay any Swingline Loan, in whole or in part, upon giving written notice to the Swingline Lender and the Administrative Agent before 12:00 (noon), New York City time, on the proposed date of repayment.

(d) Participations. The Swingline Lender may at any time in its discretion by written notice given to the Administrative Agent (*provided* such notice requirement shall not apply if the Swingline Lender and the Administrative Agent are the same entity) not later than 11:00 A.M., New York City time, on the next succeeding Business Day following such notice require the Revolving Lenders to acquire participations on such Business Day in all or a portion of the Swingline Loans then outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which Revolving Lenders will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Revolving Lender, specifying in such notice such Lender's Pro Rata Percentage of such Swingline Loan or Loans. Each Revolving Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Administrative Agent, for the account of the Swingline Lender, such Lender's Pro Rata Percentage of such Swingline Loan or Loans. Each Revolving Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever (so long as such payment shall not cause such Lender's Revolving Exposure to exceed such Lender's Revolving Commitment). Each Revolving Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.02(c) with respect to Loans made by such Lender (and Section 2.02 shall apply, *mutatis mutandis*, to the payment obligations of the Revolving Lenders), and the Administrative Agent shall promptly pay to the Swingline Lender the amounts so received by it from the Revolving Lenders. The Administrative Agent shall notify Borrowers of any participations in any Swingline Loan acquired by the Revolving Lenders pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the Swingline Lender. Any amounts received by the Swingline Lender from any Borrower (or other party on behalf of any Borrower) in respect of a Swingline Loan after receipt by the Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent. Any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Revolving Lenders that shall have made their payments pursuant to this paragraph, as their interests may appear. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve any Borrower of any default in the payment thereof.

**SECTION 2.17 Letters of Credit**

(a) General. Subject to the terms and conditions set forth herein, any Borrower may request the Issuing Bank, and the Issuing Bank agrees, to issue Letters of Credit denominated in Dollars or any Alternative Currency for its own account or the account of a Subsidiary in a form reasonably acceptable to the Administrative Agent and the Issuing Bank, at any time and from time to time during the Revolving Availability Period (*provided* that such Borrower shall be a co-applicant, and be jointly and severally liable, with respect to each Letter of Credit issued for the account of a Subsidiary). The Issuing Bank shall have no obligation to issue, and none of the Borrowers shall request the issuance of, any Letter of Credit at any time if after giving effect to such issuance, the LC Exposure would exceed the LC Commitment or the total Revolving Exposure would exceed the total Revolving Commitments. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by such Borrower to, or entered into by such Borrower with, the Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control. On and after the Closing Date each Existing Letter of Credit shall constitute a Letter of Credit for all purposes hereof.

(b) Request for Issuance, Amendment, Renewal, Extension; Certain Conditions and Notices. To request the issuance of a Letter of Credit or the amendment, renewal or extension of an outstanding Letter of Credit, a Borrower shall deliver, by hand or telecopier (or transmit by electronic communication, if arrangements for doing so have been approved by the Issuing Bank), an LC Request to the Issuing Bank and the Administrative Agent not later than 11:00 a.m. on the third Business Day preceding the requested date of issuance, amendment, renewal or extension (or such later date and time as is acceptable to the Issuing Bank).

A request for an initial issuance of a Letter of Credit shall specify in form and detail satisfactory to the Issuing Bank:

(i) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day);

(ii) the amount thereof and the currency (which shall be Dollars or an Alternative Currency) for such requested Letter of Credit;

(iii) the expiry date thereof (which shall not be later than the close of business on the Letter of Credit Expiration Date);

(iv) the name and address of the beneficiary thereof;

(v) whether the Letter of Credit is to be issued for its own account or for the account of one of its Subsidiaries (*provided* that such Borrower shall be a co-applicant, and therefore jointly and severally liable, with respect to each Letter of Credit issued for the account of a Subsidiary);

(vi) the documents to be presented by such beneficiary in connection with any drawing thereunder;

(vii) the full text of any certificate to be presented by such beneficiary in connection with any drawing thereunder; and

(viii) such other matters as the Issuing Bank may reasonably require.

A request for an amendment, renewal or extension of any outstanding Letter of Credit shall specify in form and detail satisfactory to the Issuing Bank:

(i) the Letter of Credit to be amended, renewed or extended;

(ii) the proposed date of amendment, renewal or extension thereof (which shall be a Business Day);

(iii) the nature of the proposed amendment, renewal or extension; and

(iv) such other matters as the Issuing Bank may reasonably require.

If requested by the Issuing Bank, such Borrower also shall submit a letter of credit application on the Issuing Bank's standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and, upon issuance, amendment, renewal or extension

of each Letter of Credit, such Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension, (i) the LC Exposure shall not exceed the LC Commitment, (ii) the total Revolving Exposures shall not exceed the total Revolving Commitments and (iii) the conditions set forth in Article IV in respect of such issuance, amendment, renewal or extension shall have been satisfied. Unless the Issuing Bank shall agree otherwise, no Letter of Credit shall be in an initial amount less than $100,000 (or the Dollar Equivalent thereof), in the case of a Commercial Letter of Credit, or $500,000 (or the Dollar Equivalent thereof), in the case of a Standby Letter of Credit, or is to be denominated in a currency other than Dollars.

Upon the issuance of any Letter of Credit or amendment, renewal, extension or modification to a Letter of Credit, the Issuing Bank shall promptly notify the Administrative Agent, who shall promptly notify each Revolving Lender, thereof, which notice shall be accompanied by a copy of such Letter of Credit or amendment, renewal, extension or modification to a Letter of Credit and the amount of such Lender's respective participation in such Letter of Credit pursuant to Section 2.17(d). On the first Business Day of each calendar month, the Issuing Bank shall provide to the Administrative Agent a report listing all outstanding Letters of Credit and the amounts and beneficiaries thereof and the Administrative Agent shall promptly provide such report to each Revolving Lender.

(c) Expiration Date. Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) in the case of a Standby Letter of Credit, (x) the date which is one year after the date of the issuance of such Standby Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension) and (y) the Letter of Credit Expiration Date and (ii) in the case of a Commercial Letter of Credit, (x) the date that is 180 days after the date of issuance of such Commercial Letter of Credit (or, in the case of any renewal or extension thereof, 180 days after such renewal or extension) and (y) the Letter of Credit Expiration Date. Any Standby Letter of Credit may provide by its terms that it may be extended for additional successive one-year periods on terms reasonably acceptable to the applicable Issuing Bank. Any Standby Letter of Credit providing for automatic extension shall be extended upon the then current expiration date without any further action by any Person unless the applicable Issuing Bank shall have given notice to the applicable beneficiary (with a copy to the Borrowers) of the election of such Issuing Bank not to extend the then current expiration date of such Letter of Credit, provided that no Letter of Credit may be extended automatically or otherwise beyond the Letter of Credit Expiration Date.

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the Issuing Bank or the Lenders, the Issuing Bank hereby irrevocably grants to each Revolving Lender, and each Revolving Lender hereby acquires from the Issuing Bank, a participation in such Letter of Credit equal to such Revolving Lender's Pro Rata Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Revolving Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent in Dollars, for the account of the Issuing Bank, such Revolving Lender's Pro Rata Percentage of the Dollar Equivalent of each LC Disbursement made by the Issuing Bank and not reimbursed by Borrowers on the date due as provided in Section 2.17(e), or of any reimbursement payment required to be refunded to Borrowers for any reason. Each Revolving Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, or expiration, termination or cash collateralization of any Letter of Credit and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. On the Closing, each Issuing Bank

that has issued an Existing Letter of Credit shall be deemed, without further action by any party hereto, to have granted to each Revolving Lender and each Revolving Lender shall have been deemed to have purchased from such Issuing Bank a participation in such Letter of Credit in accordance with this paragraph (d).

(e) Reimbursement.

(i) If the Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, Borrowers shall reimburse such LC Disbursement by paying to the Issuing Bank an amount equal to such LC Disbursement not later than 3:00 p.m., New York City time, on the date that such LC Disbursement is made if Borrowers shall have received notice of such LC Disbursement prior to 11:00 a.m., New York City time, on such date, or, if such notice has not been received by Borrowers prior to such time on such date, then not later than 3:00 p.m., New York City time, on the Business Day immediately following the day that Borrowers receive such notice; *provided* that Borrowers may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.03 that such payment be financed with ABR Revolving Loans or Swingline Loans in an equivalent amount and, to the extent so financed, Borrowers' obligation to make such payment shall be discharged and replaced by the resulting ABR Revolving Loans or Swingline Loans.

(ii) If Borrowers fail to make such payment when due, then (A) if such payment relates to an Alternative Currency Letter of Credit, automatically and with no further action, the Borrowers obligation to reimburse such LC Disbursement shall be permanently converted into an obligation to reimburse the Dollar Equivalent thereof, calculated using the Spot Rate on the date when such payment was due, and (B) in the case of each LC Disbursement the Issuing Bank shall notify the Administrative Agent and the Administrative Agent shall notify each Revolving Lender of the applicable LC Disbursement, the payment then due from Borrowers in respect thereof and such Revolving Lender's Pro Rata Percentage thereof. Each Revolving Lender shall pay by wire transfer of immediately available funds to the Administrative Agent not later than 2:00 p.m., New York City time, on such date (or, if such Revolving Lender shall have received such notice later than 12:00 noon, New York City time, on any day, not later than 11:00 a.m., New York City time, on the immediately following Business Day), an amount equal to such Revolving Lender's Pro Rata Percentage of the unreimbursed LC Disbursement in the same manner as provided in Section 2.02(c) with respect to Revolving Loans made by such Revolving Lender, and the Administrative Agent will promptly pay to the Issuing Bank the amounts so received by it from the Revolving Lenders. The Administrative Agent will promptly pay to the Issuing Bank any amounts received by it from Borrowers pursuant to the above paragraph prior to the time that any Revolving Lender makes any payment pursuant to the preceding sentence and any such amounts received by the Administrative Agent from Borrowers thereafter will be promptly remitted by the Administrative Agent to the Revolving Lenders that shall have made such payments and to the Issuing Bank, as appropriate. If the Borrowers reimbursement of, or obligation to reimburse, any amounts in any Alternative Currency would subject the Administrative Agent, the Issuing Bank or any Lender to any stamp duty, ad valorem charge or similar tax that would not be payable if such reimbursement were made or required to be made in Dollars, the Borrowers shall, at their option, either (x) pay the amount of any such tax requested by the Administrative Agent, the Issuing Bank or Lender or (y) reimburse each LC Disbursement made in such Alternative Currency in Dollars, in an amount equal to the Dollar Equivalent, calculated using the Spot Rate on the date such LC Disbursement is made.

(iii) If any Revolving Lender shall not have made its Pro Rata Percentage of such LC Disbursement available to the Administrative Agent as provided above, each of such Revolving Lender and Borrowers severally agrees to pay interest on such amount, for each day from and including the date such amount is required to be paid in accordance with the foregoing to but excluding the date such amount is paid, to the Administrative Agent for the account of the Issuing Bank at (i) in the case of Borrowers, the rate per annum set forth in Section 2.17(h) and (ii) in the case of such Lender, at a rate determined by the Administrative Agent in accordance with banking industry rules or practices on interbank compensation.

(f) Obligations Absolute. The Reimbursement Obligation of Borrowers as provided in Section 2.17(e) shall be absolute, unconditional and irrevocable, and shall be paid and performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein; (ii) any draft or other document presented under a Letter of Credit being proved to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; (iii) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or other document that fails to comply with the terms of such Letter of Credit; (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section 2.17, constitute a legal or equitable discharge of, or provide a right of setoff against, the obligations of any Borrower hereunder; (v) the fact that a Default shall have occurred and be continuing; or (vi) any material adverse change in the business, property, results of operations, prospects or condition, financial or otherwise, of any Borrower or any of its Subsidiaries. None of the Agents, the Lenders, the Issuing Bank or any of their Affiliates shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuing Bank; *provided* that the foregoing shall not be construed to excuse the Issuing Bank from liability to Borrowers to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by Borrowers to the extent permitted by applicable Requirements of Law) suffered by Borrowers that are caused by the Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of the Issuing Bank (as finally determined by a court of competent jurisdiction), the Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The Issuing Bank shall promptly give written notice to the Administrative Agent and Borrowers of such demand for payment and whether the Issuing Bank has made or will make an LC Disbursement thereunder; *provided* that any failure to give or delay in giving such notice shall not relieve Borrowers of their Reimbursement Obligation to the Issuing Bank and the Revolving Lenders with respect to any such LC

Disbursement (other than with respect to the timing of such Reimbursement Obligation set forth in Section 2.17(e)).

(h) Interim Interest. If the Issuing Bank shall make any LC Disbursement, then, unless Borrowers shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the Dollar Equivalent of the unpaid amount thereof shall bear interest payable on demand, for each day from and including the date such LC Disbursement is made to but excluding the date that Borrowers reimburse such LC Disbursement, at the rate per annum determined pursuant to Section 2.06(c). Interest accrued pursuant to this paragraph shall be for the account of the Issuing Bank, except that interest accrued on and after the date of payment by any Revolving Lender pursuant to Section 2.17(e) to reimburse the Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Cash Collateralization. If any Event of Default shall occur and be continuing, on the Business Day that Borrowers receive notice from the Administrative Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, Revolving Lenders with LC Exposure representing greater than 50% of the total LC Exposure) demanding the deposit of cash collateral pursuant to this paragraph, Borrowers shall deposit on terms and in accounts satisfactory to the Collateral Agent, in the name of the Collateral Agent and for the benefit of the Revolving Lenders, an amount in cash equal to the LC Exposure as of such date plus any accrued and unpaid interest thereon; *provided* that (i) the portions of such amount attributable to undrawn Alternative Currency Letters of Credit shall be deposited in the applicable Alternative Currencies in the actual amounts of such undrawn Alternative Currency Letters of Credit and (ii) the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to Borrowers described in Section 8.01(g) or (h). Funds so deposited shall be applied by the Collateral Agent to reimburse the Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of outstanding Reimbursement Obligations or, if the maturity of the Loans has been accelerated (but subject to the consent of Revolving Lenders with LC Exposure representing greater than 50% of the total LC Exposure), be applied to satisfy other Obligations of Borrowers under this Agreement. If Borrowers are required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, such amount *plus* any accrued interest or realized profits with respect to such amounts (to the extent not applied as aforesaid) shall be returned to Borrowers within three Business Days after all Events of Default have been cured or waived.

(j) Additional Issuing Banks. Borrowers may, at any time and from time to time, designate one or more additional Revolving Lenders to act as an issuing bank under the terms of this Agreement, with the consent of the Administrative Agent (which consent shall not be unreasonably withheld), the Issuing Bank and such Revolving Lender(s). Any Lender designated as an issuing bank pursuant to this paragraph (j) shall be deemed (in addition to being a Revolving Lender) to be the Issuing Bank with respect to Letters of Credit issued or to be issued by such Revolving Lender, and all references herein and in the other Loan Documents to the term "Issuing Bank" shall, with respect to such Letters of Credit, be deemed to refer to such Revolving Lender in its capacity as Issuing Bank, as the context shall require.

(k) Resignation or Removal of the Issuing Bank. The Issuing Bank may resign as Issuing Bank hereunder at any time upon at least 30 days' prior notice to the Lenders, the Administrative Agent and Borrowers. The Issuing Bank may be replaced at any time by written agreement among each Borrower, each Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement of the Issuing Bank or any such additional Issuing

Bank. At the time any such resignation or replacement shall become effective, Borrowers shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 2.05(c). From and after the effective date of any such resignation or replacement or addition, as applicable, (i) the successor or additional Issuing Bank shall have all the rights and obligations of the Issuing Bank under this Agreement with respect to Letters of Credit to be issued by it thereafter and (ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or such addition or to any previous Issuing Bank, or to such successor or such addition and all previous Issuing Banks, as the context shall require. After the resignation or replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such resignation or replacement, but shall not be required to issue additional Letters of Credit. If at any time there is more than one Issuing Bank hereunder, Borrowers may, in their discretion, select which Issuing Bank is to issue any particular Letter of Credit.

(l) Other. The Issuing Bank shall be under no obligation to issue any Letter of Credit if

(i) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain the Issuing Bank from issuing such Letter of Credit, or any Requirement of Law applicable to the Issuing Bank or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over the Issuing Bank shall prohibit, or request that the Issuing Bank refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon the Issuing Bank with respect to such Letter of Credit any restriction, reserve or capital requirement (for which the Issuing Bank is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon the Issuing Bank any unreimbursed loss, cost or expense which was not applicable on the Closing Date and which the Issuing Bank in good faith deems material to it; or

(ii) the issuance of such Letter of Credit would violate one or more policies of the Issuing Bank.

The Issuing Bank shall be under no obligation to amend any Letter of Credit if (A) the Issuing Bank would have no obligation at such time to issue such Letter of Credit in its amended form under the terms hereof, or (B) the beneficiary of such Letter of Credit does not accept the proposed amendment to such Letter of Credit.

**SECTION 2.18 Increase in Commitments**.

(a) Borrower Request. Borrower may by written notice to the Administrative Agent elect to request the establishment of one or more new term loan commitments (the "**Term Loan Commitments**") by an amount not in excess of $250,000,000 in the aggregate and not less than $50,000,000 individually. Each such notice shall specify (i) the date (each, an "**Increase Effective Date**") on which Borrower proposes that the new Commitments shall be effective, which shall be a date not less than 10 Business Days after the date on which such notice is delivered to the Administrative Agent and (ii) the identity of each Eligible Assignee to whom Borrower proposes any portion of such new Commitments be allocated and the amounts of such allocations; *provided* that any existing Lender approached to provide all or a portion of the new Commitments may elect or decline, in its sole discretion, to provide such new Commitment.

(b) Conditions. The new Commitments shall become effective, as of such Increase Effective Date; *provided* that:

(i) each of the conditions set forth in Section 4.02 shall be satisfied;

(ii) no Default shall have occurred and be continuing or would result from the borrowings to be made on the Increase Effective Date;

(iii) after giving pro forma effect to the borrowings to be made on the Increase Effective Date and to any change in Consolidated EBITDA and any increase in Indebtedness resulting from the consummation of any Permitted Acquisition concurrently with such borrowings as of the date of the most recent financial statements delivered pursuant to Section 5.01(a) or (b), Borrower shall be in compliance with each of the covenants set forth in Section 6.10 and the Total Leverage Ratio shall not be greater than one full multiple less than the Total Leverage Ratio permitted pursuant to Section 6.10 for the most recently ended Test Period (for example, if such maximum Total Leverage Ratio is 3.50 to 1, such Total Leverage Ratio shall not be greater than 2.50 to 1, if, 3.25 to 1, then not greater than 2.25 to 1, etc.); and

(iv) Borrower shall deliver or cause to be delivered any legal opinions or other documents reasonably requested by the Administrative Agent in connection with any such transaction.

(c) Terms of New Loans and Commitments. The terms and provisions of Loans made pursuant to the new Commitments shall be as follows:

(i) the maturity date of the new loans made pursuant to the new Commitments (each a "**Term Loan**") shall not be earlier than the Revolving Maturity Date;

(ii) if required by the Administrative Agent or the lenders making the Term Loan Commitments, this Agreement shall be amended to include provisions acceptable to the Administrative Agent and such lenders (A) with respect to prepayments of the Loans from debt and equity issuances of Holdings or any of its Subsidiaries and excess cash flow of Holdings and its Subsidiaries and (B) requiring the delivery of notices to account debtors contemplated by Section 5.01(j) containing accurate fixed date stamps indicating the date of such notices as required under applicable law to perfect the Collateral Trustee's or the Collateral Agent's lien on the related accounts;

(iii) if required by the Administrative Agent or the lenders making the Term Loan Commitments, no later than the 30th day after the closing date with respect to any such new Term Loans, Borrowers shall enter into, and for a minimum period of time thereafter acceptable to the Administrative Agent and/or such lenders agree to maintain, Hedging Agreements with terms and conditions acceptable to the Administrative Agent and such lenders; and

(iv) the Applicable Margins for the Term Loans shall be determined by Borrower and the applicable new Lenders and must be acceptable to the Required Lenders.

The new Commitments shall be effected by a joinder agreement (the "**Increase Joinder**") executed by Borrower, the Administrative Agent and each Lender making such new Commitment, in form and substance satisfactory to each of them. The Increase Joinder may, without the consent of any other Lenders, effect such amendments to this Agreement and the other Loan Documents as may be necessary or appropriate, in the opinion of the Administrative Agent, to effect the provision of this Section 2.18 (including, without limitation, amending and restating this Agreement or any other Loan Document).

(d) Making of New Term Loans. On any Increase Effective Date on which new Commitments for Term Loans are effective, subject to the satisfaction of the foregoing terms and conditions, each Lender of such new Commitment shall make a Term Loan to Borrower in an amount equal to its new Commitment.

(e) Equal and Ratable Benefit. The Loans and Commitments established pursuant to this paragraph shall constitute Loans and Commitments under, and shall be entitled to all the benefits afforded by, this Agreement and the other Loan Documents, and shall, without limiting the foregoing, benefit equally and ratably from the Guarantees and security interests created by the Security Documents. The Loan Parties shall take any actions reasonably required by the Administrative Agent to ensure and/or demonstrate that the Lien and security interests granted by the Security Documents continue to be perfected under the UCC or otherwise after giving effect to the establishment of any such Class of Term Loans or any such new Commitments.

## ARTICLE III

## REPRESENTATIONS AND WARRANTIES

Each Loan Party represents and warrants to the Administrative Agent, the Collateral Agent, the Issuing Bank and each of the Lenders (with references to the Companies being references thereto after giving effect to the Transactions unless otherwise expressly stated) that:

**SECTION 3.01 Organization; Powers**. Each Company (a) is duly organized and validly existing under the laws of the jurisdiction of its organization, (b) has all requisite power, capacity and authority to carry on its business as now conducted and to own and lease its property and (c) is qualified and in good standing (to the extent such concept is applicable in the applicable jurisdiction) to do business in every jurisdiction where such qualification is required, except in such jurisdictions where the failure to so qualify or be in good standing, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. There is no existing default under any Organizational Document of any Company or any event which, with the giving of notice or passage of time or both, would constitute a default by any party thereunder.

**SECTION 3.02 Authorization; Enforceability**. The Transactions to be entered into by each Loan Party are within such Loan Party's powers and have been duly authorized by all necessary action on the part of such Loan Party. This Agreement has been duly executed and delivered by each Loan Party and constitutes, and each other Loan Document to which any Loan Party is to be a party, when executed and delivered by such Loan Party, will constitute, a legal, valid and binding obligation of such Loan Party, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

**SECTION 3.03 No Conflicts**. Except as set forth on Schedule 3.03, the Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except (i) such as have been obtained or made and are in full force and effect, (ii) filings necessary to perfect Liens created by the Loan Documents and (iii) consents, approvals, registrations, filings, permits or actions the failure to obtain or perform which could not reasonably be expected to result in a Material Adverse Effect, (b) will not violate the Organizational Documents of any

Company, (c) will not violate any Requirement of Law, (d) will not violate or result in a default or require any consent or approval under any indenture, agreement or other instrument binding upon any Company or its property, or give rise to a right thereunder to require any payment to be made by any Company, except for violations, defaults or the creation of such rights that could not reasonably be expected to result in a Material Adverse Effect, and (e) will not result in the creation or imposition of any Lien on any property of any Company, except Liens created by the Loan Documents and Permitted Liens.

**SECTION 3.04 Financial Statements; Projections**.

(a) Historical Financial Statements. Borrowers have heretofore delivered to the Lenders the consolidated balance sheets and related statements of income, stockholders' equity and cash flows of the Acquired Business (i) as of and for the fiscal years ended December 31, 2001, 2002, and 2003, audited by and accompanied by the unqualified opinion of Samil Pricewaterhouse Coopers, independent public accountants, and (ii) as of and for the nine-month period ended September 30, 2004 and for the comparable period of the preceding fiscal year, in each case, certified by the chief financial officer of Borrowers. Such financial statements and all financial statements delivered pursuant to Sections 5.01(a) and (b) have been prepared in accordance with GAAP (subject in the case of the interim statements to normal year-end adjustments and the absence of footnotes) and present fairly and accurately the financial condition and results of operations and cash flows of Borrowers as of the dates and for the periods to which they relate.

(b) No Liabilities. Except as set forth in the financial statements referred to in Section 3.04(a), there are no liabilities of any Company of any kind, whether accrued, contingent, absolute, determined, determinable or otherwise, which could reasonably be expected to result in a Material Adverse Effect, and there is no existing condition, situation or set of circumstances which could reasonably be expected to result in such a liability, other than liabilities under the Loan Documents, the Senior Secured Note Documents and the Senior Subordinated Note Documents. Since the date of the Acquisition, there has been no event, change, circumstance or occurrence that, individually or in the aggregate, has had or could reasonably be expected to result in a Material Adverse Effect.

**(c) Pro Forma Financial Statements.** Borrowers have heretofore delivered to the Lenders Borrowers' unaudited *pro forma* consolidated balance sheet and statements of income and cash flows and *pro forma* EBITDA, for (i) the fiscal year ended December 31, 2003, after giving effect to the Acquisition as if it had occurred on January 1, 2003 and (ii) as of and for the nine-month period ended September 31, 2004, after giving effect to the Acquisition as if it had occurred on September 30, 2004. Such *pro forma* financial statements have been prepared in good faith by the Loan Parties, based on the assumptions stated therein (which assumptions are believed by the Loan Parties on the date hereof and on the Closing Date to be reasonable), are based on the best information available to the Loan Parties as of the date of delivery thereof, accurately reflect all adjustments required to be made to give effect to the Acquisition, and present fairly in all material respects the *pro forma* consolidated financial position and results of operations of Borrowers as of such date and for such periods, assuming that the Acquisition had occurred on the applicable date specified above**.**

(d) Forecasts. The forecasts of financial performance of Holdings and its subsidiaries furnished to the Lenders have been prepared in good faith by Borrowers and based on assumptions believed by Borrowers to reasonable.

**SECTION 3.05 Properties**.

(a) Generally. Each Company has good title to, or valid leasehold interests in, all its property material to its business, free and clear of all Liens except for, in the case of Collateral, Permitted Collateral Liens and, in the case of all other material property, Permitted Liens and minor irregularities or deficiencies in title that, individually or in the aggregate, do not interfere with its ability to conduct its business as currently conducted or to utilize such property for its intended purpose. The property of the Companies, taken as a whole, (i) is in good operating order, condition and repair (ordinary wear and tear excepted) and (ii) constitutes all the property which is required for the business and operations of the Companies as presently conducted.

(b) Real Property. Schedule 3.05(b) hereto contains as of the Closing Date a true and complete list of each interest in Real Property (i) owned by any Company as of the date hereof and describes the type of interest therein held by such Company and whether such owned Real Property is leased and if leased whether the underlying Lease contains any option to purchase all or any portion of such Real Property or any interest therein or contains any right of first refusal relating to any sale of such Real Property or any portion thereof or interest therein and (ii) leased, subleased or otherwise occupied or utilized by any Company, as lessee, sublessee, franchisee or licensee, as of the date hereof and describes the type of interest therein held by such Company and, in each of the cases described in clauses (i) and (ii) of this Section 3.05(b), whether any Lease requires the consent of the landlord or tenant thereunder, or other party thereto, to the Transactions.

(c) No Casualty Event. No Company has received any notice of, nor has any knowledge of, the occurrence or pendency or contemplation of any Casualty Event affecting all or any material portion of its property or any material portion of the Collateral.

(d) Collateral. Each Company owns or has rights to use all of the Collateral and all rights with respect thereto used in, necessary for or material to each Company's business as currently conducted. The use by each Company of such Collateral and all such rights with respect to the foregoing do not infringe on the rights of any person other than such infringement which could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. No claim has been made and remains outstanding that any Company's use of any Collateral does or may violate the rights of any third party that could, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

**SECTION 3.06 Intellectual Property**.

(a) Ownership/No Claims. Each Loan Party owns, or is licensed to use, all Intellectual Property, except for those the failure to own or license which, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No claim has been asserted and is pending by any person challenging or questioning the use of any such Intellectual Property or the validity or effectiveness of any such Intellectual Property, nor does any Loan Party know of any valid basis for any such claim which could reasonably be expected to have a Material Adverse Effect. The use of such Intellectual Property by each Loan Party does not infringe the rights of any person, except for such claims and infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

(b) Registrations. Except pursuant to licenses and other user agreements entered into by each Loan Party in the ordinary course of business that are listed in Schedule 3.06(b), on and as of the date hereof (i) each Loan Party owns and possesses the right to use, and has done nothing to authorize or

enable any other person to use, any of its Intellectual Property that is material to its business and (ii) all registrations with respect to such Intellectual Property are valid and in full force and effect.

(c) No Violations or Proceedings. To each Loan Party's knowledge, on and as of the date hereof, there is no material violation by others of any right of such Loan Party with respect to any of its Intellectual Property pledged by it under the name of such Loan Party except as may be set forth on Schedule 3.06(c).

**SECTION 3.07 Equity Interests and Subsidiaries**.

(a) Equity Interests. Schedule 3.07(a) sets forth a list as of the Closing Date of (i) all the Subsidiaries of Holdings and their jurisdictions of organization as of the Closing Date and (ii) the number of each class of its Equity Interests authorized, and the number outstanding, on the Closing Date and the number of shares covered by all outstanding options, warrants, rights of conversion or purchase and similar rights at the Closing Date. All Equity Interests of each Company are duly and validly issued and are fully paid and non-assessable, and, other than the Equity Interests of Borrowers and Holdings, are owned by Borrowers, directly or indirectly through Wholly Owned Subsidiaries. All Equity Interests of Borrowers are owned directly by Holdings. Each Loan Party is the record and beneficial owner of, and has good and marketable title to, the Equity Interests pledged by it under the Security Documents, free of any and all Liens, rights or claims of other persons, except the security interest created by the Security Documents, and there are no outstanding warrants, options or other rights to purchase, or shareholder, voting trust or similar agreements outstanding with respect to, or property that is convertible into, or that requires the issuance or sale of, any such Equity Interests.

(b) No Consent of Third Parties Required. No consent of any person including any other general or limited partner, any other member of a limited liability company, any other shareholder or any other trust beneficiary is necessary or reasonably desirable (from the perspective of a secured party) in connection with the creation, perfection or first priority status of the security interest of the Collateral Agent in any Equity Interests pledged to the Collateral Agent for the benefit of the Secured Parties under the Security Agreement or the exercise by the Collateral Agent of the voting or other rights provided for in the Security Agreement or the exercise of remedies in respect thereof.

(c) Organizational Chart. An accurate organizational chart, showing the ownership structure of Holdings, Borrowers and each Subsidiary on the Closing Date, and after giving effect to the Transactions, is set forth on Schedule 3.07(c).

**SECTION 3.08 Litigation; Compliance with Laws**. There are no actions, suits, investigations or proceedings at law or in equity by or before any Governmental Authority now pending or, to the knowledge of any Company, threatened against or affecting any Company or any business, property or rights of any Company (i) that involve any Loan Document or any of the Transactions or (ii) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect. Except for matters covered by Section 3.18, no Company or any of its property is in violation of, nor will the continued operation of its property as currently conducted violate, any Requirements of Law (including any zoning or building ordinance, code or approval or any building permits) or any restrictions of record or agreements affecting any Company's Real Property or is in default with respect to any Requirement of Law, where such violation or default, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect.

**SECTION 3.09 Agreements**. No Company is a party to any agreement or instrument or subject to any corporate or other constitutional restriction that has resulted or could reasonably be expected to result in a Material Adverse Effect. No Company is in default in any manner under any provision of any indenture or other agreement or instrument evidencing Indebtedness, or any other agreement or instrument to which it is a party or by which it or any of its property is or may be bound, where such default could reasonably be expected to result in a Material Adverse Effect, and no condition exists which, with the giving of notice or the lapse of time or both, would constitute such a default.

**SECTION 3.10 Federal Reserve Regulations**. No Company is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of buying or carrying Margin Stock. No part of the proceeds of any Loan or any Letter of Credit will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, for any purpose that entails a violation of, or that is inconsistent with, the provisions of the regulations of the Board, including Regulation T, U or X. The pledge of the Securities Collateral pursuant to the Security Agreement does not violate such regulations.

**SECTION 3.11 Investment Company Act; Public Utility Holding Company Act**. No Company is (a) an "investment company" or a company "controlled" by an "investment company," as defined in, or subject to regulation under, the Investment Company Act of 1940, as amended, or (b) a "holding company," an "affiliate" of a "holding company" or a "subsidiary company" of a "holding company," as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935, as amended.

**SECTION 3.12 Use of Proceeds**. Borrowers shall only use the proceeds of the Revolving Loans and Swingline Loans after the Closing Date (i) to make Loans to Dutch Holdco to enable Dutch Holdco to immediately make loans in a like amount to Korean Opco and (ii) to pay fees, commissions and expenses in connection with this Agreement.

**SECTION 3.13 Taxes**. Each Company has (a) timely filed or caused to be timely filed all federal Tax Returns and all material state, local and foreign Tax Returns or materials required to have been filed by it and all such Tax Returns are true and correct in all material respects and (b) duly and timely paid, collected or remitted or caused to be duly and timely paid, collected or remitted all Taxes (whether or not shown on any Tax Return) due and payable, collectible or remittable by it and all assessments received by it, except Taxes (i) that are being contested in good faith by appropriate proceedings and for which such Company has set aside on its books adequate reserves in accordance with GAAP (and any locally applicable generally accepted accounting principles) and (ii) which could not, individually or in the aggregate, have a Material Adverse Effect. Each Company has made adequate provision in accordance with GAAP for all Taxes not yet due and payable. Each Company is unaware of any proposed or pending tax assessments, deficiencies or audits that could be reasonably expected to, individually or in the aggregate, result in a Material Adverse Effect. No Company has ever been a party to any understanding or arrangement constituting a "tax shelter" within the meaning of Section 6111(c), Section 6111(d) or Section 6662(d)(2)(C)(iii) of the Code, except as could not be reasonably expected to, individually or in the aggregate, result in a Material Adverse Effect.

**SECTION 3.14 No Material Misstatements**. No information, report, financial statement, certificate, Borrowing Request, LC Request, exhibit or schedule furnished by or on behalf of any Company to the Administrative Agent or any Lender in connection with the negotiation of any Loan Document or included therein or delivered pursuant thereto, taken as a whole, or the Notes Offering Memorandum contained or contains any material misstatement of fact or omitted or omits to state any

material fact necessary to make the statements therein, in the light of the circumstances under which they were or are made, not misleading as of the date such information is dated or certified; *provided* that to the extent any such information, report, financial statement, exhibit or schedule was based upon or constitutes a forecast or projection, each Company represents only that it acted in good faith and utilized reasonable assumptions and due care in the preparation of such information, report, financial statement, exhibit or schedule.

**SECTION 3.15 Labor Matters**. As of the date hereof and the Closing Date, there are no strikes, lockouts or slowdowns against any Company pending or, to the knowledge of any Company, threatened. The hours worked by and payments made to employees of any Company subject thereto have not been in violation of the Fair Labor Standards Act of 1938, as amended, or any other applicable federal, state, local or foreign law dealing with such matters in any manner which could reasonably be expected to result in a Material Adverse Effect. All payments due from any Company, or for which any claim may be made against any Company, on account of wages and employee health and welfare insurance and other benefits, have been paid or accrued as a liability on the books of such Company except where the failure to do so could not reasonably be expected to result in a Material Adverse Effect. The consummation of the Transactions will not give rise to any right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which any Company is bound.

**SECTION 3.16 Solvency**. Immediately after the consummation of the Transactions to occur on the Closing Date and immediately following the making of each Loan and after giving effect to the application of the proceeds of each Loan, (a) the fair value of the properties of each Loan Party (individually and on a consolidated basis with its Subsidiaries) will exceed its debts and liabilities, subordinated, contingent or otherwise; (b) the present fair saleable value of the property of each Loan Party (individually and on a consolidated basis with its Subsidiaries) will be greater than the amount that will be required to pay the probable liability of its debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured; (c) each Loan Party (individually and on a consolidated basis with its Subsidiaries) will be able to pay its debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured; (d) each Loan Party (individually and on a consolidated basis with its Subsidiaries) will not have unreasonably small capital with which to conduct its business in which it is engaged as such business is now conducted and is proposed to be conducted following the Closing Date and (e) with respect to the UK Sales Subsidiary only, it is not "unable to pay its debts"; provided, that in this context, "unable to pay its debts" means that there are no grounds on which the UK Sales Subsidiary could be deemed unable to pay its debts (as defined in Section 123(1) of the United Kingdom Insolvency Act 1986) or on which a court could be satisfied that the value of its assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities (as such term would be construed for the purposes of Section 123(2) of the United Kingdom Insolvency Act 1986).

**SECTION 3.17 Employee Benefit Plans**. Each Company which is subject to ERISA and its ERISA Affiliates is in compliance in all material respects with the applicable provisions of ERISA and the Code and the regulations and published interpretations thereunder. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events, could reasonably be expected to result in material liability of any Company which is subject to ERISA or any of its ERISA Affiliates or the imposition of a Lien on any of the property of any Company which is subject to ERISA. The present value of all accumulated benefit obligations of all underfunded Plans (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed by more than $1,000,000 the fair market value of the property of all such underfunded Plans. Using actuarial assumptions

and computation methods consistent with subpart I of subtitle E of Title IV of ERISA, the aggregate liabilities of each Company which is subject to ERISA or its ERISA Affiliates to all Multiemployer Plans in the event of a complete withdrawal therefrom, as of the close of the most recent fiscal year of each such Multiemployer Plan, could not reasonably be expected to result in a Material Adverse Effect.

To the extent applicable, each Foreign Plan has been maintained in compliance in all material respects with its terms and with the requirements of any and all applicable Requirements of Law and has been maintained, where required, in good standing with applicable regulatory authorities. No Company has incurred any material obligation in connection with the termination of or withdrawal from any Foreign Plan. The present value of the accrued benefit liabilities (whether or not vested) under each Foreign Plan which is required to be funded under applicable law, determined as of the end of the most recently ended fiscal year of the respective Company on the basis of actuarial assumptions, each of which is reasonable, did not exceed the current value of the property of such Foreign Plan by an amount in excess of $1,000,000, and for each Foreign Plan which is not funded, the obligations of such Foreign Plan are properly accrued.

**SECTION 3.18 Environmental Matters**.

(a) Except as, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect:

(i) The Companies and their businesses, operations and Real Property are and have always been in compliance with, and the Companies have no liability under, any applicable Environmental Law;

(ii) The Companies have obtained all Environmental Permits required for the conduct of their businesses and operations, and the ownership, operation and use of their property, under Environmental Law, all such Environmental Permits are valid and in good standing, the Companies and their businesses are in compliance with all, and have not violated any, Environmental Permits and, under the currently effective business plan of the Companies, no expenditures or operational adjustments will be required in order to renew or modify such Environmental Permits during the next ten years;

(iii) There has been no Release or threatened Release of Hazardous Material on, at, under or from any Real Property or facility presently or formerly owned, leased or operated by the Companies or their predecessors in interest that could result in liability by the Companies under Environmental Law;

(iv) There is no Environmental Claim pending or, to the knowledge of the Companies, threatened against the Companies, or relating to the Real Property currently or formerly owned, leased or operated by the Companies or relating to the operations of the Companies or their predecessors in interest (including, without limitation, the transportation, treatment or disposal of any Hazardous Material at any location), and there are no actions, activities, circumstances, conditions, events or incidents (including, without limitation, any written request for information under CERCLA or any similar Environmental Law) that could form the basis of such an Environmental Claim; and

(v) No person with an indemnity or contribution obligation to the Companies relating to compliance with or liability under Environmental Law is in default with respect to such obligation.

(b) Except as, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect:

(i) No Company is obligated to perform any action or otherwise incur any expense under Environmental Law pursuant to any order, decree, judgment or agreement by which it is bound or has assumed by contract, agreement or operation of law, and no Company is conducting or financing any Response pursuant to any Environmental Law with respect to any Real Property or any other location;

(ii) No Real Property or facility owned, operated or leased by the Companies and, to the knowledge of the Companies, no Real Property or facility formerly owned, operated or leased by the Companies or any of their predecessors in interest is (i) listed or proposed for listing on the National Priorities List promulgated pursuant to CERCLA or (ii) listed on the Comprehensive Environmental Response, Compensation and Liability Information System promulgated pursuant to CERCLA or (iii) included on any similar list maintained by any Governmental Authority including any such list relating to petroleum;

(iii) No Lien has been recorded or, to the knowledge of any Company, threatened under any Environmental Law with respect to any Real Property or property of the Companies;

(iv) The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby will not require any notification, registration, filing, reporting, disclosure, investigation, remediation or cleanup pursuant to any Governmental Real Property Disclosure Requirements or any other applicable Environmental Law; and

(v) The Companies have made available to the Lenders all material records and files in the possession, custody or control of, or otherwise reasonably available to, the Companies concerning compliance with or liability under Environmental Law, including those concerning the actual or suspected existence of Hazardous Material at Real Property or facilities currently or formerly owned, operated, leased or used by the Companies.

**SECTION 3.19 Insurance**. Schedule 3.19 sets forth a true, complete and correct description of all insurance maintained by each Company as of the Closing Date. All insurance maintained by the Companies is in full force and effect, all premiums have been duly paid, no Company has received notice of violation or cancellation thereof, the Premises, and the use, occupancy and operation thereof, comply in all material respects with all Insurance Requirements, and there exists no default under any Insurance Requirement. Each Company has insurance in such amounts and covering such risks and liabilities as are customary for companies of a similar size engaged in similar businesses in similar locations.

**SECTION 3.20 Security Documents**.

(a) Security Agreement. The Security Agreement is effective to create in favor of the Collateral Agent for the benefit of the Secured Parties, legal, valid and enforceable Liens on, and security interests in, the Security Agreement Collateral and, when (i) financing statements and other filings in appropriate form are filed in the offices specified on Schedule 7 to the Perfection Certificate and (ii) upon the taking of possession or control by the Collateral Agent of the Security Agreement Collateral with respect to which a security interest may be perfected only by possession or control (which possession or control shall be given to the Collateral Agent to the extent possession or control by the Collateral

Agent is required by each Security Agreement), the Liens created by the Security Agreement shall constitute fully perfected Liens on, and security interests in, all right, title and interest of the grantors thereunder in the Security Agreement Collateral (other than such Security Agreement Collateral in which a security interest cannot be perfected under the UCC as in effect at the relevant time in the relevant jurisdiction), in each case subject to no Liens other than Permitted Collateral Liens.

(b) Copyright Office Filing. When the Security Agreement or a short form thereof is filed in the United States Copyright Office, the Liens created by such Security Agreement shall constitute fully perfected Liens on, and security interests in, all right, title and interest of the grantors thereunder in the Registered Copyrights and Registered Copyright Licenses (each as defined in such Security Agreement), in each case subject to no Liens other than Permitted Collateral Liens.

(c) Mortgages. Each Mortgage is effective to create, in favor of the Collateral Agent, for its benefit and the benefit of the Secured Parties, or with respect to each Mortgage executed by Korean Opco, is effective to create in favor of the Collateral Trustee, legal, valid and enforceable first priority Liens on, and security interests in, all of the Loan Parties' right, title and interest in and to the Mortgaged Properties thereunder and the proceeds thereof, subject only to Permitted Collateral Liens or other Liens acceptable to the Collateral Agent, and when the Mortgages are filed in the appropriate offices for the recording thereof, the Mortgages shall constitute fully perfected Liens on, and security interests in, all right, title and interest of the Loan Parties in the Mortgaged Properties and the proceeds thereof, in each case prior and superior in right to any other person, other than Liens permitted by such Mortgage.

(d) Valid Liens. Each Security Document delivered on the Closing Date is, and, when delivered pursuant to Sections 5.11, 5.12 or 5.13 or any other requirement of this Agreement or any Loan Document, each other Security Document will upon execution and delivery thereof be, effective to create in favor of the Collateral Agent, for the benefit of the Secured Parties, or the Collateral Trustee, as applicable, legal, valid and enforceable Liens on, and security interests in, all of the Loan Parties' right, title and interest in and to the Collateral thereunder, and when all appropriate filings or recordings are made in the appropriate offices as may be required under applicable law, or other notices given as may be required pursuant to applicable law, such Security Document will constitute fully perfected, first ranking Liens on, and security interests in, all right, title and interest of the Loan Parties in such Collateral, in each case subject to no Liens other than the applicable Permitted Collateral Liens.

**SECTION 3.21 Anti-Terrorism Law**.

(a) No Loan Party and, to the knowledge of the Loan Parties, none of its Affiliates is in violation of any Requirement of Law relating to terrorism or money laundering ("**Anti-Terrorism Laws**"), including Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the "**Executive Order**"), and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56.

(b) No Loan Party and to the knowledge of the Loan Parties, no Affiliate or broker or other agent of any Loan Party acting or benefiting in any capacity in connection with the Loans is any of the following:

(i) a person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(ii) a person owned or controlled by, or acting for or on behalf of, any person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(iii) a person with which any Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law;

(iv) a person that commits, threatens or conspires to commit or supports "terrorism" as defined in the Executive Order; or

(v) a person that is named as a "specially designated national and blocked person" on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control ("**OFAC**") at its official website or any replacement website or other replacement official publication of such list.

(c) No Loan Party and, to the knowledge of the Loan Parties, no broker or other agent of any Loan Party acting in any capacity in connection with the Loans (i) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any person described in paragraph (b) above, (ii) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order, or (iii) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

**SECTION 3.22 Subordination of Senior Subordinated Notes**. The Secured Obligations are "Senior Debt," the Guaranteed Obligations are "Guarantor Senior Debt" and the Secured Obligations and Guaranteed Obligations are "Designated Senior Debt," in each case, within the meaning of the Senior Subordinated Note Documents.

**SECTION 3.23 UK Financial Assistance**. Neither the execution, delivery or performance of any of the Loan Documents nor the incurrence of any of the Obligations by any Loan Party constitutes or will constitute unlawful financial assistance for the purposes of sections 151 to 154 (inclusive) of the United Kingdom Companies Act 1985 (as re-enacted or amended from time to time).

## ARTICLE IV

## CONDITIONS TO CREDIT EXTENSIONS

**SECTION 4.01 Conditions to Initial Credit Extension**. The obligation of each Lender and, if applicable, each Issuing Bank to fund the initial Credit Extension requested to be made by it shall be subject to the prior or concurrent satisfaction of each of the conditions precedent set forth in this Section 4.01.

(a) Loan Documents. All legal matters incident to this Agreement, the Credit Extensions hereunder and the other Loan Documents shall be satisfactory to the Lenders, to the Issuing Bank and to the Administrative Agent and there shall have been delivered to the Administrative Agent an executed counterpart of each of the Loan Documents and the Perfection Certificate.

(b) Corporate Documents. The Administrative Agent shall have received:

(i) a certificate of the secretary or assistant secretary (or other authorized officer or member acceptable to the Administrative Agent) of each Loan Party dated the Closing Date, certifying

(A) that attached thereto is a true and complete copy of each Organizational Document of such Loan Party certified (to the extent applicable) as of a recent date by the Secretary of State of the state of its organization (or other applicable Governmental Authority), (B) that attached thereto is a true and complete copy of resolutions duly adopted by the Board of Directors of such Loan Party authorizing the execution, delivery and performance of the Loan Documents to which such person is a party and, in the case of Borrowers, the borrowings hereunder, and that such resolutions have not been modified, rescinded or amended and are in full force and effect and (C) as to the incumbency and specimen signature of each officer executing any Loan Document or any other document delivered in connection herewith on behalf of such Loan Party (together with a certificate of another officer as to the incumbency and specimen signature of the secretary or assistant secretary executing the certificate in this clause (i));

(ii) a certificate as to the good standing of each Loan Party (in so-called "long-form" if available) as of a recent date, from such Secretary of State (or other applicable Governmental Authority); and

(iii) such other documents as the Lenders, the Issuing Bank or the Administrative Agent may reasonably request.

(c) Officers' Certificate. The Administrative Agent shall have received a certificate, dated the Closing Date and signed by the chief executive officer and the chief financial officer of Borrowers, confirming compliance with the conditions precedent set forth in this Section 4.01 and Sections 4.02(b), (c) and (d).

(d) Financings and Other Transactions, Etc.

(i) The Transactions shall have been consummated or shall be consummated simultaneously on the Closing Date, in each case in all material respects in accordance with the terms hereof and the terms of the Transaction Documents, without the waiver or amendment of any such terms not approved by the Administrative Agent and the Arranger other than any waiver or amendment thereof that is not materially adverse to the interests of the Lenders.

(ii) Borrowers shall have received not less than $200 million in gross proceeds from the issuance and sale of the Senior Secured Fixed Rate Notes, $300 million in gross proceeds from the issuance and sale of the Senior Secured Floating Rate Notes and $250 million in gross proceeds from the issuance and sale of the Senior Subordinated Notes, and the Senior Secured Note Documents and the Senior Subordinated Note Documents shall be in form and substance reasonably satisfactory to the Lenders.

(iii) The Lenders shall be satisfied with the capitalization, the terms and conditions of any equity arrangements and the corporate or other organizational structure of the Companies.

(iv) The Refinancing shall have been consummated in full to the satisfaction of the Lenders with all liens in favor of the existing lenders being unconditionally released; the Administrative Agent shall have received a "pay-off" letter in form and substance reasonably satisfactory to the Administrative Agent with respect to all debt being refinanced in the Refinancing; and the Administrative Agent shall have received from any person holding any Lien securing any such debt, such UCC termination statements, mortgage releases, releases of assignments of leases and rents, releases of security interests in Intellectual Property and other instruments, in each

case, in any jurisdiction, in proper form for recording, as the Administrative Agent shall have reasonably requested to release and terminate of record the Liens securing such debt.

(e) Financial Statements; Pro Forma Balance Sheet; Projections. The Lenders shall have received and shall be satisfied with the form and substance of the financial statements described in Section 3.04 and with the forecasts of the financial performance of Holdings, Borrowers and their respective Subsidiaries.

(f) Indebtedness and Minority Interests. After giving effect to the Transactions and the other transactions contemplated hereby, no Company shall have outstanding any Indebtedness or preferred stock other than (i) the Loans and Credit Extensions hereunder, (ii) the Senior Secured Notes, (iii) the Senior Subordinated Notes, (iv) the Indebtedness listed on Schedule 6.01(b) and other Indebtedness permitted pursuant to Sections 6.01(a), (d), (e), (f), (g), (h) and (i) and (v) Indebtedness owed to any Borrower or any Guarantor.

(g) Opinions of Counsel. The Administrative Agent shall have received, on behalf of itself, the other Agents, the Arranger, the Lenders and the Issuing Bank, a favorable written opinion of (i) Dechert LLC special counsel for the Loan Parties, substantially to the effect set forth in Exhibit N, (ii) each local and foreign counsel listed on Schedule 4.01(g), in form and substance satisfactory to the Administrative Agent, in each case (A) dated the Closing Date, (B) addressed to the Agents, the Issuing Bank and the Lenders and (C) covering such other matters relating to the Loan Documents and the Transactions as the Administrative Agent shall reasonably request, and (iii) a copy of each legal opinion delivered under the other Transaction Documents, accompanied by reliance letters from the party delivering such opinion authorizing the Agents, Lenders and the Issuing Bank to rely thereon as if such opinion were addressed to them.

(h) Solvency Certificate. The Administrative Agent shall have received a solvency certificate in the form of Exhibit O, dated the Closing Date and signed by the chief financial officer of Borrowers.

(i) Requirements of Law. The Lenders shall be satisfied that the Holdings, its Subsidiaries and the Transactions shall be in full compliance with all material Requirements of Law, including Regulations T, U and X of the Board, and shall have received satisfactory evidence of such compliance reasonably requested by them.

(j) Consents. The Lenders shall be satisfied that all requisite Governmental Authorities (including, without limitation, the Bank of Korea) and third parties shall have approved or consented to the Transactions, and there shall be no governmental or judicial action, actual or threatened, that has or would have, singly or in the aggregate, a reasonable likelihood of restraining, preventing or imposing burdensome conditions on the Transactions or the other transactions contemplated hereby.

(k) Litigation. There shall be no litigation, public or private, or administrative proceedings, governmental investigation or other legal or regulatory developments, actual or threatened, that, singly or in the aggregate, could reasonably be expected to result in a Material Adverse Effect, or could materially and adversely affect the ability of Holdings, Borrowers and their respective Subsidiaries to fully and timely perform their respective obligations under the Transaction Documents, or the ability of the parties to consummate the financings contemplated hereby or the other Transactions.

(l) Sources and Uses. The sources and uses of the Loans shall be as set forth in Section 3.12.

(m) Fees. The Arranger and Administrative Agent shall have received all Fees and other amounts due and payable on or prior to the Closing Date, including, to the extent invoiced, reimbursement or payment of all reasonable out-of-pocket expenses (including the legal fees and expenses of Latham & Watkins LLP, special counsel to the Agents, and the reasonable fees and expenses of any local counsel, foreign counsel, appraisers, consultants and other advisors) required to be reimbursed or paid by Borrowers hereunder or under any other Loan Document.

(n) Personal Property Requirements. The Collateral Agent shall have received:

(i) all certificates, agreements or instruments representing or evidencing the Securities Collateral accompanied by instruments of transfer and stock powers undated and endorsed in blank;

(ii) the Intercompany Loan Documents executed by and among Holdings and each of its Subsidiaries, accompanied, in the case of any note or other instrument included therein, by instruments of transfer undated and endorsed in blank;

(iii) all other certificates, agreements, including control agreements, or instruments necessary to perfect the Collateral Agent's and the Collateral Trustee's (as applicable) security interest in all Chattel Paper, all Instruments, all Deposit Accounts and all Investment Property of each Loan Party (as each such term is defined in the Security Agreement and to the extent required by the Security Agreement);

(iv) UCC financing statements in appropriate form for filing under the UCC, filings with the United States Patent and Trademark Office and United States Copyright Office and such other documents under applicable Requirements of Law in each jurisdiction as may be necessary or appropriate or, in the opinion of the Collateral Agent, desirable to perfect the Liens created, or purported to be created, by the Security Documents; and

(v) evidence acceptable to the Collateral Agent of payment or arrangements for payment by the Loan Parties of all applicable recording taxes, fees, charges, costs and expenses required for the recording of the Security Documents.

(o) Real Property Requirements. The Collateral Agent shall have received:

(i) a Mortgage encumbering each Mortgaged Property in favor of the Collateral Trustee, for the benefit of the Secured Parties and the holders of the Senior Secured Notes, duly executed and acknowledged by each Loan Party that is the owner of or holder of any interest in such Mortgaged Property, and otherwise in form for recording in the recording office of each applicable political subdivision where each such Mortgaged Property is situated, together with such certificates, affidavits, questionnaires or returns as shall be required in connection with the recording or filing thereof to create a lien under applicable Requirements of Law, and such financing statements and any other instruments necessary to grant a mortgage lien under the laws of any applicable jurisdiction, all of which shall be in form and substance reasonably satisfactory to Collateral Agent;

(ii) with respect to each Mortgaged Property, such consents, approvals, amendments, supplements, estoppels, tenant subordination agreements or other instruments as necessary to consummate the Transactions or as shall reasonably be deemed necessary by the Collateral Agent in order for the owner or holder of the fee or leasehold interest constituting such Mortgaged Property to grant the Lien contemplated by the Mortgage with respect to such Mortgaged Property;

(iii) with respect to each Mortgage, a policy of title insurance (or marked up title insurance commitment having the effect of a policy of title insurance) insuring the Lien of such Mortgage as a valid first mortgage Lien on the Mortgaged Property and fixtures described therein in an amount satisfactory to the Collateral Agent for each Mortgaged Property (each, a "**Title Policy**"), which shall (A) be issued by the Title Company and (B) contain no exceptions to title other than exceptions acceptable to the Collateral Agent;

(iv) with respect to each Mortgaged Property, such affidavits, certificates, information (including financial data) and instruments of indemnification (including a so-called "gap" indemnification) as shall be required to induce the Title Company to issue the Title Policy/ies and endorsements contemplated above;

(v) evidence reasonably acceptable to the Collateral Agent of payment by or on behalf of Borrowers of all Title Policy premiums, search and examination charges, escrow charges and related charges, mortgage recording taxes, fees, charges, costs and expenses required for the recording of the Mortgages and issuance of the Title Policies referred to above;

(vi) with respect to each Real Property or Mortgaged Property, copies of all Leases in which any Borrower or any Subsidiary holds the lessor's interest or other agreements relating to possessory interests, if any. To the extent any of the foregoing affect any Mortgaged Property, such agreement shall be subordinate to the Lien of the Mortgage to be recorded against such Mortgaged Property, either expressly by its terms or pursuant to a subordination, non-disturbance and attornment agreement, and shall otherwise be acceptable to the Collateral Agent; and

(vii) with respect to each Mortgaged Property, each Company shall have made all notifications, registrations and filings, to the extent required by, and in accordance with, all Governmental Real Property Disclosure Requirements applicable to such Mortgaged Property.

(p) Insurance. The Administrative Agent shall have received a copy of, or a certificate as to coverage under, the insurance policies required by Section 5.04 and the applicable provisions of the Security Documents, each of which shall be endorsed or otherwise amended to include a "standard" or "New York" lender's loss payable or mortgagee endorsement (as applicable) and shall name the Collateral Agent, on behalf of the Secured Parties, and the Collateral Trustee as additional insured, in form and substance satisfactory to the Administrative Agent.

(q) Patriot Act. Each Borrower, each Subsidiary Guarantor and Korean Opco shall have provided to each Lender the information required by Section 10.14 and such additional information as may be reasonably requested by any Lender in order to satisfy its "know your customer" and anti-money-laundering rules and regulations.

(r) Korean Law Requirements. Administrative Agent shall have received:

(i) a fully executed guarantee in form and substance satisfactory to the Administrative Agent (the "**Korean Opco Bank Guarantee**") by and between Korean Opco and the Collateral Trustee;

(ii) duly executed originals of the Korean Opco Security Documents, each in full force and effect together with all authorizations, approvals, consents and licenses necessary in connection therewith and evidence that the same are in full force and effect (including, without limitations, such documents set forth on Schedule 1.01(a));

(iii) any and all notices, consents, letters of undertaking, certificates and other documents annexed, exhibited, appended or related to the Korean Opco Loan Documents;

(iv) a certified copy of the Articles of Incorporation of Korean Opco, as amended, modified or supplemented to the Closing Date, certified to be true, correct and complete by an authorized officer of Korean Opco;

(v) a certified copy of the resolutions of the board of directors of Korean Opco approving and authorizing the execution, delivery and performance of the Korean Opco Loan Documents to which it is a party and any other documents to be executed and delivered by Korean Opco in relation thereto;

(vi) a certificate of the representative director of Korean Opco dated the Closing Date certifying the name(s) and signature(s) of the officer(s) of Korean Opco authorized to sign the Korean Opco Loan Documents to which it is a party and the power of attorney for the execution of the Korean Opco Loan Documents;

(vii) a certified copy of the shareholders registry of Korean Opco;

(viii) the seal impression certificate of the representative director of Korean Opco executing the Korean Opco Loan Documents and all other certificates hereunder;

(ix) a certified copy of the shareholders registry of Korean Opco;

(x) a certificate of the representative director of Korean Opco dated the Closing Date certifying the following: (i) the representations and warranties of Korean Opco set forth herein and in each other Loan Document to which it is a party are true and correct; (ii) no Default shall have occurred and be continuing; and (iii) the seal impressions or signatures set out beside the names of each director listed in the resolutions of the board of directors referred to in paragraph 1(b) above are the respective genuine seal impressions or signatures of such director;

(xi) copies of the relevant reports and/or Approvals required under the Foreign Exchange Transaction Law of Korea or other similar laws and regulations; and

(xii) certified copies of all material approvals, consents, filings and authorizations of the Korean government authority necessary for the valid execution, delivery and performance of the Korean Opco Loan Documents, if any.

(s) Collateral Trustee Requirements. The terms and conditions of the Collateral Trust Documents shall be in form and substance satisfactory to the Administrative Agent in its sole and absolute discretion.

(t) UK Sales Subsidiary Requirements. The Administrative Agent shall have received in form and substance satisfactory to it:

(i) evidence of the appointment of an agent for service of process in the United Kingdom by the shareholder of the UK Sales Subsidiary;

(ii) a shareholder resolution of the UK Sales Subsidiary authorising the entry into of the applicable Loan Documents by the UK Sales Subsidiary; and

(iii) original signed, stamped but undated stock transfer forms and original share certificates with respect to the shares in the UK Sales Subsidiary charged pursuant to the applicable Security Document.

**SECTION 4.02 Conditions to All Credit Extensions**. The obligation of each Lender and each Issuing Bank to make any Credit Extension (including the initial Credit Extension) shall be subject to, and to the satisfaction of, each of the conditions precedent set forth below.

(a) Notice. The Administrative Agent shall have received a Borrowing Request as required by Section 2.03 (or such notice shall have been deemed given in accordance with Section 2.03) if Loans are being requested or, in the case of the issuance, amendment, extension or renewal of a Letter of Credit, the Issuing Bank and the Administrative Agent shall have received an LC Request as required by Section 2.17(b) or, in the case of the Borrowing of a Swingline Loan, the Swingline Lender and the Administrative Agent shall have received a Borrowing Request as required by Section 2.17(b).

(b) No Default. Borrowers and each other Loan Party shall be in compliance in all material respects with all the terms and provisions set forth herein and in each other Loan Document on its part to be observed or performed, and, at the time of and immediately after giving effect to such Credit Extension and the application of the proceeds thereof, no Default or Event of Default shall have occurred and be continuing on such date.

(c) Representations and Warranties. Each of the representations and warranties made by any Loan Party set forth in Article III hereof or in any other Loan Document shall be true and correct in all material respects (except that any representation and warranty that is qualified as to "materiality" or "Material Adverse Effect" shall be true and correct in all respects) on and as of the date of such Credit Extension with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date.

(d) No Legal Bar. No order, judgment or decree of any Governmental Authority shall purport to restrain any Lender from making any Loans to be made by it. No injunction or other restraining order shall have been issued, shall be pending or noticed with respect to any action, suit or proceeding seeking to enjoin or otherwise prevent the consummation of, or to recover any damages or obtain relief as a result of, the transactions contemplated by this Agreement or the making of Loans hereunder.

Each of the delivery of a Borrowing Request or an LC Request and the acceptance by Borrowers of the proceeds of such Credit Extension shall constitute a representation and warranty by Borrowers and each other Loan Party that on the date of such Credit Extension (both immediately before and after giving effect to such Credit Extension and the application of the proceeds thereof) the conditions contained in Sections 4.02(b) - (d) have been satisfied. Borrowers shall provide such information (including

calculations in reasonable detail of the covenants in Section 6.10) as the Administrative Agent may reasonably request to confirm that the conditions in Sections 4.02(b) - (d) have been satisfied.

## ARTICLE V

## AFFIRMATIVE COVENANTS

Each Loan Party warrants, covenants and agrees with each Lender that so long as this Agreement shall remain in effect and until the Commitments have been terminated and the principal of and interest on each Loan, all Fees and all other expenses or amounts payable under any Loan Document shall have been paid in full and all Letters of Credit have been canceled or have expired and all amounts drawn thereunder have been reimbursed in full, unless the Required Lenders shall otherwise consent in writing, each Loan Party will, and will cause each of its Subsidiaries to:

**SECTION 5.01 Financial Statements, Reports, etc.** Furnish to the Administrative Agent and each Lender:

(a) Annual Reports. As soon as available and in any event within 90 days (or such earlier date on which Holdings is required to file a Form 10-K under the Exchange Act) after the end of each fiscal year, beginning with the fiscal year ending December 31, 2004, (i) the consolidated balance sheet of Holdings as of the end of such fiscal year and related consolidated statements of income, cash flows and stockholders' equity for such fiscal year, in comparative form with such financial statements as of the end of, and for, the preceding fiscal year, and notes thereto (including, with respect to any Subsidiary of Holdings that is not a Subsidiary Guarantor, and each other Subsidiary of Holdings for which such note is required to be prepared pursuant to the requirements of applicable law or GAAP, a note with a consolidating balance sheet and financial statement of income and cash flows separating out each of such Subsidiary), all prepared in accordance with Regulation S-X if required by the Securities Act, and accompanied by an opinion of Samil Pricewaterhouse Coopers or other independent public accountants of recognized international standing satisfactory to the Administrative Agent (which opinion shall not be qualified as to scope or contain any going concern or other qualification), stating that such financial statements fairly present, in all material respects, the consolidated financial condition, results of operations and cash flows of Holdings as of the dates and for the periods specified in accordance with GAAP, (ii) a management report in a form reasonably satisfactory to the Administrative Agent setting forth (A) statement of income items and Consolidated EBITDA of Holdings for such fiscal year, showing variance, by dollar amount and percentage, from amounts for the previous fiscal year and budgeted amounts and (B) key operational information and statistics for such fiscal year consistent with internal and industry-wide reporting standards, and (iii) a narrative report and management's discussion and analysis, in a form reasonably satisfactory to the Administrative Agent, of the financial condition and results of operations of Holdings for such fiscal year, as compared to amounts for the previous fiscal year and budgeted amounts (it being understood that the information required by clause (i) may be furnished in the form of a Form 10-K);

(b) Quarterly Reports. As soon as available and in any event within 45 days (or such earlier date on which Holdings is required to file a form 10-Q under the Exchange Act) after the end of each of the first three fiscal quarters of each fiscal year, beginning with the fiscal quarter ending March 31, 2005, (i) the consolidated balance sheet of Holdings as of the end of such fiscal quarter and related consolidated statements of income and cash flows for such fiscal quarter and for the then elapsed portion of the fiscal year, in comparative form with the consolidated statements of income and cash flows for the comparable periods in the previous fiscal year, and notes thereto (including, with respect to any Subsidiary of Holdings that is not a Subsidiary Guarantor, and each other Subsidiary of Holdings for which such

note is required to be prepared pursuant to the requirements of applicable law or GAAP, a note with a consolidating balance sheet and financial statement of income and cash flows separating out each of such Subsidiary), all prepared in accordance with Regulation S-X under the Securities Act if required by the Securities Act and accompanied by a certificate of a Financial Officer stating that such financial statements fairly present, in all material respects, the consolidated financial condition, results of operations and cash flows of Holdings as of the date and for the periods specified in accordance with GAAP consistently applied, and on a basis consistent with audited financial statements referred to in clause (a) of this Section, subject to normal year-end audit adjustments, (ii) a management report in a form reasonably satisfactory to the Administrative Agent setting forth (A) statement of income items and Consolidated EBITDA of Holdings for such fiscal quarter and for the then elapsed portion of the fiscal year, showing variance, by dollar amount and percentage, from amounts for the comparable periods in the previous fiscal year and budgeted amounts and (B) key operational information and statistics for such fiscal quarter and for the then elapsed portion of the fiscal year consistent with internal and industry-wide reporting standards, and (iii) a narrative report and management's discussion and analysis, in a form reasonably satisfactory to the Administrative Agent, of the financial condition and results of operations for such fiscal quarter and the then elapsed portion of the fiscal year, as compared to the comparable periods in the previous fiscal year and budgeted amounts (it being understood that the information required by clause (i) may be furnished in the form of a Form 10-Q);

(c) Financial Officer's Certificate. (i) Concurrently with any delivery of financial statements under Section 5.01(a) or (b), a Compliance Certificate (A) certifying that no Default has occurred or, if such a Default has occurred, specifying the nature and extent thereof and any corrective action taken or proposed to be taken with respect thereto, and (B) showing a reconciliation of Consolidated EBITDA to the net income set forth on the statement of income; and (ii) concurrently with any delivery of financial statements under Section 5.01(a) above, beginning with the fiscal quarter ending March 31, 2005, a report of the accounting firm opining on or certifying such financial statements stating that in the course of its regular audit of the financial statements of Holdings and its Subsidiaries, which audit was conducted in accordance with generally accepted auditing standards, such accounting firm obtained no knowledge that any Default insofar as it relates to financial or accounting matters has occurred or, if in the opinion of such accounting firm such a Default has occurred, specifying the nature and extent thereof;

(d) Financial Officer's Certificate Regarding Collateral. Concurrently with any delivery of financial statements under Section 5.01(a), a certificate of a Financial Officer setting forth the information required pursuant to the Perfection Certificate Supplement or confirming that there has been no change in such information since the date of the Perfection Certificate or latest Perfection Certificate Supplement;

(e) Public Reports. Promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by any Company with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange, or distributed to holders of its Indebtedness pursuant to the terms of the documentation governing such Indebtedness (or any trustee, agent or other representative therefor), as the case may be;

(f) Management Letters. Promptly after the receipt thereof by any Company, a copy of any "management letter" received by any such person from its certified public accountants and the management's responses thereto;

(g) Budgets. Within 60 days after the beginning of Holdings fiscal year ending December 31, 2005 and 30 days after the beginning of each fiscal year thereafter, a budget for Holdings in form reasonably satisfactory to the Administrative Agent, but to include balance sheets, statements of income and sources and uses of cash, for (i) each month of such fiscal year prepared in detail and (ii) each fiscal year thereafter, through and including the fiscal year in which the Revolving Maturity Date occurs, prepared in summary form, in each case, with appropriate presentation and discussion of the principal assumptions upon which such budgets are based, accompanied by the statement of a Financial Officer of Borrowers to the effect that the budget of Holdings is a reasonable estimate for the periods covered thereby and, promptly when available, any significant revisions of such budget;

(h) Organization. Concurrently with any delivery of financial statements under Section 5.01(a), an accurate organizational chart as required by Section 3.07(c), or confirmation that there are no changes to Schedule 3.07(c);

(i) Organizational Documents. Promptly provide copies of any Organizational Documents that have been amended or modified in accordance with the terms hereof and deliver a copy of any notice of default given or received by any Company under any Organizational Document within 15 days after such Company gives or receives such notice; and

(j) Notification to Account Debtors. Within five (5) Business Days after the end of each month commencing with the month ending February 28, 2005, a certification from an authorized officer of each of (i) Korean Opco and (ii) any Sales Subsidiary having accounts owing from Japanese customers totaling in excess of $500,000, certifying that (x) all notices to Hynix Related Account Debtors that are required to be given under applicable law in order to perfect the Collateral Trustee's or the Collateral Agent's lien on any Hynix Related Receivables shall have been given to such Hynix Related Account Debtors and that each such notice contained an accurate "fixed date stamp" under applicable law indicating the date of such notice, (y) notices have been given to all other account debtors of Korean Opco or such Sales Subsidiary that (except for the affixing of a fixed date stamp thereon) are required to be given under applicable law in order to perfect the Collateral Trustee's lien on the accounts receivable of Korean Opco or the Collateral Agent's lien on accounts receivable of such Sales Subsidiary (to the extent that such accounts arise under contracts or invoices that do not prohibit the granting of such liens) shall have been given to such account debtors, and (z) confirming that Korean Opco and any such Sales Subsidiary have used their commercially reasonable efforts to ensure that no new contracts, agreements or invoices have been entered into since January 1, 2005 by Korean Opco or any such Sales Subsidiary prohibiting the granting of such liens. With respect to any existing contracts or invoices prohibiting the granting of liens in favor of the Collateral Trustee or the Collateral Agent on accounts receivable arising thereunder, the Borrowers shall use, and shall cause Korean Opco and/or such Sales Subsidiaries to use, commercially reasonable efforts to obtain the consent of the parties thereto to the granting of liens in favor of the Collateral Trustee or the Collateral Agent, as applicable, on such accounts receivable.

(k) Other Information. Promptly, from time to time, such other information regarding the operations, business affairs and financial condition of any Company, or compliance with the terms of any Loan Document, as the Administrative Agent or any Lender may reasonably request.

**SECTION 5.02 Litigation and Other Notices**. Furnish to the Administrative Agent and each Lender written notice of the following promptly (and, in any event, within three Business Days of the occurrence thereof):

(a) any Default, specifying the nature and extent thereof and the corrective action (if any) taken or proposed to be taken with respect thereto;

(b) the filing or commencement of, or any threat or notice of intention of any person to file or commence, any action, suit, litigation or proceeding, whether at law or in equity by or before any Governmental Authority, (i) against any Company or any Affiliate thereof that could reasonably be expected to result in a Material Adverse Effect or (ii) with respect to any Loan Document;

(c) any development that has resulted in, or could reasonably be expected to result in a Material Adverse Effect;

(d) the occurrence of a Casualty Event with respect to property having a value individually or in the aggregate in excess of $1 million; and

(e) (i) the incurrence of any material Lien (other than Permitted Collateral Liens) on, or claim asserted against any of the Collateral or (ii) the occurrence of any other event which could materially affect the value of the Collateral.

**SECTION 5.03 Existence; Businesses and Properties**.

(a) Do or cause to be done all things necessary to preserve, renew and maintain in full force and effect its legal existence, except as otherwise expressly permitted under Section 6.05 or Section 6.06 or, in the case of any Subsidiary, where the failure to perform such obligations, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

(b) Do or cause to be done all things necessary to obtain, preserve, renew, extend and keep in full force and effect the rights, licenses, permits, privileges, franchises, authorizations and Intellectual Property material to the conduct of its business; maintain and operate such business in substantially the manner in which it is presently conducted and operated; comply with all material contractual obligations and all applicable Requirements of Law (including taxation, ERISA, any and all zoning, building, Environmental Law, ordinance, code or approval or any building permits or any restrictions of record or agreements affecting the Real Property) and decrees and orders of any Governmental Authority, whether now in effect or hereafter enacted, except with respect to any of the foregoing where the failure to comply, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect; pay and perform its obligations under all Transaction Documents; and at all times maintain, preserve and protect all property material to the conduct of such business and keep such property in good repair, working order and condition (other than wear and tear occurring in the ordinary course of business) and from time to time make, or cause to be made, all needful and proper repairs, renewals, additions, improvements and replacements thereto necessary in order that the business carried on in connection therewith may be properly conducted at all times; *provided* that nothing in this Section 5.03(b) shall prevent (i) sales of property, consolidations or mergers by or involving any Company in accordance with Section 6.05 or Section 6.06; (ii) the withdrawal by any Company of its qualification as a foreign corporation in any jurisdiction where such withdrawal, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect; or (iii) the abandonment by any Company of any rights, franchises, licenses or Intellectual Property that such person reasonably determines are not useful to its business or no longer commercially desirable.

**SECTION 5.04 Insurance**.

(a) Generally. Keep its insurable property adequately insured at all times by financially sound and reputable insurers; maintain such other insurance, to such extent and against such risks as is customary with companies in the same or similar businesses operating in the same or similar locations, including insurance with respect to Mortgaged Properties and other properties material to the business of the Companies against such casualties and contingencies and of such types and in such amounts with such deductibles as is customary in the case of similar businesses operating in the same or similar locations, including (i) physical hazard insurance on an "all risk" basis, (ii) commercial general liability against claims for bodily injury, death or property damage covering any and all insurable claims, (iii) explosion insurance in respect of any boilers, machinery or similar apparatus constituting Collateral, (iv) business interruption insurance, (v) worker's compensation insurance and such other insurance as may be required by any Requirement of Law and (vi) such other insurance against risks as the Administrative Agent may from time to time require (such policies to be in such form and amounts and having such coverage as may be reasonably satisfactory to the Administrative Agent and the Collateral Agent); *provided* that with respect to physical hazard insurance, neither the Collateral Agent nor the applicable Company shall agree to the adjustment of any claim thereunder without the consent of the other (such consent not to be unreasonably withheld or delayed); *provided, further*, that no consent of any Company shall be required during an Event of Default.

(b) Requirements of Insurance. All such insurance shall (i) provide that no cancellation, material reduction in amount or material change in coverage thereof shall be effective until at least 30 days after receipt by the Collateral Agent or the Collateral Trustee, as applicable, of written notice thereof, (ii) name the Collateral Agent or the Collateral Trustee, as applicable, as mortgagee (in the case of property insurance) or additional insured on behalf of the Secured Parties (in the case of liability insurance) or loss payee (in the case of property insurance), as applicable, (iii) if reasonably requested by the Collateral Agent or the Collateral Trustee, as applicable, include a breach of warranty clause and (iv) be reasonably satisfactory in all other respects to the Collateral Agent and the Collateral Trustee.

(c) Notice to Agents. Notify the Administrative Agent and the Collateral Agent immediately whenever any separate insurance concurrent in form or contributing in the event of loss with that required to be maintained under this Section 5.04 is taken out by any Company; and, upon request, promptly deliver to the Administrative Agent and the Collateral Agent a duplicate original copy of such policy or policies.

(d) Flood Insurance. With respect to each Mortgaged Property, to the extent the applicable property is located in a flood zone or on a flood plain and such insurance is available at reasonable commercial rates, obtain flood insurance in such total amount as the Administrative Agent or the Required Lenders may from time to time reasonably require.

(e) Broker's Report. Deliver to the Administrative Agent and the Collateral Agent and the Lenders a report of a reputable insurance broker with respect to such insurance and such supplemental reports with respect thereto as the Administrative Agent or the Collateral Agent may from time to time reasonably request.

(f) Mortgaged Properties. No Loan Party that is an owner of Mortgaged Property shall take any action that is reasonably likely to be the basis for termination, revocation or denial of any insurance coverage required to be maintained under such Loan Party's respective Mortgage or that could be the basis for a defense to any claim under any Insurance Policy maintained in respect of the Premises, and each Loan Party shall otherwise comply in all material respects with all Insurance Requirements in respect of the Premises; *provided, however*, that each Loan Party may, at its own expense and after written

notice to the Administrative Agent, (i) contest the applicability or enforceability of any such Insurance Requirements by appropriate legal proceedings, the prosecution of which does not constitute a basis for cancellation or revocation of any insurance coverage required under this Section 5.04 or (ii) cause the Insurance Policy containing any such Insurance Requirement to be replaced by a new policy complying with the provisions of this Section 5.04.

**SECTION 5.05 Obligations and Taxes**.

(a) Payment of Obligations. Pay its Indebtedness and other obligations promptly and in accordance with their terms and pay and discharge promptly when due all Taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or in respect of its property, before the same shall become delinquent or in default, as well as all lawful claims for labor, services, materials and supplies or otherwise that, if unpaid, might give rise to a Lien other than a Permitted Lien upon such properties or any part thereof; *provided* that such payment and discharge shall not be required with respect to any such Indebtedness, obligation, Tax, assessment, charge, levy or claim so long as (x)(i) the validity or amount thereof shall be contested in good faith by appropriate proceedings timely instituted and diligently conducted and the applicable Company shall have set aside on its books adequate reserves or other appropriate provisions with respect thereto in accordance with GAAP, (ii) such contest operates to suspend collection of the contested Indebtedness, obligation, Tax, assessment or charge and enforcement of a Lien other than a Permitted Lien and (iii) in the case of Collateral, the applicable Company shall have otherwise complied with the Contested Collateral Lien Conditions and (y) the failure to pay could not reasonably be expected to result in a Material Adverse Effect.

(b) Filing of Returns. Timely and correctly file all material Tax Returns required to be filed by it. Withhold, collect and remit all material Taxes that it is required to collect, withhold or remit.

(c) Tax Shelter Reporting. Borrowers do not intend to treat the Loans as being a "reportable transaction" within the meaning of Treasury Regulation Section 1.6011-4. In the event Borrowers determine to take any action inconsistent with such intention, it will promptly notify the Administrative Agent thereof.

**SECTION 5.06 Employee Benefits**. (a) Comply in all material respects with the applicable provisions of ERISA (to the extent applicable to any Company) and the Code and (b) furnish to the Administrative Agent (x) as soon as possible after, and in any event within 5 days after any Responsible Officer of any Company or any ERISA Affiliates of any Company knows or has reason to know that, any ERISA Event has occurred that, alone or together with any other ERISA Event could reasonably be expected to result in liability of the Companies or any of their ERISA Affiliates in an aggregate amount exceeding $500,000 or the imposition of a Lien, a statement of a Financial Officer of Borrowers setting forth details as to such ERISA Event and the action, if any, that the Companies propose to take with respect thereto, and (y) upon request by the Administrative Agent, copies of (i) each Schedule B (Actuarial Information) to the annual report (Form 5500 Series) filed by any Company or any ERISA Affiliate with the Internal Revenue Service with respect to each Plan; (ii) the most recent actuarial valuation report for each Plan; (iii) all notices received by any Company or any ERISA Affiliate from a Multiemployer Plan sponsor or any governmental agency concerning an ERISA Event; and (iv) such other documents or governmental reports or filings relating to any Plan (or employee benefit plan sponsored or contributed to by any Company) as the Administrative Agent shall reasonably request. With respect to Korean Opco, Korean Opco shall ensure that all pension plans or schemes operated by or maintained for the benefit of any of its employees are, to the extent required by applicable law, fully funded based on

reasonable actuarial assumptions and recommendations and otherwise are operated or maintained in all material respects as required by Korean law.

**SECTION 5.07 Maintaining Records; Access to Properties and Inspections; Annual Meetings**.

(a) Keep proper books of record and account in which full, true and correct entries in conformity with GAAP and all Requirements of Law are made of all dealings and transactions in relation to its business and activities. Each Company will permit any representatives designated by the Administrative Agent or any Lender to visit such Company's offices and facilities to inspect the financial records and the property of such Company at reasonable times and as often as reasonably requested and to make extracts from and copies of such financial records, and permit any representatives designated by the Administrative Agent or any Lender to discuss the affairs, finances, accounts and condition of any Company with the officers and employees thereof and advisors therefor (including independent accountants).

(b) Within 150 days after the end of each fiscal year of the Companies, at the request of the Administrative Agent or Required Lenders, hold a meeting (at a mutually agreeable location, venue and time or, at the option of the Administrative Agent, by conference call, the costs of such venue or call to be paid by Borrowers) with all Lenders who choose to attend such meeting, at which meeting shall be reviewed the financial results of the previous fiscal year and the financial condition of the Companies and the budgets presented for the current fiscal year of the Companies.

**SECTION 5.08 Use of Proceeds**. Use the proceeds of the Loans only for the purposes set forth in Section 3.12 and request the issuance of Letters of Credit only for the purposes set forth in the definition of Commercial Letter of Credit or Standby Letter of Credit, as the case may be.

**SECTION 5.09 Compliance with Environmental Laws; Environmental Reports**.

(a) Comply, and cause all lessees and other persons occupying Real Property owned, operated or leased by any Company to comply, in all material respects with all Environmental Laws and Environmental Permits applicable to its operations and Real Property; obtain and renew all material Environmental Permits applicable to its operations and Real Property; and conduct all Responses required by, and in accordance with, Environmental Laws; *provided* that no Company shall be required to undertake any Response to the extent that its obligation to do so is being contested in good faith and by proper proceedings and appropriate reserves are being maintained with respect to such circumstances in accordance with GAAP.

(b) If a Default caused by reason of a breach of Section 3.18 or Section 5.09(a) shall have occurred and be continuing for more than 20 days without the Companies commencing activities reasonably likely to cure such Default, at the written request of the Administrative Agent or the Required Lenders through the Administrative Agent, provide to the Lenders within 45 days after such request, at the expense of Borrowers, an environmental assessment report regarding the matters which are the subject of such Default, including, where appropriate, any soil and/or groundwater sampling, prepared by an environmental consulting firm and, in the form and substance, reasonably acceptable to the Administrative Agent and indicating the presence or absence of Hazardous Materials and the estimated cost of any compliance or Response to address them.

(c) Each Loan Party that is an owner of Mortgaged Property shall not install nor permit to be installed in the Mortgaged Property any Hazardous Materials, other than in compliance with applicable Environmental Laws.

**SECTION 5.10 Additional Collateral; Additional Guarantors**.

(a) Subject to the terms of the Intercreditor Agreement and this Section 5.11, with respect to any property acquired, created or developed (including, without limitation, the filing of any application or registration or issuance of any Intellectual Property) after the Closing Date by any Loan Party that is intended to be subject to the Lien created by any of the Security Documents but is not so subject, promptly (and in any event within 30 days after the acquisition thereof) (i) execute and deliver to the Administrative Agent and the Collateral Agent (or the Collateral Trustee, as the case may be) such amendments or supplements to the relevant Security Documents or such other documents as the Administrative Agent or the Collateral Agent (or the Collateral Trustee, as the case may be) shall deem necessary or advisable to grant to the Collateral Agent (or the Collateral Trustee, as the case may be), for its benefit and for the benefit of the other Secured Parties, a Lien on such property subject to no Liens other than Permitted Collateral Liens, and (ii) take all actions necessary to cause such Lien to be duly perfected to the extent required by such Security Document in accordance with all applicable Requirements of Law, including the filing of financing statements in such jurisdictions as may be reasonably requested by the Administrative Agent. Borrowers shall otherwise take such actions and execute and/or deliver to the Collateral Agent (or the Collateral Trustee, as the case may be) such documents as the Administrative Agent or the Collateral Agent (or the Collateral Trustee, as the case may be) shall require to confirm the validity, perfection and priority of the Lien of the Security Documents against such after-acquired properties. The Loan Parties shall not be required to take any actions pursuant to this Section 5.10 if the Administrative Agent shall determine in the exercise of its reasonable discretion that the costs of obtaining Liens on any property as otherwise required by this Section 5.10 are excessive in relation to the value of such property. In addition, neither Korean Opco nor any Subsidiary described in Section 5.01(j) shall be required to affix a "fixed date stamp" to any notification sent to any account debtor (other than as contemplated by Section 5.01(j)).

(b) Subject to the terms of the Intercreditor Agreement, with respect to any person that is or becomes a Subsidiary after the Closing Date, promptly (and in any event within 30 days after such person becomes a Subsidiary) (i) deliver to the Collateral Agent (or the Collateral Trustee, as the case may be) the certificates, if any, representing all of the Equity Interests of such Subsidiary, together with undated stock powers or other appropriate instruments of transfer executed and delivered in blank by a duly authorized officer of the holder(s) of such Equity Interests, and all intercompany notes owing from such Subsidiary to any Loan Party together with instruments of transfer executed and delivered in blank by a duly authorized officer of such Loan Party and (ii) cause such new Subsidiary (A) to execute a Joinder Agreement or such comparable documentation to become a Subsidiary Guarantor (to the extent permitted under applicable law) and a joinder agreement to the applicable Security Agreement, substantially in the form annexed thereto or, in the case of a Foreign Subsidiary, execute (to the extent permitted by applicable law) a security agreement compatible with the laws of such Foreign Subsidiary's jurisdiction in form and substance reasonably satisfactory to the Administrative Agent, and (B) to take all actions necessary or advisable in the opinion of the Administrative Agent or the Collateral Agent to cause the Lien created by the applicable Security Agreement to be duly perfected to the extent required by such agreement in accordance with all applicable Requirements of Law, including the filing of financing statements in such jurisdictions as may be reasonably requested by the Administrative Agent or the Collateral Agent.

(c) Subject to the terms of the Intercreditor Agreement, promptly grant to the Collateral Agent (or the Collateral Trustee, as the case may be), in each case to the extent permitted by applicable law, within 60 days of the acquisition thereof, a security interest in and Mortgage on (i) each Real Property owned in fee by such Loan Party as is acquired by such Loan Party after the Closing Date and that, together with any improvements thereon, individually has a fair market value of at least $1.0 million, and (ii) unless the Collateral Agent otherwise consents or such Mortgage cannot be obtained under applicable law or on commercially reasonable terms, each leased Real Property of such Loan Party which lease individually has a fair market value of at least $1.0 million, in each case, as additional security for the Secured Obligations (unless the subject property is already mortgaged to a third party to the extent permitted by Section 6.02). Subject to the terms of the Intercreditor Agreement, such Mortgages shall be granted pursuant to documentation reasonably satisfactory in form and substance to the Administrative Agent and the Collateral Agent (and, if applicable, the Collateral Trustee) and shall constitute valid and enforceable perfected Liens subject only to Permitted Collateral Liens or other Liens acceptable to the Collateral Agent. Subject to the terms of the Intercreditor Agreement, the Mortgages or instruments related thereto shall be duly recorded or filed in such manner and in such places as are required by law to establish, perfect, preserve and protect the Liens in favor of the Collateral Agent (or the Collateral Trustee, as the case may be) required to be granted pursuant to the Mortgages and all taxes, fees and other charges payable in connection therewith shall be paid in full. Such Loan Party shall otherwise take such actions and execute and/or deliver to the Collateral Agent (or the Collateral Trustee, as the case may be) such documents as the Administrative Agent or the Collateral Agent (or the Collateral Trustee, as the case may be) shall require to confirm the validity, perfection and priority of the Lien of any existing Mortgage or new Mortgage against such after-acquired Real Property (including a Title Policy, if available in the opinion of the Administrative Agent on commercially reasonable terms, a Survey, if customarily obtained in the jurisdiction where such Real Property is located, and local counsel opinion (in form and substance reasonably satisfactory to the Administrative Agent and, to the extent available in such jurisdiction, the Collateral Agent) in respect of such Mortgage).

(d) Notwithstanding anything to the contrary set forth in this Section 5.10, Subsidiaries of Holdings that have assets having a fair value of less than $500,000 individually (but not to exceed $5,000,000 for all such Subsidiaries covered by this clause (d)) shall not be required to become a Subsidiary Guarantor pursuant to the requirements of, or grant the liens and security interest contemplated by, this Section 5.10.

**SECTION 5.11 Security Interests; Further Assurances**. Subject to the terms of the Intercreditor Agreement, promptly, upon the reasonable request of the Administrative Agent, the Collateral Agent, the Collateral Trustee or any Lender, at Borrowers' expense, execute, acknowledge and deliver, or cause the execution, acknowledgment and delivery of, and thereafter register, file or record, or cause to be registered, filed or recorded, in an appropriate governmental office, any document or instrument supplemental to or confirmatory of the Security Documents or otherwise deemed by the Administrative Agent, the Collateral Agent or the Collateral Trustee reasonably necessary or desirable for the continued validity, perfection and priority of the Liens on the Collateral covered thereby subject to no other Liens except as permitted hereby or by the applicable Security Document, or use commercially reasonable efforts to obtain any consents or waivers as may be necessary or appropriate in connection therewith. Deliver or cause to be delivered to the Administrative Agent, the Collateral Agent and the Collateral Trustee from time to time such other documentation, consents, authorizations, approvals and orders in form and substance reasonably satisfactory to the Administrative Agent, the Collateral Trustee and the Collateral Agent as the Administrative Agent, the Collateral Trustee and the Collateral Agent shall reasonably deem necessary to perfect or maintain the Liens on the Collateral pursuant to the Security Documents (and, in the case of any security governed by the laws of England and Wales, preserve, establish or

otherwise evidence the fixed nature of such security). Upon the exercise by the Administrative Agent, the Collateral Agent, the Collateral Trustee or any Lender of any power, right, privilege or remedy pursuant to any Loan Document which requires any consent, approval, registration, qualification or authorization of any Governmental Authority execute and deliver all applications, certifications, instruments and other documents and papers that the Administrative Agent, the Collateral Agent, the Collateral Trustee or such Lender may reasonably require. If the Administrative Agent, the Collateral Agent, the Collateral Trustee or the Required Lenders determine that they are required by a Requirement of Law to have appraisals prepared in respect of the Real Property of any Loan Party constituting Collateral, Borrowers shall provide to the Administrative Agent appraisals that satisfy the applicable requirements of the Real Estate Appraisal Reform Amendments of FIRREA and are otherwise in form and substance reasonably satisfactory to the Administrative Agent, the Collateral Agent and the Collateral Trustee.

**SECTION 5.12 Information Regarding Collateral**.

(a) Not effect any change (i) in any Loan Party's legal name, (ii) in the location of any Loan Party's chief executive office, (iii) in any Loan Party's identity or organizational structure, (iv) in any Loan Party's Federal Taxpayer Identification Number or organizational identification number, if any, or (v) in any Loan Party's jurisdiction of organization (in each case, including by merging with or into any other entity, reorganizing, dissolving, liquidating, reorganizing or organizing in any other jurisdiction), until (A) it shall have given the Collateral Agent, the Collateral Trustee and the Administrative Agent and the Collateral Trustee not less than 30 days' prior written notice (in the form of an Officers' Certificate), or such lesser notice period agreed to by the Collateral Agent or the Collateral Trustee (as applicable), of its intention so to do, clearly describing such change and providing such other information in connection therewith as the Collateral Agent, the Administrative Agent or the Collateral Trustee (as applicable) may reasonably request and (B) it shall have taken all action reasonably satisfactory to the Collateral Agent or the Collateral Trustee (as applicable) to maintain the perfection and priority of the security interest of the Collateral Agent for the benefit of the Secured Parties or the Collateral Trustee in the Collateral, if applicable. Each Loan Party agrees to promptly provide the Collateral Agent and the Collateral Trustee, if applicable, with certified Organizational Documents reflecting any of the changes described in the preceding sentence. Each Loan Party also agrees to promptly notify the Collateral Agent and the Collateral Trustee (if applicable) of any change in the location of any office in which it maintains books or records relating to Collateral owned by it or any office or facility at which Collateral having a value in excess of $250,000 is located (including the establishment of any such new office or facility), other than changes in location to a Mortgaged Property or a leased property subject to a Landlord Access Agreement.

(b) Concurrently with the delivery of financial statements pursuant to Section 5.01(a), deliver to the Administrative Agent and the Collateral Agent a Perfection Certificate Supplement and a certificate of a Financial Officer and the chief legal officer of Borrowers certifying that all UCC financing statements (including fixture filings, as applicable) or other appropriate filings, recordings or registrations, including all refilings, rerecordings and reregistrations, containing a description of the Collateral have been filed of record in each governmental, municipal or other appropriate office in each jurisdiction necessary to protect and perfect the security interests and Liens under the Security Documents for a period of not less than 18 months after the date of such certificate (except as noted therein with respect to any continuation statements to be filed within such period).

**SECTION 5.13 Post-Closing Collateral Matters**. Execute and deliver the documents and complete the tasks set forth on Schedule 5.13, in each case within the time limits specified on such schedule.

**SECTION 5.14 Affirmative Covenants with Respect to Leases**. With respect to each Lease, the respective Loan Party shall perform all the obligations imposed upon the landlord under such Lease and enforce all of the tenant's obligations thereunder, except where the failure to so perform or enforce could not reasonably be expected to result in a Property Material Adverse Effect.

## ARTICLE VI

## NEGATIVE COVENANTS

Each Loan Party warrants, covenants and agrees with each Lender that, so long as this Agreement shall remain in effect and until the Commitments have been terminated and the principal of and interest on each Loan, all Fees and all other expenses or amounts payable under any Loan Document have been paid in full and all Letters of Credit have been canceled or have expired and all amounts drawn thereunder have been reimbursed in full, unless the Required Lenders shall otherwise consent in writing, no Loan Party will, nor will it cause or permit any Subsidiaries to:

**SECTION 6.01 Indebtedness**. Incur, create, assume or permit to exist, directly or indirectly, any Indebtedness, except

(a) Indebtedness incurred under this Agreement and the other Loan Documents;

(b) (i) Indebtedness outstanding on the Closing Date and listed on Schedule 6.01(b), (ii) refinancings or renewals thereof; *provided* that (A) any such refinancing Indebtedness is in an aggregate principal amount not greater than the aggregate principal amount of the Indebtedness being renewed or refinanced, *plus* the amount of any premiums required to be paid thereon and reasonable fees and expenses associated therewith, (B) such refinancing Indebtedness has a later or equal final maturity and longer or equal weighted average life than the Indebtedness being renewed or refinanced and (C) the covenants, events of default, subordination and other provisions thereof (including any guarantees thereof) shall be, in the aggregate, no less favorable to the Lenders than those contained in the Indebtedness being renewed or refinanced, (iii) the Senior Secured Notes and the Senior Secured Note Guarantees, and (iv) the Senior Subordinated Notes and the Senior Subordinated Note Guarantees;

(c) Indebtedness under Hedging Obligations with respect to interest rates, foreign currency exchange rates or commodity prices, in each case not entered into for speculative purposes; *provided* that if such Hedging Obligations relate to interest rates, (i) such Hedging Obligations relate to payment obligations on Indebtedness otherwise permitted to be incurred by the Loan Documents and (ii) the notional principal amount of such Hedging Obligations at the time incurred does not exceed the principal amount of the Indebtedness to which such Hedging Obligations relate;

(d) Indebtedness permitted by Section 6.04(f);

(e) Indebtedness in respect of Purchase Money Obligations and Capital Lease Obligations, and refinancings or renewals thereof, in an aggregate amount not to exceed $25.0 million at any time outstanding;

(f) Indebtedness in respect of bid, performance or surety bonds, workers' compensation claims, self-insurance obligations and bankers acceptances issued for the account of any

Company in the ordinary course of business, including guarantees or obligations of any Company with respect to letters of credit supporting such bid, performance or surety bonds, workers' compensation claims, self-insurance obligations and bankers acceptances (in each case other than for an obligation for money borrowed);

(g) Contingent Obligations of any Loan Party in respect of Indebtedness otherwise permitted under this Section 6.01;

(h) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Indebtedness is extinguished within five Business Days of incurrence;

(i) Indebtedness arising in connection with endorsement of instruments for deposit in the ordinary course of business; and

(j) unsecured Indebtedness of any Company in an aggregate amount not to exceed $30.0 million at any time outstanding.

**SECTION 6.02 Liens**. Create, incur, assume or permit to exist, directly or indirectly, any Lien on any property now owned or hereafter acquired by it or on any income or revenues or rights in respect of any thereof, except the following (collectively, the "**Permitted Liens**"):

(a) inchoate Liens for taxes, assessments or governmental charges or levies not yet due and payable or delinquent and Liens for taxes, assessments or governmental charges or levies, which (i) are being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with GAAP, which proceedings (or orders entered in connection with such proceedings) have the effect of preventing the forfeiture or sale of the property subject to any such Lien, or (ii) in the case of any such charge or claim which has or may become a Lien against any of the Collateral, such Lien and the contest thereof shall satisfy the Contested Collateral Lien Conditions;

(b) Liens in respect of property of any Company imposed by Requirements of Law, which were incurred in the ordinary course of business and do not secure Indebtedness for borrowed money, such as carriers', warehousemen's, materialmen's, landlords', workmen's, suppliers', repairmen's and mechanics' Liens and other similar Liens arising in the ordinary course of business, and (i) which do not in the aggregate materially detract from the value of the property of the Companies, taken as a whole, and do not materially impair the use thereof in the operation of the business of the Companies, taken as a whole, (ii) which, if they secure obligations that are then due and unpaid, are being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with GAAP, which proceedings (or orders entered in connection with such proceedings) have the effect of preventing the forfeiture or sale of the property subject to any such Lien, and (iii) in the case of any such Lien which has or may become a Lien against any of the Collateral, such Lien and the contest thereof shall satisfy the Contested Collateral Lien Conditions;

(c) any Lien in existence on the Closing Date and set forth on Schedule 6.02(c) and any Lien granted as a replacement or substitute therefor; *provided* that any such replacement or substitute Lien (i) except as permitted by Section 6.01(b)(ii)(A), does not secure an aggregate

amount of Indebtedness, if any, greater than that secured on the Closing Date and (ii) does not encumber any property other than the property subject thereto on the Closing Date (any such Lien, an "**Existing Lien**");

(d) easements, rights-of-way, restrictions (including zoning restrictions), covenants, licenses, encroachments, protrusions and other similar charges or encumbrances, and minor title deficiencies on or with respect to any Real Property, in each case whether now or hereafter in existence, not (i) securing Indebtedness, (ii) individually or in the aggregate materially impairing the value or marketability of such Real Property or (iii) individually or in the aggregate materially interfering with the ordinary conduct of the business of the Companies at such Real Property;

(e) Liens arising out of judgments, attachments or awards not resulting in a Default and in respect of which such Company shall in good faith be prosecuting an appeal or proceedings for review in respect of which there shall be secured a subsisting stay of execution pending such appeal or proceedings and, in the case of any such Lien which has or may become a Lien against any of the Collateral, such Lien and the contest thereof shall satisfy the Contested Collateral Lien Conditions;

(f) Liens (other than any Lien imposed by ERISA) (x) imposed by Requirements of Law or deposits made in connection therewith in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security legislation, (y) incurred in the ordinary course of business to secure the performance of tenders, statutory obligations (other than excise taxes), surety, stay, customs and appeal bonds, statutory bonds, bids, leases, government contracts, trade contracts, performance and return of money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money) or (z) arising by virtue of deposits made in the ordinary course of business to secure liability for premiums to insurance carriers; *provided* that (i) with respect to clauses (x), (y) and (z) of this paragraph (f), such Liens are for amounts not yet due and payable or delinquent or, to the extent such amounts are so due and payable, such amounts are being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with GAAP, which proceedings for orders entered in connection with such proceedings have the effect of preventing the forfeiture or sale of the property subject to any such Lien, (ii) to the extent such Liens are not imposed by Requirements of Law, such Liens shall in no event encumber any property other than cash and Cash Equivalents, and (iii) in the case of any such Lien against any of the Collateral, such Lien and the contest thereof shall satisfy the Contested Collateral Lien Conditions;

(g) Leases of the properties of any Company, in each case entered into in the ordinary course of such Company's business so long as such Leases are subordinate in all respects to the Liens granted and evidenced by the Security Documents and do not, individually or in the aggregate, (i) interfere in any material respect with the ordinary conduct of the business of any Company or (ii) materially impair the use (for its intended purposes) or the value of the property subject thereto;

(h) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by any Company in the ordinary course of business in accordance with the past practices of such Company;

(i) Liens securing Indebtedness incurred pursuant to Section 6.01(e); *provided* that any such Liens attach only to the property being financed pursuant to such Indebtedness and do not encumber any other property of any Company;

(j) bankers' Liens, rights of setoff and other similar Liens existing solely with respect to cash and Cash Equivalents on deposit in one or more accounts maintained by any Company, in each case granted in the ordinary course of business in favor of the bank or banks with which such accounts are maintained, securing amounts owing to such bank with respect to cash management and operating account arrangements, including those involving pooled accounts and netting arrangements; *provided* that, unless such Liens are non-consensual and arise by operation of law, in no case shall any such Liens secure (either directly or indirectly) the repayment of any Indebtedness;

(k) Liens on property of a person existing at the time such person is acquired or merged with or into or consolidated with any Company to the extent permitted hereunder (and not created in anticipation or contemplation thereof); *provided* that such Liens do not extend to property not subject to such Liens at the time of acquisition (other than improvements thereon) and are no more favorable to the lienholders than such existing Lien;

(l) Liens granted pursuant to the Security Documents to secure the Secured Obligations;

(m) licenses of Intellectual Property granted by any Company in the ordinary course of business and not interfering in any material respect with the ordinary conduct of business of the Companies;

(n) the filing of UCC financing statements solely as a precautionary measure in connection with operating leases or consignment of goods; and

(o) Liens incurred in the ordinary course of business of any Company with respect to obligations that do not in the aggregate exceed $5.0 million at any time outstanding, so long as such Liens, to the extent covering any Collateral, are junior to the Liens granted pursuant to the Security Documents;

*provided, however*, that no consensual Liens shall be permitted to exist, directly or indirectly, on any Securities Collateral, other than Liens granted pursuant to the Security Documents.

**SECTION 6.03 Sale and Leaseback Transactions**. Enter into any arrangement, directly or indirectly, with any person whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property which it intends to use for substantially the same purpose or purposes as the property being sold or transferred (a "**Sale and Leaseback Transaction**") unless (i) the sale of such property is permitted by Section 6.06 and (ii) any Liens arising in connection with its use of such property are permitted by Section 6.02.

**SECTION 6.04 Investment, Loan and Advances**. Directly or indirectly, lend money or credit (by way of guarantee or otherwise) or make advances to any person, or purchase or acquire any stock, bonds, notes, debentures or other obligations or securities of, or any other interest in, or make any capital contribution to, any other person, or purchase or own a futures contract or otherwise

become liable for the purchase or sale of currency or other commodities at a future date in the nature of a futures contract (all of the foregoing, collectively, "**Investments**"), except that the following shall be permitted:

(a) the Companies may consummate the Transactions in accordance with the provisions of the Transaction Documents;

(b) Investments outstanding on the Closing Date and identified on Schedule 6.04(b);

(c) the Companies may (i) acquire and hold accounts receivables owing to any of them if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary terms, (ii) invest in, acquire and hold cash and Cash Equivalents, (iii) endorse negotiable instruments held for collection in the ordinary course of business or (iv) make lease, utility and other similar deposits in the ordinary course of business;

(d) Hedging Obligations incurred pursuant to Section 6.01(c);

(e) loans and advances to directors, employees and officers of any Borrower and any of its Subsidiaries for *bona fide* business purposes and to purchase Equity Interests of Holdings, in aggregate amount not to exceed $1.0 million at any time outstanding;

(f) Investments by any Company in any other Company; *provided* that (i) any Investment in the form of a loan or advance to any such Company (whether or not a Subsidiary Guarantor) shall be evidenced by an Intercompany Loan Document and pledged as Collateral pursuant to the Security Documents and (ii) the equity interests of any Subsidiary of Holdings into which any such Investment is made shall be pledged as additional security for the Secured Obligations pursuant to the Security Documents;

(g) Investments in securities of trade creditors or customers in the ordinary course of business received upon foreclosure or pursuant to any plan of reorganization or liquidation or similar arrangement upon the bankruptcy or insolvency of such trade creditors or customers;

(h) Investments made by any Borrower or any Subsidiary as a result of consideration received in connection with an Asset Sale made in compliance with Section 6.06;

(i) Investments constituting Contingent Obligations permitted by Section 6.01;

(j) Investments constituting Permitted Acquisitions; and

(k) other investments in an aggregate amount not to exceed $10.0 million at any time outstanding.

Notwithstanding anything to the contrary set forth in this Section 6.04, Investments in Non-Guarantor Subsidiaries will not be deemed permitted under this Section 6.04 if the aggregate value of (i) all Investments in such Non-Guarantor Subsidiaries (the value of which is measured at the time of such Investment) and (ii) all transfers of assets to such Non-Guarantor Subsidiaries (the value of which is measured at the time of such transfers of assets) exceeds an amount equal to 20% of the Total Assets of Holdings and its Subsidiaries that are Subsidiary Guarantors.

**SECTION 6.05 Mergers and Consolidations**. Wind up, liquidate or dissolve its affairs or enter into any transaction of merger or consolidation (or agree to do any of the foregoing at any future time), except that the following shall be permitted:

(a) the Transactions as contemplated by the Transaction Documents;

(b) Asset Sales in compliance with Section 6.06;

(c) acquisitions in compliance with Section 6.07;

(d) (i) any Company may merge or consolidate with or into any Borrower or any Subsidiary Guarantor (as long as such Borrower is the surviving person in the case of any merger or consolidation involving such Borrower and a Subsidiary Guarantor is the surviving person and remains a Wholly Owned Subsidiary of Holdings in any other case), (ii) any Non-Subsidiary Guarantor may merge or consolidate with any other Non-Subsidiary Guarantor and (iii) any Subsidiary of Holdings organized under the laws of the United States or any political subdivision thereof may merge with Holdings (so long as Holdings is the surviving person) or any other such Subsidiary organized under such laws (so long as the surviving person is a Subsidiary Guarantor); *provided* that in the case of each of clauses (i), (ii) and (iii), the Lien on and security interest in such property granted or to be granted in favor of the Collateral Agent under the Security Documents shall be maintained or created in accordance with the provisions of Section 5.10 or Section 5.11, as applicable; and

(e) any Subsidiary may dissolve, liquidate or wind up its affairs at any time; *provided* that such dissolution, liquidation or winding up, as applicable, could not reasonably be expected to have a Material Adverse Effect.

To the extent the Required Lenders waive the provisions of this Section 6.05 with respect to the sale of any Collateral, or any Collateral is sold as permitted by this Section 6.05, such Collateral (unless sold to a Company) shall be sold free and clear of the Liens created by the Security Documents, and the Agents shall take all actions they deem appropriate in order to effect the foregoing.

**SECTION 6.06 Asset Sales**. Effect any Asset Sale, or agree to effect any Asset Sale, except that the following shall be permitted:

(a) disposition of used, worn out, obsolete or surplus property by any Company in the ordinary course of business and the abandonment or other disposition of Intellectual Property that is, in the reasonable judgment of Borrowers, no longer economically practicable to maintain or useful in the conduct of the business of the Companies taken as a whole;

(b) Asset Sales; *provided* that the aggregate consideration received in respect of all Asset Sales pursuant to this clause (b) shall not exceed $10.0 million in any four consecutive fiscal quarters of Borrowers;

(c) leases of real or personal property in the ordinary course of business and in accordance with the applicable Security Documents;

(d) the Transactions as contemplated by the Transaction Documents;

(e) mergers and consolidations in compliance with Section 6.05; and

(f) Investments in compliance with Section 6.04.

To the extent the Required Lenders waive the provisions of this Section 6.06 with respect to the sale of any Collateral, or any Collateral is sold as permitted by this Section 6.06, such Collateral (unless sold to a Company) shall be sold free and clear of the Liens created by the Security Documents, and the Agents shall take all actions they deem appropriate in order to effect the foregoing.

**SECTION 6.07 Acquisitions**. Purchase or otherwise acquire (in one or a series of related transactions) any part of the property (whether tangible or intangible) of any person (or agree to do any of the foregoing at any future time), except that the following shall be permitted:

(a) Capital Expenditures by Borrowers and their Subsidiaries shall be permitted to the extent permitted by Section 6.10(c);

(b) purchases and other acquisitions of inventory, materials, equipment and intangible property in the ordinary course of business and licenses of Intellectual Property in the ordinary course of business;

(c) Investments in compliance with Section 6.04;

(d) leases of real or personal property in the ordinary course of business and in accordance with the applicable Security Documents;

(e) the Transactions as contemplated by the Transaction Documents;

(f) Permitted Acquisitions; and

(g) mergers and consolidations in compliance with Section 6.05;

*provided* that the Lien on and security interest in such property granted or to be granted in favor of the Collateral Agent under the Security Documents shall be maintained or created in accordance with the provisions of Section 5.10 or Section 5.11, as applicable.

**SECTION 6.08 Dividends**. Authorize, declare or pay, directly or indirectly, any Dividends with respect to any Company, except that the following shall be permitted:

(a) Dividends by any Company or any Subsidiary of any Company to Holdings, any Borrower or any Guarantor that is a Wholly Owned Subsidiary of Holdings;

(b) payments to Holdings to permit Holdings, and the subsequent use of such payments by Holdings, to repurchase or redeem Qualified Capital Stock of Holdings held by officers, directors or employees or former officers, directors or employees (or their transferees, estates or beneficiaries under their estates) of any Company, upon their death, disability, retirement, severance or termination of employment or service; *provided* that the aggregate cash consideration paid for all such redemptions and payments shall not exceed, in any fiscal year, $2.0 million; *provided further* that this amount may be increased by an amount not to exceed the sum of (i) the cash proceeds from the sale of Equity Interests of Holdings and, (ii) to the extent contributed to Holdings, Equity Interests of any of Holdings' direct or indirect parent corporations, in each case to current or former members of management, directors, managers or consultants of Holdings and

any of its Subsidiaries or any of its direct or indirect parent corporations that occurs after the Closing Date and during the year of any such Dividend permitted by this clause (b) ; and

(c) Permitted Tax Distributions by Holdings to its investors and dividends and payments to Holdings in an amount not to exceed such Permitted Tax Distributions for the purpose of enabling Holding to make such Permitted Tax Distributions.

**SECTION 6.09 Transactions with Affiliates**. Enter into, directly or indirectly, any transaction or series of related transactions, whether or not in the ordinary course of business, with any Affiliate of any Company (other than between or among any Borrower and one or more Subsidiary Guarantors), other than on terms and conditions at least as favorable to such Company as would reasonably be obtained by such Company at that time in a comparable arm's-length transaction with a person other than an Affiliate, except that the following shall be permitted:

(a) Dividends permitted by Section 6.08;

(b) Investments permitted by Sections 6.04(e) and (f);

(c) reasonable and customary director, officer and employee compensation (including bonuses) and other benefits (including retirement, health, stock option and other benefit plans) and indemnification arrangements, in each case approved by the Board of Directors of the applicable Borrower;

(d) transactions with customers, clients, suppliers, joint venture partners or purchasers or sellers of goods and services, in each case in the ordinary course of business and otherwise not prohibited by the Loan Documents;

(e) in addition to fees pursuant to the Management Services Agreements that are on any arms-length basis as described in the lead in to this Section 6.09, so long as no Default exists, the payment of regular management fees to Sponsors in the amounts and at the times specified in the Management Services Agreements, as in effect on the Closing Date or as thereafter amended or replaced in any manner, that, taken as a whole, does not result in an increase in the aggregate amount of such management fees payable in any fiscal year above the levels payable pursuant to the Management Services Agreements as in effect on the Closing Date;

(f) the existence of, and the performance by any Loan Party of its obligations under the terms of, any limited liability company, limited partnership or other Organizational Document or securityholders agreement (including any registration rights agreement or purchase agreement related thereto) to which it is a party on the Closing Date and which is described in the Offering Memorandum, as in effect on the Closing Date, and similar agreements that it may enter into thereafter; *provided, however*, that the existence of, or the performance by any Loan Party of obligations under, any amendment to any such existing agreement or any such similar agreement entered into after the Closing Date shall only be permitted by this Section 6.09(f) to the extent not more adverse to the interest of the Lenders in any material respect, when taken as a whole, than any of such documents and agreements as in effect on the Closing Date;

(g) sales of Qualified Capital Stock of Holdings to Affiliates of any Borrower not otherwise prohibited by the Loan Documents and the granting of registration and other customary rights in connection therewith;

(h) any transaction with an Affiliate where the only consideration paid by any Loan Party is Qualified Capital Stock of Holdings; and

(i) the Transactions as contemplated by the Transaction Documents.

**SECTION 6.10 Financial Covenants**.

(a) Maximum Total Leverage Ratio. Permit the Total Leverage Ratio, at the last day of each month during any period set forth in the table below, to exceed the ratio set forth opposite such period in the table below:

| Test Period | Leverage Ratio |
|---|---|
| Closing Date - December 31, 2005 | 3.500 to 1.0 |
| January 1, 2006 - December 31, 2006 | 3.250 to 1.0 |
| January 1, 2007 - December 31, 2007 | 3.000 to 1.0 |
| January 1, 2008 - December 31, 2008 | 2.750 to 1.0 |
| January 1, 2009 and thereafter | 2.625 to 1.0 |

(b) Minimum Interest Coverage Ratio. Permit the Consolidated Interest Coverage Ratio, for any Test Period ending during any period set forth in the table below, to be less than the ratio set forth opposite such period in the table below:

| Test Period | Interest Coverage Ratio |
|---|---|
| Closing Date - December 31, 2005 | 4.000 to 1.0 |
| January 1, 2006 - December 31, 2006 | 4.375 to 1.0 |
| January 1, 2007 - December 31, 2007 | 5.000 to 1.0 |
| January 1, 2008 - December 31, 2008 | 5.125 to 1.0 |
| January 1, 2009 and thereafter | 5.250 to 1.0 |

(c) Minimum Interest Coverage Ratio (Excluding CapEx). Permit the Consolidated Interest Coverage Ratio (Excluding CapEx), for any Test Period ending during any period set forth in the table below, to be less than the ratio set forth opposite such period in the table below:

| Test Period | Interest Coverage Ratio (Excluding CapEx) |
|---|---|
| Closing Date - December 31, 2005 | 2.125 to 1.0 |
| January 1, 2006 - December 31, 2006 | 2.125 to 1.0 |
| January 1, 2007 - December 31, 2007 | 2.625 to 1.0 |
| January 1, 2008 - December 31, 2008 | 2.750 to 1.0 |
| January 1, 2009 and thereafter | 3.750 to 1.0 |

**SECTION 6.11 Prepayments of Other Indebtedness; Modifications of Organizational Documents and Other Documents, etc.** Directly or indirectly:

(a) make (or give any notice in respect thereof) any voluntary or optional payment or prepayment on or redemption or acquisition for value of, or any prepayment or redemption as a result of any asset sale, change of control or similar event of, any Indebtedness outstanding under the Senior Secured Notes, the Senior Subordinated Notes or any other Subordinated Indebtedness, except as otherwise permitted by this Agreement;

(b) amend or modify, or permit the amendment or modification of, any provision of any Transaction Document in any manner that is adverse in any material respect to the interests of the Lenders;

(c) terminate, amend, modify (including electing to treat any Pledged Interests (as defined in the Security Agreement) as a "security" under Section 8-103 of the UCC) or change any of its Organizational Documents (including by the filing or modification of any certificate of designation) or any agreement to which it is a party with respect to its Equity Interests (including any stockholders' agreement), or enter into any new agreement with respect to its Equity Interests, other than any such amendments, modifications or changes or such new agreements which are not adverse in any material respect to the interests of the Lenders; *provided* that Holdings may issue such Equity Interests, so long as such issuance is not prohibited by Section 6.13 or any other provision of this Agreement, and may amend its Organizational Documents to authorize any such Equity Interests;

(d) cause or permit any other obligation (other than the Secured Obligations and the Guaranteed Obligations) to constitute Designated Senior Debt (as defined in the Senior Subordinated Note Documents).

**SECTION 6.12 Limitation on Certain Restrictions on Subsidiaries**. Directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Subsidiary to (a) pay dividends or make any other distributions on its capital stock or any other interest or participation in its profits owned by any Borrower or any Subsidiary, or pay any Indebtedness owed to a Borrower or a Subsidiary, (b) make loans or advances to any Borrower or any Subsidiary or (c) transfer any of its properties to any Borrower or any Subsidiary, except for such encumbrances or restrictions existing under or by reason of (i) applicable Requirements of Law; (ii) this Agreement and the other Loan Documents; (iii) the Senior Secured Note Documents as in effect on the Closing Date and the Senior Subordinated Note Documents as in effect on the Closing Date; (iv) customary provisions restricting subletting or assignment of any lease governing a leasehold interest of a Subsidiary; (v) customary provisions restricting assignment of any agreement entered into by a Subsidiary in the ordinary course of business; (vi) any holder of a Lien permitted by Section 6.02 restricting the transfer of the property subject thereto; (vii) customary restrictions and conditions contained in any agreement relating to the sale of any property permitted under Section 6.06 pending the consummation of such sale; (viii) any agreement in effect at the time such Subsidiary becomes a Subsidiary of a Borrower, so long as such agreement was not entered into in connection with or in contemplation of such person becoming a

Subsidiary of a Borrower; (ix) without affecting the Loan Parties' obligations under Section 5.10, customary provisions in partnership agreements, limited liability company organizational governance documents, asset sale and stock sale agreements and other similar agreements entered into in the ordinary course of business that restrict the transfer of ownership interests in such partnership, limited liability company or similar person; (x) restrictions on cash or other deposits or net worth imposed by suppliers or landlords under contracts entered into in the ordinary course of business; (xi) any instrument governing Indebtedness assumed in connection with any Permitted Acquisition, which encumbrance or restriction is not applicable to any person, or the properties or assets of any person, other than the person or the properties or assets of the person so acquired; (xii) in the case of any joint venture which is not a Loan Party in respect of any matters referred to in clauses (b) and (c) above, restrictions in such person's Organizational Documents or pursuant to any joint venture agreement or stockholders agreements solely to the extent of the Equity Interests of or property held in the subject joint venture or other entity; or (xiii) any encumbrances or restrictions imposed by any amendments or refinancings that are otherwise permitted by the Loan Documents of the contracts, instruments or obligations referred to in clauses (iii) or (viii) above; *provided* that such amendments or refinancings are no more materially restrictive with respect to such encumbrances and restrictions than those prior to such amendment or refinancing.

**SECTION 6.13 Limitation on Issuance of Capital Stock**.

(a) With respect to Holdings, issue any Equity Interest that is not Qualified Capital Stock.

(b) With respect to any Borrower or any Subsidiary, issue any Equity Interest (including by way of sales of treasury stock) or any options or warrants to purchase, or securities convertible into, any Equity Interest, except (i) for stock splits, stock dividends and additional issuances of Equity Interests which do not decrease the percentage ownership of any Borrower or any Subsidiaries in any class of the Equity Interest of such Subsidiary; (ii) Subsidiaries of any Borrower formed after the Closing Date in accordance with Section 6.14 may issue Equity Interests to such Borrower or the Subsidiary of such Borrower which is to own such Equity Interests; and (iii) any Borrower may issue common stock that is Qualified Capital Stock to Holdings. All Equity Interests issued in accordance with this Section 6.13(b) shall, to the extent required by Sections 5.10 and 5.11 or any Security Agreement, be delivered to the Collateral Agent for pledge pursuant to the applicable Security Agreement to the extent permitted by applicable law.

**SECTION 6.14 Limitation on Creation of Subsidiaries**. Establish, create or acquire any additional Subsidiaries without the prior written consent of the Required Lenders; *provided* that, without such consent, any Borrower may (i) establish or create one or more Wholly Owned Subsidiaries of such Borrower, (ii) establish, create or acquire one or more Subsidiaries in connection with an Investment made pursuant to Section 6.04(f) or (iii) acquire one or more Subsidiaries in connection with a Permitted Acquisition, so long as, in each case, Section 5.10(b) shall be complied with.

**SECTION 6.15 Business**.

(a) With respect to Holdings, engage in any business activities or have any properties or liabilities, other than (i) its ownership of the Equity Interests of Borrowers and the U.S. Sales Subsidiary, (ii) obligations under the Loan Documents, the Senior Secured Note Documents and the Senior Subordinated Note Documents and (iii) activities and properties incidental to the foregoing clauses (i) and (ii).

(b) With respect to Borrowers and the Subsidiaries, engage (directly or indirectly) in any business other than those businesses in which Borrowers and its Subsidiaries are engaged on the Closing Date as described in the Notes Offering Memorandum.

**SECTION 6.16 Limitation on Accounting Changes**. Make or permit any change in accounting policies or reporting practices, without the consent of the Required Lenders, which consent shall not be unreasonably withheld, except changes that are required by GAAP.

**SECTION 6.17 Fiscal Year**. Change its fiscal year-end to a date other than December 31.

**SECTION 6.18 [Intentionally Omitted]**.

**SECTION 6.19 No Further Negative Pledge**. Enter into any agreement, instrument, deed or lease which prohibits or limits the ability of any Loan Party to create, incur, assume or suffer to exist any Lien upon any of their respective properties or revenues, whether now owned or hereafter acquired, or which requires the grant of any security for an obligation if security is granted for another obligation, except the following: (1) this Agreement and the other Loan Documents; (2) covenants in documents creating Liens permitted by Section 6.02 prohibiting further Liens on the properties encumbered thereby; (3) the Senior Secured Note Documents as in effect on the Closing Date; (4) any other agreement that does not restrict in any manner (directly or indirectly) Liens created pursuant to the Loan Documents on any Collateral securing the Secured Obligations and does not require the direct or indirect granting of any Lien securing any Indebtedness or other obligation by virtue of the granting of Liens on or pledge of property of any Loan Party to secure the Secured Obligations; and (5) any prohibition or limitation that (a) exists pursuant to applicable Requirements of Law, (b) consists of customary restrictions and conditions contained in any agreement relating to the sale of any property permitted under Section 6.06 pending the consummation of such sale, (c) restricts subletting or assignment of any lease governing a leasehold interest of a Borrower or a Subsidiary, (d) exists in any agreement in effect at the time such Subsidiary becomes a Subsidiary of a Borrower, so long as such agreement was not entered into in contemplation of such person becoming a Subsidiary or (e) is imposed by any amendments or refinancings that are otherwise permitted by the Loan Documents of the contracts, instruments or obligations referred to in clause (3) or (5)(d); *provided* that such amendments and refinancings are no more materially restrictive with respect to such prohibitions and limitations than those prior to such amendment or refinancing.

**SECTION 6.20 Anti-Terrorism Law; Anti-Money Laundering**.

(a) Directly or indirectly, (i) knowingly conduct any business or engage in making or receiving any contribution of funds, goods or services to or for the benefit of any person described in Section 3.21, (ii) knowingly deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order or any other Anti-Terrorism Law, or (iii) knowingly engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law (and the Loan Parties shall deliver to the Lenders any certification or other evidence requested from time to time by any Lender in its reasonable discretion, confirming the Loan Parties' compliance with this Section 6.20).

(b) Cause or permit any of the funds of such Loan Party that are used to repay the Loans to be derived from any unlawful activity with the result that the making of the Loans would be in violation of any Requirement of Law.

**SECTION 6.21 Embargoed Person**. Cause or permit (a) any of the funds or properties of the Loan Parties that are used to repay the Loans to constitute property of, or be beneficially owned directly or indirectly by, any person subject to sanctions or trade restrictions under United States law ("**Embargoed Person**" or "**Embargoed Persons**") that is identified on (1) the "List of Specially Designated Nationals and Blocked Persons" maintained by OFAC and/or on any other similar list maintained by OFAC pursuant to any authorizing statute including, but not limited to, the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 *et seq*., The Trading with the Enemy Act, 50 U.S.C. App. 1 *et seq*., and any Executive Order or Requirement of Law promulgated thereunder, with the result that the investment in the Loan Parties (whether directly or indirectly) is prohibited by a Requirement of Law, or the Loans made by the Lenders would be in violation of a Requirement of Law, or (2) the Executive Order, any related enabling legislation or any other similar Executive Orders or (b) any Embargoed Person to have any direct or indirect interest, of any nature whatsoever in the Loan Parties, with the result that the investment in the Loan Parties (whether directly or indirectly) is prohibited by a Requirement of Law or the Loans are in violation of a Requirement of Law.

**SECTION 6.22 Limitation on Finance Subsidiary**. Finance Subsidiary may not hold any material properties, become liable for any material obligations, engage in any trade or business, or conduct any business activity, other than (1) the issuance of its Equity Interests to Lux Borrower or any Wholly Owned Subsidiary of Lux Borrower, (2) the incurrence of Indebtedness as a co-obligor or guarantor, as the case may be, of the Senior Secured Notes, the Senior Subordinated Notes, the Loan Documents and any other Indebtedness that is permitted to be incurred by Borrowers under the Loan Documents; *provided* that the net proceeds of such Indebtedness are retained by Lux Borrower or loaned to or contributed as capital to one or more Subsidiaries other than Finance Subsidiary and (3) activities incidental thereto. Neither Lux Borrower nor any Subsidiary thereof shall engage in any transactions with Finance Subsidiary in violation of the immediately preceding sentence.

**SECTION 6.23 Preservation of Claims Under the Korean Opco Guarantees**. Make any payment or take any other action that would reduce the obligations of Korean Opco under the Korean Opco Bank Guarantee below an amount equal to the outstanding balance of the Secured Obligations at such time.

**SECTION 6.24 Liens on Deposit Accounts and Available Cash**. At any time on or after April 1, 2005, neither Holdings nor any Subsidiary Guarantor shall have deposit accounts, security accounts, or similar accounts containing any cash or Cash Equivalents that have not been subjected to a perfected Lien in favor of the Collateral Agent or the Collateral Trustee, as applicable, pursuant to Security Documents in form and substance reasonably satisfactory to the Collateral Agent or the Collateral Trustee, as applicable, other than (i) payroll accounts and trust accounts maintained in the ordinary course of business, (ii) local cash accounts containing funds which were received from account debtors that, not later than three (3) Business Days after deposit of such funds therein, are transferred to a deposit account or security account subject to a perfected Lien in favor of the Collateral Agent or the Collateral Trustee, as applicable and (iii) other accounts that do not contain funds in the aggregate in excess of $2,000,000 at any time.

## ARTICLE VII

## GUARANTEE

**SECTION 7.01 The Guarantee**. The Guarantors (other than Korean Opco which has separately executed the Korean Opco Bank Guarantee) hereby jointly and severally guarantee, as a primary obligor and not as a surety to each Secured Party and their respective successors and assigns, the prompt payment in full when due (whether at stated maturity, by required prepayment, declaration, demand, by acceleration or otherwise) of the principal of and interest (including any interest, fees, costs or charges that would accrue but for the provisions of the Title 11 of the United States Code after any bankruptcy or insolvency petition under Title 11 of the United States Code) on the Loans made by the Lenders to, and the Notes held by each Lender of, Borrowers, and all other Secured Obligations from time to time owing to the Secured Parties by any Loan Party under any Loan Document or any Hedging Agreement entered into with a counterparty that is a Secured Party, in each case strictly in accordance with the terms thereof (such obligations being herein collectively called the "**Guaranteed Obligations**"). The Guarantors hereby jointly and severally agree that if Borrowers or other Guarantor(s) shall fail to pay in full when due (whether at stated maturity, by acceleration or otherwise) any of the Guaranteed Obligations, the Guarantors will promptly pay the same in cash, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Guaranteed Obligations, the same will be promptly paid in full when due (whether at extended maturity, by acceleration or otherwise) in accordance with the terms of such extension or renewal.

**SECTION 7.02 Obligations Unconditional**. The obligations of the Guarantors under Section 7.01 shall constitute a guaranty of payment and to the fullest extent permitted by applicable Requirements of Law, are absolute, irrevocable and unconditional, joint and several, irrespective of the value, genuineness, validity, regularity or enforceability of the Guaranteed Obligations of Borrowers under this Agreement, the Notes, if any, or any other agreement or instrument referred to herein or therein, or any substitution, release or exchange of any other guarantee of or security for any of the Guaranteed Obligations, and, irrespective of any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a surety or Guarantor (except for payment in full). Without limiting the generality of the foregoing, it is agreed that the occurrence of any one or more of the following shall not alter or impair the liability of the Guarantors hereunder which shall remain absolute, irrevocable and unconditional under any and all circumstances as described above:

(i) at any time or from time to time, without notice to the Guarantors, the time for any performance of or compliance with any of the Guaranteed Obligations shall be extended, or such performance or compliance shall be waived;

(ii) any of the acts mentioned in any of the provisions of this Agreement or the Notes, if any, or any other agreement or instrument referred to herein or therein shall be done or omitted;

(iii) the maturity of any of the Guaranteed Obligations shall be accelerated, or any of the Guaranteed Obligations shall be amended in any respect, or any right under the Loan Documents or any other agreement or instrument referred to herein or therein shall be amended or waived in any respect or any other guarantee of any of the Guaranteed Obligations or any security therefor shall be released or exchanged in whole or in part or otherwise dealt with;

(iv) any Lien or security interest granted to, or in favor of, Issuing Bank or any Lender or Agent as security for any of the Guaranteed Obligations shall fail to be perfected; or

(v) the release of any other Guarantor pursuant to Section 7.09.

The Guarantors hereby expressly waive diligence, presentment, demand of payment, protest and all notices whatsoever, and any requirement that any Secured Party exhaust any right, power or remedy or proceed against any Borrower under this Agreement or the Notes, if any, or any other agreement or instrument referred to herein or therein, or against any other person under any other guarantee of, or security for, any of the Guaranteed Obligations. The Guarantors waive any and all notice of the creation, renewal, extension, waiver, termination or accrual of any of the Guaranteed Obligations and notice of or proof of reliance by any Secured Party upon this Guarantee or acceptance of this Guarantee, and the Guaranteed Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred in reliance upon this Guarantee, and all dealings among Borrowers and the Secured Parties shall likewise be conclusively presumed to have been had or consummated in reliance upon this Guarantee. This Guarantee shall be construed as a continuing, absolute, irrevocable and unconditional guarantee of payment without regard to any right of offset with respect to the Guaranteed Obligations at any time or from time to time held by Secured Parties, and the obligations and liabilities of the Guarantors hereunder shall not be conditioned or contingent upon the pursuit by the Secured Parties or any other person at any time of any right or remedy against Borrowers or against any other person which may be or become liable in respect of all or any part of the Guaranteed Obligations or against any collateral security or guarantee therefor or right of offset with respect thereto. This Guarantee shall remain in full force and effect and be binding in accordance with and to the extent of its terms upon the Guarantors and the successors and assigns thereof, and shall inure to the benefit of the Lenders, and their respective successors and assigns, notwithstanding that from time to time during the term of this Agreement there may be no Guaranteed Obligations outstanding.

**SECTION 7.03 Reinstatement**. The obligations of the Guarantors under this Article VII shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of Borrowers or other Loan Party in respect of the Guaranteed Obligations is rescinded or must be otherwise restored by any holder of any of the Guaranteed Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise.

**SECTION 7.04 Subrogation**. Each Guarantor hereby agrees that until the indefeasible payment and satisfaction in full in cash of all Guaranteed Obligations and the expiration and termination of the Commitments of the Lenders under this Agreement it shall waive any claim and shall not exercise any right or remedy, direct or indirect, arising by reason of any performance by it of its guarantee in Section 7.01, whether by subrogation or otherwise, against Borrowers or any other Guarantor of any of the Guaranteed Obligations or any security for any of the Guaranteed Obligations.

**SECTION 7.05 Remedies**. Subject to the terms of the Intercreditor Agreement, the Guarantors jointly and severally agree that, as between the Guarantors and the Lenders, the obligations of Borrowers under this Agreement and the Notes, if any, may be declared to be forthwith due and payable as provided in Section 8.01 (and shall be deemed to have become automatically due and payable in the circumstances provided in Section 8.01) for purposes of Section 7.01, notwithstanding any stay, injunction or other prohibition preventing such declaration (or such obligations from becoming automatically due and payable) as against Borrowers and that, in the event of such declaration (or such obligations being deemed to have become automatically due and payable), such obligations (whether or not due and

payable by Borrowers) shall forthwith become due and payable by the Guarantors for purposes of Section 7.01.

**SECTION 7.06 Instrument for the Payment of Money**. Each Guarantor hereby acknowledges that the guarantee in this Article VII constitutes an instrument for the payment of money, and consents and agrees that any Lender or Agent, at its sole option, in the event of a dispute by such Guarantor in the payment of any moneys due hereunder, shall have the right to bring a motion-action under New York CRPL Section 3213.

**SECTION 7.07 Continuing Guarantee**. The guarantee in this Article VII is a continuing guarantee of payment, and shall apply to all Guaranteed Obligations whenever arising.

**SECTION 7.08 General Limitation on Guarantee Obligations**. In any action or proceeding involving any state corporate limited partnership or limited liability company law, or any applicable state, federal or foreign bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of any Guarantor under Section 7.01 would otherwise be held or determined to be void, voidable, invalid or unenforceable, or subordinated to the claims of any other creditors, on account of the amount of its liability under Section 7.01, then, notwithstanding any other provision to the contrary, the amount of such liability shall, without any further action by such Guarantor, any Loan Party or any other person, be automatically limited and reduced to the highest amount that is valid and enforceable and not subordinated to the claims of other creditors as determined in such action or proceeding.

**SECTION 7.09 Release of Guarantors**. If, in compliance with the terms and provisions of the Loan Documents, all or substantially all of the Equity Interests or property of any Guarantor are sold or otherwise transferred (a "**Transferred Guarantor**") to a person or persons, none of which is a Borrower or a Subsidiary, such Transferred Guarantor shall, upon the consummation of such sale or transfer, be released from its obligations under this Agreement (including under Section 10.03 hereof) and its obligations to pledge and grant any Collateral owned by it pursuant to any Security Document and, in the case of a sale of all or substantially all of the Equity Interests of the Transferred Guarantor, the pledge of such Equity Interests to the Collateral Agent pursuant to the Security Agreements shall be released, and the Collateral Agent shall take such actions as are necessary to effect each release described in this Section 7.09 in accordance with the relevant provisions of the Security Documents

**SECTION 7.10 Provisions Applicable to Certain Guarantees**. Notwithstanding any of the provisions of Article VII, the Guaranteed Obligations of any Subsidiary Guarantor shall under no circumstances whatsoever extend to include any monies, liabilities or obligations (including the Obligations) which, if so included, would cause the infringement by any Subsidiary Guarantor of any of sections 151 to 154 (inclusive) of the United Kingdom Companies Act 1985 (as re-enacted or amended from time to time).

## ARTICLE VIII

## EVENTS OF DEFAULT

**SECTION 8.01 Events of Default**. Upon the occurrence and during the continuance of the following events ("**Events of Default**"):

(a) default shall be made in the payment of any principal of any Loan or any Reimbursement Obligation when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment (whether voluntary or mandatory) thereof or by acceleration thereof or otherwise;

(b) default shall be made in the payment of any interest on any Loan or any Fee or any other amount (other than an amount referred to in paragraph (a) above) due under any Loan Document, when and as the same shall become due and payable, and such default shall continue unremedied for a period of three Business Days;

(c) any representation or warranty made or deemed made in or in connection with any Loan Document or the borrowings or issuances of Letters of Credit hereunder, or any representation, warranty, statement or information contained in any report, certificate, financial statement or other instrument furnished in connection with or pursuant to any Loan Document, shall prove to have been false or misleading in any material respect when so made, deemed made or furnished;

(d) default shall be made in the due observance or performance by any Company of any covenant, condition or agreement contained in Section 5.02, 5.03(a) or 5.08 or in Article VI;

(e) default shall be made in the due observance or performance by any Company of any covenant, condition or agreement contained in any Loan Document (other than those specified in paragraphs (a), (b) or (d) immediately above) and such default shall continue unremedied or shall not be waived for a period of 30 days after written notice thereof from the Administrative Agent or any Lender to Borrowers;

(f) any Company shall (i) fail to pay any principal or interest, regardless of amount, due in respect of any Indebtedness (other than the Obligations), when and as the same shall become due and payable beyond any applicable grace period, or (ii) fail to observe or perform any other term, covenant, condition or agreement contained in any agreement or instrument evidencing or governing any such Indebtedness if the effect of any failure referred to in this clause (ii) is to cause, or to permit the holder or holders of such Indebtedness or a trustee or other representative on its or their behalf (with or without the giving of notice, the lapse of time or both) to cause, such Indebtedness to become due prior to its stated maturity or become subject to a mandatory offer purchase by the obligor; *provided* that it shall not constitute an Event of Default pursuant to this paragraph (f) unless the aggregate amount of all such Indebtedness referred to in clauses (i) and (ii) exceeds $3.0 million at any one time (*provided* that, in the case of Hedging Obligations, the amount counted for this purpose shall be the amount payable by all Companies if such Hedging Obligations were terminated at such time);

(g) an involuntary proceeding shall be commenced or an involuntary petition shall be filed or any application shall be made in a court of competent jurisdiction seeking (i) relief in respect of any Company, or of a substantial part of the property of any Company, under Title 11 of the Code, as now constituted or hereafter amended, or any other federal, state or foreign bankruptcy, insolvency, receivership or similar law in any jurisdiction; (ii) the appointment of a receiver, administrator, administrative receiver, liquidator, trustee, custodian, sequestrator, conservator or similar official for any Company or for a substantial part of the property of any Company; or (iii) the suspension of payments, a moratorium of any indebtedness, bankruptcy, dissolution, administration, examination, reorganisation (by way of voluntary arrangement, scheme of

arrangement or otherwise), the winding-up or liquidation of any Company; and (other than with respect to the UK Sales Subsidiary) such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(h) any Company shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal, state or foreign bankruptcy, insolvency, receivership or similar law in any jurisdiction; (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in clause (g) above; (iii) apply for or consent to the appointment of a receiver, administrator, administrative receiver, liquidator, trustee, custodian, sequestrator, conservator or similar official for any Company or for a substantial part of the property of any Company; (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding; (v) make a general assignment for the benefit of creditors; (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due including, in the case of the UK Sales Subsidiary, within the meaning of subsections 123(1)(a), (b), (c) or (d) of the United Kingdom Insolvency Act of 1986; (vii) take any action for the purpose of effecting any of the foregoing; (viii) wind up or liquidate; (ix) suspend making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commence negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness, (x) declare or institute a moratorium in respect of any of its indebtedness; (xi) enter into a composition, compromise, assignment or arrangement with any creditor of any Loan Party; or (xii) the value of the assets of the UK Sales Subsidiary is less than its liabilities (taking into account contingent and prospective liabilities);

(i) one or more judgments, orders or decrees for the payment of money in an aggregate amount in excess of $1,000,000 shall be rendered against any Company or any combination thereof and the same shall remain undischarged, unvacated or unbonded for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to levy upon properties of any Company to enforce any such judgment;

(j) one or more ERISA Events or noncompliance with respect to Foreign Plans shall have occurred that, in the opinion of the Required Lenders, when taken together with all other such ERISA Events and noncompliance with respect to Foreign Plans that have occurred, could reasonably be expected to result in liability of any Company and its ERISA Affiliates in an aggregate amount exceeding $1,000,000 or in the imposition of a Lien on any properties of a Company;

(k) any security interest and Lien purported to be created by any Security Document with respect to property in excess of $500,000 in value shall cease to be in full force and effect, or shall cease to give the Collateral Agent, for the benefit of the Secured Parties, or the Collateral Trustee, as applicable, the Liens, rights, powers and privileges purported to be created and granted under such Security Document (including a perfected first priority security interest in and Lien on all of the Collateral thereunder (except as otherwise expressly provided in such Security Document)) in favor of the Collateral Agent or the Collateral Trustee, as applicable, or shall be asserted by any Borrower or any other Loan Party not to be a valid, perfected, first priority (except as otherwise expressly provided in this Agreement or such Security Document) security interest in or Lien on the Collateral covered thereby;

(l) any Loan Document or any material provisions thereof shall at any time and for any reason be declared by a court of competent jurisdiction to be null and void, or a proceeding shall be commenced by any Loan Party or any other person, or by any Governmental Authority, seeking to establish the invalidity or unenforceability thereof (exclusive of questions of interpretation of any provision thereof), or any Loan Party shall repudiate or deny any portion of its liability or obligation for the Obligations;

(m) there shall have occurred a Change in Control;

(n) any Company shall be prohibited or otherwise restrained from conducting the business theretofore conducted by it in any manner that has or could reasonably be expected to result in a Material Adverse Effect by virtue of any determination, ruling, decision, decree or order of any court or Governmental Authority of competent jurisdiction;

(o) Korean Opco is designated as a "failing company" under the CRPL; or

(p) the Clearing House suspends any current transactions of Korean Opco;

then, and in every such event (other than an event with respect to Holdings or any Borrower described in paragraph (g), (h), (o) or (p) above), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to Borrowers, take either or both of the following actions, at the same or different times: (i) terminate forthwith the Commitments and (ii) declare the Loans and Reimbursement Obligations then outstanding to be forthwith due and payable in whole or in part, whereupon the principal of the Loans and Reimbursement Obligations so declared to be due and payable, together with accrued interest thereon and any unpaid accrued Fees and all other Obligations of Borrowers accrued hereunder and under any other Loan Document, shall become forthwith due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by Borrowers and the Guarantors, anything contained herein or in any other Loan Document to the contrary notwithstanding; and in any event, with respect to Holdings or any Borrower described in paragraph (g), (h), (o) or (p) above, the Commitments shall automatically terminate and the principal of the Loans and Reimbursement Obligations then outstanding, together with accrued interest thereon and any unpaid accrued Fees and all other Obligations of Borrowers accrued hereunder and under any other Loan Document, shall automatically become due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by Borrowers and the Guarantors, anything contained herein or in any other Loan Document to the contrary notwithstanding.

**SECTION 8.02 Application of Proceeds**. Subject to the terms of the Intercreditor Agreement, the proceeds received by the Collateral Agent in respect of any sale of, collection from or other realization upon all or any part of the Collateral pursuant to the exercise by the Collateral Agent of its remedies shall be applied, in full or in part, together with any other sums then held by the Collateral Agent pursuant to this Agreement, promptly by the Collateral Agent as follows:

(a) *First*, to the payment of all reasonable costs and expenses, fees, commissions and taxes of such sale, collection or other realization including compensation to the Collateral Agent and its agents and counsel, and all expenses, liabilities and advances made or incurred by the Collateral Agent in connection therewith and all amounts for which the Collateral Agent is entitled to indemnification pursuant to the provisions of any Loan Document, together with interest on each

such amount at the highest rate then in effect under this Agreement from and after the date such amount is due, owing or unpaid until paid in full;

(b) *Second*, to the payment of all other reasonable costs and expenses of such sale, collection or other realization including compensation to the other Secured Parties and their agents and counsel and all costs, liabilities and advances made or incurred by the other Secured Parties in connection therewith, together with interest on each such amount at the highest rate then in effect under this Agreement from and after the date such amount is due, owing or unpaid until paid in full;

(c) *Third*, without duplication of amounts applied pursuant to clauses (a) and (b) above, to the indefeasible payment in full in cash, *pro rata*, of interest and other amounts constituting Obligations (other than principal and Reimbursement Obligations) and any fees, premiums and scheduled periodic payments due under Hedging Agreements constituting Secured Obligations and any interest accrued thereon, in each case equally and ratably in accordance with the respective amounts thereof then due and owing;

(d) *Fourth*, to the indefeasible payment in full in cash, *pro rata*, of principal amount of the Obligations (including Reimbursement Obligations) and any breakage, termination or other payments under Hedging Agreements constituting Secured Obligations and any interest accrued thereon; and

(e) *Fifth*, the balance, if any, to the person lawfully entitled thereto (including the applicable Loan Party or its successors or assigns) or as a court of competent jurisdiction may direct.

In the event that any such proceeds are insufficient to pay in full the items described in clauses (a) through (e) of this Section 8.02, the Loan Parties shall remain liable, jointly and severally, for any deficiency. Each Loan Party acknowledges the relative rights, priorities and agreements of the First Lien Secured Parties and the Second Lien Secured Parties, as set forth in the Intercreditor Agreement and this Agreement, including as set forth in this Section 8.02.

## ARTICLE IX

## THE ADMINISTRATIVE AGENT AND THE COLLATERAL AGENT

**SECTION 9.01 Appointment and Authority**. Each of the Lenders and the Issuing Bank hereby irrevocably appoints UBS AG, Stamford Branch, to act on its behalf as the Administrative Agent and the Collateral Agent hereunder and under the other Loan Documents and authorizes such Agents to take such actions on its behalf and to exercise such powers as are delegated to such Agents by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Administrative Agent, the Collateral Agent, the Lenders and the Issuing Bank, and neither any Borrower nor any other Loan Party shall have rights as a third party beneficiary of any of such provisions.

**SECTION 9.02 Rights as a Lender**. Each person serving as an Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not an Agent and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include each person serving as an Agent hereunder

in its individual capacity. Such person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with any Borrower or any Subsidiary or other Affiliate thereof as if such person were not an Agent hereunder and without any duty to account therefor to the Lenders.

**SECTION 9.03 Exculpatory Provisions**. No Agent shall have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, no Agent:

(i) shall be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(ii) shall have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that such Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents); *provided* that such Agent shall not be required to take any action that, in its judgment or the judgment of its counsel, may expose such Agent to liability or that is contrary to any Loan Document or applicable Requirements of Law; and

(iii) shall, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to any Borrower or any of its Affiliates that is communicated to or obtained by the person serving as such Agent or any of its Affiliates in any capacity.

No Agent shall be liable for any action taken or not taken by it (x) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as such Agent shall believe in good faith shall be necessary, under the circumstances as provided in Section 10.02) or (y) in the absence of its own gross negligence or willful misconduct. No Agent shall be deemed to have knowledge of any Default unless and until notice describing such Default is given to such Agent by Borrowers, a Lender or the Issuing Bank.

No Agent shall be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to such Agent. Without limiting the generality of the foregoing, the use of the term "agent" in this Agreement with reference to the Administrative Agent or the Collateral Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term us used merely as a matter of market custom and is intended to create or reflect only an administrative relationship between independent contracting parties.

**SECTION 9.04 Reliance by Agent**. Each Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting

or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper person. Each Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, or the issuance of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Lender or the Issuing Bank, the Administrative Agent may presume that such condition is satisfactory to such Lender or the Issuing Bank unless the Administrative Agent shall have received notice to the contrary from such Lender or the Issuing Bank prior to the making of such Loan or the issuance of such Letter of Credit. Each Agent may consult with legal counsel (who may be counsel for Borrowers), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

**SECTION 9.05 Delegation of Duties**. Each Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by such Agent. Each Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of each Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Agent.

**SECTION 9.06 Resignation of Agent**. Each Agent may at any time give notice of its resignation to the Lenders, the Issuing Bank and Borrowers. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with Borrowers, to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Agent gives notice of its resignation, then the retiring Agent may on behalf of the Lenders and the Issuing Bank, appoint a successor Agent meeting the qualifications set forth above provided that if the Agent shall notify Borrowers and the Lenders that no qualifying person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (1) the retiring Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Collateral Agent on behalf of the Lenders or the Issuing Bank under any of the Loan Documents, the retiring Collateral Agent shall continue to hold such collateral security as nominee until such time as a successor Collateral Agent is appointed) and (2) all payments, communications and determinations provided to be made by, to or through an Agent shall instead be made by or to each Lender and the Issuing Bank directly, until such time as the Required Lenders appoint a successor Agent as provided for above in this paragraph. Upon the acceptance of a successor's appointment as Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Agent, and the retiring Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this paragraph). The fees payable by any Borrower to a successor Agent shall be the same as those payable to its predecessor unless otherwise agreed between such Borrower and such successor. After the retiring Agent's resignation hereunder and under the other Loan Documents, the provisions of this Article IX and Section 10.03 shall continue in effect for the benefit of such retiring Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Agent was acting as Agent.

**SECTION 9.07 Non-Reliance on Agent and Other Lenders**. Each Lender and the Issuing Bank acknowledges that it has, independently and without reliance upon any Agent or any

other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender and the Issuing Bank also acknowledges that it will, independently and without reliance upon any Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

**SECTION 9.08 No Other Duties, etc**. Anything herein to the contrary notwithstanding, none of the Bookmanagers, Arrangers, Syndication Agent, or Documentation Agent listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent, the Collateral Agent, a Lender or the Issuing Bank hereunder.

## ARTICLE X

## MISCELLANEOUS

**SECTION 10.01 Notices**.

(a) Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier as follows:

(i) if to any Loan Party, to Borrowers at:

c/o MagnaChip Semiconductor Ltd.
891 daechi-dong, Kangnam-gu
Seoul 135-738, Korea
Attention: General Counsel
Telecopier No.: 822 3459 3689

(ii) if to the Administrative Agent, the Collateral Agent, Swingline Lender or Issuing Bank, to it at:

UBS AG, Stamford Branch
Banking Products Services
677 Washington Boulevard
6-South
Stamford, CT 06901
Attention: Winslowe F. Ogbourne, Associate Director
Telephone No.: (203) 719-3587
Telecopier No.: (203) 719-3888

(iii) if to a Lender, to it at its address (or telecopier number) set forth in its Administrative Questionnaire; and

(iv) if to the Swingline Lender, to it at:

UBS AG, Stamford Branch
Banking Products Services
677 Washington Boulevard
6-South
Stamford, CT 06901
Attention: Winslowe F. Ogbourne, Associate Director
Telephone No.: (203) 719-3587
Telecopier No.: (203) 719-3888

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices delivered through electronic communications to the extent provided in paragraph (b) below, shall be effective as provided in said paragraph (b).

(b) Electronic Communications. Notices and other communications to the Lenders and the Issuing Bank hereunder may (subject to Section 10.01(d)) be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent; *provided* that the foregoing shall not apply to notices to any Lender or the Issuing Bank pursuant to Article II if such Lender or the Issuing Bank, as applicable, has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent, the Collateral Agent or any Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it (including as set forth in Section 10.01(d)); *provided* that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement); *provided* that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) Change of Address, Etc. Any party hereto may change its address or telecopier number for notices and other communications hereunder by notice to the other parties hereto.

(d) Posting. Each Loan Party hereby agrees that it will provide to the Administrative Agent all information, documents and other materials that it is obligated to furnish to the Administrative Agent pursuant to this Agreement and any other Loan Document, including all notices, requests, financial statements, financial and other reports, certificates and other information materials, but excluding any such communication that (i) relates to a request for a new, or a conversion of an existing, Borrowing or other extension of credit (including any election of an interest rate or interest period relating thereto), (ii) relates to the payment of any principal or other amount due under this Agreement prior to the scheduled date therefor, (iii) provides notice of any Default under this Agreement or (iv) is required to be delivered to satisfy any condition precedent to the effectiveness of this Agreement and/or any borrowing or

other extension of credit hereunder (all such non-excluded communications, collectively, the "**Communications**"), by transmitting the Communications in an electronic/soft medium in a format reasonably acceptable to the Administrative Agent at winslowe.ogbourne@ubs.com or at such other e-mail address(es) provided to Borrowers from time to time or in such other form, including hard copy delivery thereof, as the Administrative Agent shall require. In addition, each Loan Party agrees to continue to provide the Communications to the Administrative Agent in the manner specified in this Agreement or any other Loan Document or in such other form, including hard copy delivery thereof, as the Administrative Agent shall require. Nothing in this Section 10.01 shall prejudice the right of the Agents, any Lender or any Loan Party to give any notice or other communication pursuant to this Agreement or any other Loan Document in any other manner specified in this Agreement or any other Loan Document or as any such Agent shall require.

To the extent consented to by the Administrative Agent in writing from time to time, Administrative Agent agrees that receipt of the Communications by the Administrative Agent at its e-mail address(es) set forth above shall constitute effective delivery of the Communications to the Administrative Agent for purposes of the Loan Documents; *provided* that Borrowers shall also deliver to the Administrative Agent an executed original of each Compliance Certificate required to be delivered hereunder.

Each Loan Party further agrees that Administrative Agent may make the Communications available to the Lenders by posting the Communications on Intralinks or a substantially similar electronic transmission system (the "**Platform**"). The Platform is provided "as is" and "as available." The Agents do not warrant the accuracy or completeness of the Communications, or the adequacy of the Platform and expressly disclaim liability for errors or omissions in the communications. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third party rights or freedom from viruses or other code defects, is made by any Agent in connection with the Communications or the Platform. In no event shall the Administrative Agent or any of its Related Parties have any liability to the Loan Parties, any Lender or any other person for damages of any kind, including direct or indirect, special, incidental or consequential damages, losses or expenses (whether in tort, contract or otherwise) arising out of any Loan Party's or the Administrative Agent's transmission of communications through the Internet, except to the extent the liability of such person is found in a final non-appealable judgment by a court of competent jurisdiction to have resulted from such person's gross negligence or willful misconduct.

**SECTION 10.02 Waivers; Amendment**.

(a) Generally. No failure or delay by any Agent, the Issuing Bank or any Lender in exercising any right or power hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of each Agent, the Issuing Bank and the Lenders hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by any Loan Party therefrom shall in any event be effective unless the same shall be permitted by this Section 10.02, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether any Agent, any Lender or the Issuing Bank may have had notice or knowledge of such Default at the time. No notice or demand on any Borrower in any case shall entitle such Borrower to any other or further notice or demand in similar or other circumstances.

(b) Required Consents. Subject to the terms of the Intercreditor Agreement and to Section 10.02(c), and (d), neither this Agreement nor any other Loan Document nor any provision hereof or thereof may be waived, amended, supplemented or modified except, in the case of this Agreement, pursuant to an agreement or agreements in writing entered into by Borrowers and the Required Lenders or, in the case of any other Loan Document, pursuant to an agreement or agreements in writing entered into by the Administrative Agent, the Collateral Agent (in the case of any Security Document) and the Loan Party or Loan Parties that are party thereto, in each case with the written consent of the Required Lenders; *provided* that no such agreement shall be effective if the effect thereof would:

(i) increase the Commitment of any Lender without the written consent of such Lender (it being understood that no amendment, modification, termination, waiver or consent with respect to any condition precedent, covenant or Default shall constitute an increase in the Commitment of any Lender);

(ii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon (other than interest pursuant to Section 2.06(c)), or reduce any Fees payable hereunder, or change the form or currency of payment of any Obligation, without the written consent of each Lender directly affected thereby (it being understood that any amendment or modification to the financial definitions in this Agreement shall not constitute a reduction in the rate of interest for purposes of this clause (ii));

(iii) (A) change the scheduled final maturity of any Loan, (B) postpone the date for payment of any Reimbursement Obligation or any interest or fees payable hereunder, (C) change the amount of, waive or excuse any such payment (other than waiver of any increase in the interest rate pursuant to Section 2.06(c)), or (D) postpone the scheduled date of expiration of any Commitment or any Letter of Credit beyond the Revolving Maturity Date, in any case, without the written consent of each Lender directly affected thereby;

(iv) increase the maximum duration of Interest Periods hereunder, without the written consent of each Lender directly affected thereby;

(v) permit the assignment or delegation by any Borrower of any of its rights or obligations under any Loan Document, without the written consent of each Lender;

(vi) release Holdings, Korean Opco or all substantially all of the Subsidiary Guarantors from their Guarantee (except as expressly provided in Article VII), or limit their liability in respect of such Guarantee, without the written consent of each Lender;

(vii) release all or a substantial portion of the Collateral from the Liens of the Security Documents or alter the relative priorities of the Secured Obligations entitled to the Liens of the Security Documents, in each case without the written consent of each Lender (it being understood that additional Classes of Loans pursuant to Section 2.18 or consented to by the Required Lenders may be equally and ratably secured by the Collateral with the then existing Secured Obligations under the Security Documents);

(viii) change Section 2.13(b) or (c) in a manner that would alter the *pro rata* sharing of payments or setoffs required thereby or any other provision in a manner that would alter the *pro rata* allocation among the Lenders of Loan disbursements, including the requirements of Sections 2.02(a), 2.16(d) and 2.17(d), without the written consent of each Lender directly affected thereby;

(ix) change any provision of this Section 10.02(b) or Section 10.02(c) or (d), without the written consent of each Lender directly affected thereby (except for additional restrictions on amendments or waivers for the benefit of Lenders of additional Classes of Loans pursuant to Section 2.18 or consented to by the Required Lenders);

(x) change the percentage set forth in the definition of "Required Lenders," or any other provision of any Loan Document (including this Section) specifying the number or percentage of Lenders (or Lenders of any Class) required to waive, amend or modify any rights thereunder or make any determination or grant any consent thereunder, without the written consent of each Lender (or each Lender of such Class, as the case may be), other than to increase such percentage or number or to give any additional Lender or group of Lenders such right to waive, amend or modify or make any such determination or grant any such consent;

(xi) change or waive any provision of Article X as the same applies to any Agent, or any other provision hereof as the same applies to the rights or obligations of any Agent, in each case without the written consent of such Agent;

(xii) change or waive any obligation of the Lenders relating to the issuance of or purchase of participations in Letters of Credit, without the written consent of the Administrative Agent and the Issuing Bank;

(xiii) change or waive any provision hereof relating to Swingline Loans (including the definition of "Swingline Commitment"), without the written consent of the Swingline Lender; or

(xiv) expressly change or waive any condition precedent in Section 4.02 to any Revolving Borrowing without the written consent of the Required Lenders;

*provided, further*, that any waiver, amendment or modification of the Intercreditor Agreement (and any related definitions) may be effected by an agreement or agreements in writing entered into among the Collateral Agent, the Administrative Agent, the Required First Lien Lenders and the Required Second Lien Lenders (without the consent of any Loan Party, so long as such amendment, waiver or modification does not impose any additional duties or obligations on the Loan Parties or alter or impair any right of any Loan Party under the Loan Documents).

(c) Collateral. Without the consent of any other person, the applicable Loan Party or Parties and the Administrative Agent and/or Collateral Agent may (in its or their respective sole discretion, or shall, to the extent required by any Loan Document) enter into any amendment or waiver of any Loan Document, or enter into any new agreement or instrument, to effect the granting, perfection, protection, expansion or enhancement of any security interest in any Collateral or additional property to become Collateral for the benefit of the Secured Parties, or as required by local law to give effect to, or protect any security interest for the benefit of the Secured Parties, in any property or so that the security interests therein comply with applicable Requirements of Law.

(d) Dissenting Lenders. If, in connection with any proposed change, waiver, discharge or termination of the provisions of this Agreement as contemplated by Section 10.02(b), the consent of the Required Lenders is obtained but the consent of one or more of such other Lenders whose consent is required is not obtained, then Borrowers shall have the right to replace all, but not less than all, of such non-consenting Lender or Lenders (so long as all non-consenting Lenders are so replaced) with one

or more persons pursuant to Section 2.15 so long as at the time of such replacement each such new Lender consents to the proposed change, waiver, discharge or termination.

**SECTION 10.03 Expenses; Indemnity; Damage Waiver**.

(a) Costs and Expenses. Borrowers shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent, the Collateral Agent and the Collateral Trustee and their respective Affiliates (including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, the Collateral Agent and the Collateral Trustee) in connection with the syndication of the credit facilities provided for herein (including the obtaining and maintaining of CUSIP numbers for the Loans), the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by the Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder, (iii) all out-of-pocket expenses incurred by the Administrative Agent, the Collateral Agent, the Collateral Trustee, any Lender or the Issuing Bank (including the fees, charges and disbursements of any counsel for the Administrative Agent, the Collateral Agent, the Collateral Trustee, any Lender or the Issuing Bank), in connection with the enforcement or protection of its rights (A) in connection with this Agreement and/or the other Loan Documents, including its rights under this Section 10.03, or (B) in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit and (iv) all documentary and similar taxes and charges in respect of the Loan Documents.

(b) Indemnification by Borrowers. Borrowers shall, jointly and severally, indemnify the Administrative Agent (and any sub-agent thereof), the Collateral Agent (and any sub-agent thereof), the Collateral Trustee, each Lender and the Issuing Bank, and each Related Party of any of the foregoing persons (each such person being called an "**Indemnitee**") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any Indemnitee) incurred by any Indemnitee or asserted against any Indemnitee by any third party or by any Borrower or any other Loan Party arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by the Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or Release or threatened Release of Hazardous Materials on, at, under or from any property owned, leased or operated by any Company at any time, any violation of, noncompliance with, or liability or obligation under, any Environmental Laws, any orders, requirements or demands of any Governmental Authority relating to any Environmental Laws or Environmental Permits, or any Environmental Claim related in any way to any Company, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by any Borrower or any other Loan Party, and regardless of whether any Indemnitee is a party thereto; *provided* that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by any Borrower or any other Loan Party against an Indemnitee for breach in bad faith of

such Indemnitee's obligations hereunder or under any other Loan Document, if such Borrower or such Loan Party has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

(c) Reimbursement by Lenders. To the extent that any Borrower for any reason fails to indefeasibly pay any amount required under paragraph (a) or (b) of this Section 10.03 to be paid by it to the Administrative Agent (or any sub-agent thereof), the Collateral Agent, the Collateral Trustee, the Issuing Bank, the Swingline Lender or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent), the Collateral Agent (or any sub-agent thereof), the Collateral Trustee, the Issuing Bank, the Swingline Lender or such Related Party, as the case may be, such Lender's *pro rata* share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; *provided* that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent), the Collateral Trustee, the Collateral Agent (or any sub-agent thereof), the Swingline Lender or the Issuing Bank in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent), the Collateral Agent (or any sub-agent thereof), the Collateral Trustee, the Swingline Lender or Issuing Bank in connection with such capacity. The obligations of the Lenders under this paragraph (c) are subject to the provisions of Section 2.14. For purposes hereof, a Lender's "*pro rata* share" shall be determined based upon its share of the sum of the total Revolving Exposure and unused Commitments at the time.

(d) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable Requirements of Law, no Loan Party shall assert, and each Loan Party hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. No Indemnitee referred to in paragraph (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

(e) Payments. All amounts due under this Section shall be payable not later than 3 Business Days after demand therefore accompanied by appropriate invoices or other evidence of amounts owed.

(f) Collateral Trustee as Third Party Beneficiary. The Collateral Trustee is hereby made an express third party beneficiary of this Section 10.03.

**SECTION 10.04 Successors and Assigns**.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that none of the Borrowers may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent, the Collateral Agent, the Issuing Lender, the Swingline Lender and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of paragraph (b) of this Section 10.04, (ii) by way of participation in accordance with the provisions

of paragraph (d) of this Section 10.04 or (iii) by way of pledge or assignment of a security interest subject to the restrictions of paragraph (f) of this Section (and any other attempted assignment or transfer by any Borrower or any Lender shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in paragraph (d) of this Section and, to the extent expressly contemplated hereby, the other Indemnitees) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); *provided* that

(i) except in the case of any assignment made in connection with the primary syndication of the Commitment and Loans by the Arranger or an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund with respect to a Lender, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the applicable Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date) shall not be less than $5.0 million, in the case of any assignment in respect of Revolving Loans and/or Revolving Commitments, or $1.0 million in the case of any assignment in respect of Term Loans or Term Loan Commitments, unless each of the Administrative Agent and, so long as no Default has occurred and is continuing, Borrowers otherwise consent (each such consent not to be unreasonably withheld or delayed);

(ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loan or the Commitment assigned, except that this clause (ii) shall not prohibit any Lender from assigning all or a portion of its rights and obligations among separate tranches on a non-*pro rata* basis; and

(iii) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500, and the Eligible Assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to paragraph (c) of this Section 10.04, from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 2.11, 2.13, 2.15 and 10.03 with respect to facts and circumstances occurring prior to the effective date of such assignment. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such

Lender of a participation in such rights and obligations in accordance with paragraph (d) of this Section 10.04.

(c) Register. The Administrative Agent, acting solely for this purpose as an agent of Borrowers, shall maintain at one of its offices in Stamford, Connecticut a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "**Register**"). The entries in the Register shall be conclusive, and Borrowers, the Administrative Agent, the Issuing Bank and the Lenders may treat each person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by any Borrower, the Issuing Bank, the Collateral Agent, the Swingline Lender and any Lender (with respect to its own interest only), at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, any Borrower, the Administrative Agent, the Issuing Bank or the Swingline Lender sell participations to any person (other than a natural person or any Borrower or any Affiliates of a Borrower or Subsidiaries) (each, a "**Participant**") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); *provided* that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) such Borrower, the Administrative Agent and the Lenders and Issuing Bank shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce the Loan Documents and to approve any amendment, modification or waiver of any provision of the Loan Documents; *provided* that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in clause (i), (ii) or (iii) of the first proviso to Section 10.02(b) that affects such Participant. Subject to paragraph (e) of this Section, Borrowers agree that each Participant shall be entitled to the benefits of Sections 2.11, 2.12 and 2.14 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.14 as though it were a Lender.

(e) Limitations on Participant Rights. A Participant shall not be entitled to receive any greater payment under Sections 2.11, 2.12 and 2.14 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with Borrowers' prior written consent. A Participant shall not be entitled to the benefits of Section 2.14 unless Borrowers are notified of the participation sold to such Participant and such Participant agrees, for the benefit of Borrowers, to comply with Section 2.14(e) as though it were a Lender.

(f) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; *provided* that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto. In the case of any Lender that is a fund that invests in bank

loans, such Lender may, without the consent of Borrowers or the Administrative Agent, collaterally assign or pledge all or any portion of its rights under this Agreement, including the Loans and Notes or any other instrument evidencing its rights as a Lender under this Agreement, to any holder of, trustee for, or any other representative of holders of, obligations owed or securities issued, by such fund, as security for such obligations or securities.

**SECTION 10.05 Survival of Agreement**. All covenants, agreements, representations and warranties made by the Loan Parties in the Loan Documents and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Loan Documents and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Agents, the Issuing Bank or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.11, 2.13, 2.14 and Article X shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the payment of the Reimbursement Obligations, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof.

**SECTION 10.06 Counterparts; Integration; Effectiveness; Electronic Execution**.

(a) Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents, and any separate letter agreements with respect to fees payable to the Administrative Agent, constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

(b) Electronic Execution of Assignments. The words "execution," "signed," "signature," and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable Requirement of Law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

**SECTION 10.07 Severability**. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of

the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

**SECTION 10.08 Right of Setoff**. If an Event of Default shall have occurred and be continuing, each Lender, the Issuing Bank, and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable Requirements of Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender, the Issuing Bank or any such Affiliate to or for the credit or the account of any Borrower or any other Loan Party against any and all of the obligations of such Borrower or such Loan Party now or hereafter existing under this Agreement or any other Loan Document to such Lender or the Issuing Bank, irrespective of whether or not such Lender or the Issuing Bank shall have made any demand under this Agreement or any other Loan Document and although such obligations of such Borrower or such Loan Party may be contingent or unmatured or are owed to a branch or office of such Lender or the Issuing Bank different from the branch or office holding such deposit or obligated on such indebtedness. The rights of each Lender, the Issuing Bank and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender, the Issuing Bank or their respective Affiliates may have. Each Lender and the Issuing Bank agrees to notify Borrowers and the Administrative Agent promptly after any such setoff and application; *provided* that the failure to give such notice shall not affect the validity of such setoff and application.

**SECTION 10.09 Governing Law; Jurisdiction; Consent to Service of Process**.

(a) Governing Law. This Agreement shall be construed in accordance with and governed by the law of the State of New York, without regard to conflicts of law principles that would require the application of the laws of another jurisdiction.

(b) Submission to Jurisdiction. Each Loan Party hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to any Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the fullest extent permitted by applicable law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or any other Loan Document shall affect any right that the Administrative Agent, the Issuing Bank or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against any Loan Party or its properties in the courts of any jurisdiction.

(c) Waiver of Venue. Each Loan Party hereby irrevocably and unconditionally waives, to the fullest extent permitted by applicable Requirements of Law, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in Section 10.09(b). Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable Requirements of Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Service of Process. Each party hereto irrevocably consents to service of process in any action or proceeding arising out of or relating to any Loan Document, in the manner provided for notices (other than telecopier) in Section 10.01. Nothing in this Agreement or any other Loan Document will affect the right of any party hereto to serve process in any other manner permitted by applicable Requirements of Law.

**SECTION 10.10 Waiver of Jury Trial**. Each Loan Party hereby waives, to the fullest extent permitted by applicable Requirements of Law, any right it may have to a trial by jury in any legal proceeding directly or indirectly arising out of or relating to this Agreement, any other Loan Document or the transactions contemplated hereby (whether based on contract, tort or any other theory). Each party hereto (a) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (b) acknowledges that it and the other parties hereto have been induced to enter into this Agreement by, among other things, the mutual waivers and certifications in this Section.

**SECTION 10.11 Obligations Joint and Several**. The liability of the Borrowers for all amounts due to any Agent, any Lender or any Indemnitees in respect of any of the Obligations shall be joint and several regardless of which Borrower actually received Loans hereunder or the amount of such Loans or for which Borrower's account the Letters of Credit are issued or the manner in which the Lenders or the Agents account for such Loans or Letters of Credit in their respective books and records.

**SECTION 10.12 Headings**. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

**SECTION 10.13 Treatment of Certain Information; Confidentiality**. Each of the Administrative Agent, the Lenders and the Issuing Bank agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, advisors and other representatives (it being understood that the persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable Requirements of Law or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section 10.12, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to any Borrower and its obligations or (iii) any rating agency for the purpose of obtaining a credit rating applicable to any Lender, (g) with the consent of Borrowers or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Administrative Agent, any Lender, the Issuing Bank or any of their respective Affiliates on a nonconfidential basis from a source other than any Borrower. For purposes of this Section, "**Information**" means all information received from any Borrower or any of its Subsidiaries relating to any Borrower or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to the Administrative Agent, any Lender or the Issuing Bank on a nonconfidential basis prior to disclosure by any Borrower or any of its Subsidiaries; *provided* that, in the case of information received from any Borrower or any of

its Subsidiaries after the date hereof, such information is clearly identified at the time of delivery as confidential. Any person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such person has exercised the same degree of care to maintain the confidentiality of such Information as such person would accord to its own confidential information.

**SECTION 10.14 USA PATRIOT Act Notice**. Each Lender that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies Borrowers that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "**Act**"), it is required to obtain, verify and record information that identifies Borrowers, which information includes the name, address and tax identification number of Borrowers and other information regarding Borrowers that will allow such Lender or the Administrative Agent, as applicable, to identify Borrowers in accordance with the Act. This notice is given in accordance with the requirements of the Act and is effective as to the Lenders and the Administrative Agent.

**SECTION 10.15 Interest Rate Limitation**. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable Requirements of Law (collectively, the "**Charges**"), shall exceed the maximum lawful rate (the "**Maximum Rate**") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable Requirements of Law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

**SECTION 10.16 Lender Addendum**. Each Lender to become a party to this Agreement on the date hereof shall do so by delivering to the Administrative Agent a Lender Addendum duly executed by such Lender, Borrowers and the Administrative Agent.

**SECTION 10.17 Obligations Absolute**. To the fullest extent permitted by applicable Requirements of Law, all obligations of the Loan Parties hereunder shall be absolute and unconditional irrespective of:

(a) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or the like of any Loan Party;

(b) any lack of validity or enforceability of any Loan Document or any other agreement or instrument relating thereto against any Loan Party;

(c) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from any Loan Document or any other agreement or instrument relating thereto;

(d) any exchange, release or non-perfection of any other Collateral, or any release or amendment or waiver of or consent to any departure from any guarantee, for all or any of the Obligations;

(e) any exercise or non-exercise, or any waiver of any right, remedy, power or privilege under or in respect hereof or any Loan Document; or

(f) any other circumstances which might otherwise constitute a defense available to, or a discharge of, the Loan Parties.

**SECTION 10.18 Judgment Currency**.

(a) Each Borrower's obligations hereunder and under the other Loan Documents to make payments in Dollars (the "**Obligation Currency**") shall not be discharged or satisfied by any tender or recovery pursuant to any judgment expressed in or converted into any currency other than the Obligation Currency, except to the extent that such tender or recovery results in the effective receipt by the Administrative Agent or the respective Lender of the full amount of the Obligation Currency expressed to be payable to the Administrative Agent or such Lender or under this Agreement or the other Loan Documents. If, for the purpose of obtaining or enforcing judgment against Borrower in any court or in any jurisdiction, it becomes necessary to convert into or from any currency other than the Obligation Currency (such other currency being hereinafter referred to as the "**Judgment Currency**") an amount due in the Obligation Currency, the conversion shall be made at the rate of exchange (as quoted by the Administrative Agent or if the Administrative Agent does not quote a rate of exchange on such currency, by a known dealer in such currency designated by the Administrative Agent) determined, in each case, as of the Business Day immediately preceding the day on which the judgment is given (such Business Day being hereinafter referred to as the "**Judgment Currency Conversion Date**").

(b) If there is a change in the rate of exchange prevailing between the Judgment Currency Conversion Date and the date of actual payment of the amount due, each Borrower covenants and agrees to pay, or cause to be paid, such additional amounts, if any (but in any event not a lesser amount) as may be necessary to ensure that the amount paid in the Judgment Currency, when converted at the rate of exchange prevailing on the date of payment, will produce the amount of the Obligation Currency which could have been purchased with the amount of Judgment Currency stipulated in the judgment or judicial award at the rate of exchange prevailing on the Judgment Currency Conversion Date.

(c) For purposes of determining the Relevant Currency Equivalent or any other rate of exchange for this Section 10.18, such amounts shall include any premium and costs payable in connection with the purchase of the Obligation Currency.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

MAGNACHIP SEMICONDUCTOR S.A., a Luxembourg company

By: _____
Name:
Title:

MAGNACHIP SEMICONDUCTOR FINANCE COMPANY, a Delaware limited liability company

By: _____
Name:
Title:

MAGNACHIP SEMICONDUCTOR LLC, a Delaware limited liability company

By: _____
Name:
Title:

SUBSIDIARY GUARANTORS

MAGNACHIP SEMICONDUCTOR, INC., a Delaware company

By: _____

Name:
Title:

MAGNACHIP SEMICONDUCTOR SA HOLDINGS LLC, a
Delaware limited liability company

By: _____

Name:
Title:

MAGNACHIP SEMICONDUCTOR LIMITED, a company incorporated in England and Wales with registered number 05232381

By: _____

Name:
Title:

MAGNACHIP SEMICONDUCTOR, LTD., a Japanese company

By: _____

Name:
Title:

**For execution as a deed:**

| | |
|---|---|
| EXECUTED AS A DEED by | ) |
| | ) |
| as duly appointed attorney | ) |
| pursuant to a power of attorney | ) |
| dated | ) |
| for and on behalf of | ) |
| MAGNACHIP SEMICONDUCTOR LIMITED | ) |
| in the presence of: | ) |

| | |
|---|---|
| Witness: _____ | Witness: _____ |
| Name: | Name: |
| Address: | Address: |

***For execution otherwise than as a deed:***

| | |
|---|---|
| SIGNED by | ) |
| | ) |
| as duly appointed attorney | ) |
| pursuant to a power of attorney | ) |
| dated | ) |
| for and on behalf of | ) |
| MAGNACHIP SEMICONDUCTOR LIMITED | ) |
| in the presence of: | ) |

Witness: _____

Name:

Address:

***CERTIFICATION LANGUAGE***

I, the undersigned, being a director of MagnaChip Semiconductor Limited, do hereby certify that this document is a true and complete copy of its original.

_____

[***Name***]
Date:

MAGNACHIP SEMICONDUCTOR, LTD., a Taiwan company

By: _____

Name:
Title:

MAGNACHIP SEMICONDUCTOR B.V.

By: _____
Name:
Title:

UBS SECURITIES LLC, as Arranger, Syndication Agent and Documentation Agent

By: _____
Name:
Title:

By: _____
Name:
Title:

UBS AG, STAMFORD BRANCH, as Administrative Agent and Collateral Agent

By: _____
Name:
Title:

By: _____
Name:
Title:

UBS LOAN FINANCE LLC, as Swingline Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

KOREA EXCHANGE BANK

By: _____
Name:
Title:

GOLDMAN SACHS & CO

By: _____
Name:
Title:

[CITIGROUP GLOBAL MARKETS INC.]

By: _____
Name:
Title:

JPMORGAN CHASE BANK N.A.

By: _____
Name:
Title:

DEUTSCHE BANK

By: _____
Name:
Title:

**Applicable Margin**

| Total Leverage Ratio | Revolving Loans | |
|---|---|---|
| | Eurodollar | ABR |
| **Level I**<br>**≤2.0:1.0** | 1.75% | 0.75% |
| **Level II**<br>**>2.0:1.0 but**<br>**≤3.0:1.0** | 2.00% | 1.00% |
| **Level III**<br>**>3.0:1.0** | 2.50% | 1.50% |

**Each change in the Applicable Margin or Applicable Fee resulting from a change in the Total Leverage Ratio shall be effective with respect to all Loans and Letters of Credit outstanding on and after the date of delivery to the Administrative Agent of the financial statements and certificates required by Section 5.01(a) or (b), respectively, indicating such change until the date immediately preceding the next date of delivery of such financial statements and certificates indicating another such change. Notwithstanding the foregoing, (i) the Total Leverage Ratio shall be deemed to be in Level II from the Closing Date to the date of delivery to the Administrative Agent of the financial statements and certificates required by Section 5.01(a) or (b) for the fiscal period ended at least six months after the Closing Date, (ii) the Total Leverage Ratio shall be deemed to be in Level III at any time during which Borrower has failed to deliver the financial statements and certificates required by Section 5.01(a) or (b), respectively, and at any time during the existence of an Event of Default.**

The following schedules and exhibits to the Agreement have been omitted from this Exhibit 10.2:

SCHEDULES

| | |
|---|---|
| Schedule 1.01(a) | Korean Opco Security Documents |
| Schedule 1.01(b) | Material Indebtedness |
| Schedule 1.01(c) | Refinancing Indebtedness to Be Repaid |
| Schedule 1.01(d) | Subsidiary Guarantors |
| Schedule 2.17 | Existing Letters of Credit |
| Schedule 3.03 | Governmental Approvals; Compliance with Laws |
| Schedule 3.05(b) | Real Property |
| Schedule 3.06(b) | Intellectual Property Registrations |
| Schedule 3.06(c) | Violations or Proceedings |
| Schedule 3.07(a) | Equity Interests |
| Schedule 3.07(c) | Corporate Organizational Chart |
| Schedule 3.18 | Environmental Matters |
| Schedule 3.19 | Insurance |
| Schedule 4.01(g) | Local Counsel |
| Schedule 4.01(n) | Intercompany Loan Documents |
| Schedule 4.01(o)(iii) | Title Insurance Amounts |
| Schedule 4.01(r)(i) | Korean Opco Guarantee |
| Schedule 5.13 | Post-Closing Matters |
| Schedule 6.01(b) | Existing Indebtedness |
| Schedule 6.02(c) | Existing Liens |
| Schedule 6.04(b) | Existing Investments |

EXHIBITS

| | |
|---|---|
| Exhibit A | Form of Administrative Questionnaire |
| Exhibit B | Form of Assignment and Assumption |
| Exhibit C | Form of Borrowing Request |
| Exhibit D | Form of Compliance Certificate |
| Exhibit E | Form of Interest Election Request |
| Exhibit F | Form of Joinder Agreement |
| Exhibit G | Form of Landlord Access Agreement |
| Exhibit H | Form of LC Request |
| Exhibit I | Form of Lender Addendum |
| Exhibit J | [Intentionally Omitted] |
| Exhibit K-1 | Form of Revolving Note |
| Exhibit K-2 | Form of Swingline Note |
| Exhibit L-1 | Form of Perfection Certificate |
| Exhibit L-2 | Form of Perfection Certificate Supplement |
| Exhibit M | Form of Security Agreement |
| Exhibit N | Form of Opinion of Company Counsel |
| Exhibit O | Form of Solvency Certificate |

The registrant agrees to furnish supplementally a copy of any omitted schedule or exhibit to the Securities and Exchange Commission upon request.

**Exhibit 10.3a**

**FIRST AMENDMENT TO CREDIT AGREEMENT AND WAIVER**

THIS FIRST AMENDMENT TO CREDIT AGREEMENT AND WAIVER (as the same may be amended, restated, supplemented, extended or otherwise modified from time to time, this "**Agreement**") is entered into as of May 6, 2005, by and among MAGNACHIP SEMICONDUCTOR S.A., a *société anonyme*, organized and existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 10, rue de Vianden, L-2680 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Register of commerce and companies under the number B 97,483, MAGNACHIP SEMICONDUCTOR FINANCE COMPANY, a Delaware corporation (collectively, "**Borrowers**"), MAGNACHIP SEMICONDUCTOR LLC, a Delaware limited liability company ("**Holdings**"), the Subsidiary Guarantors listed on the signature pages hereto (each of Borrowers, Holdings and Subsidiary Guarantors are sometimes referred to herein as a "**Loan Party**" and, collectively, as the "**Loan Parties**"), the Lenders and UBS AG, STAMFORD BRANCH, as administrative agent (in such capacity, "**Administrative Agent**") for the Lenders and as collateral agent (in such capacity, "**Collateral Agent**" and together with the Administrative Agent, the "**Agents**" and each an "**Agent**") for the Secured Parties and the Issuing Bank.

**RECITALS**

A. The Borrowers, Holdings, Subsidiary Guarantors, UBS Securities LLC, as lead arranger, as documentation agent and as syndication agent, UBS Loan Finance LLC, as swingline lender, Korea Exchange Bank, as issuing bank and Agents are parties to that certain Credit Agreement dated as of December 23, 2004 (as amended hereby, and as the same has been and hereafter may be amended, restated, supplemented or otherwise modified from time to time, the "**Credit Agreement**"). Unless otherwise specified herein, all capitalized terms used in this Agreement shall have the meanings ascribed to them in the Credit Agreement.

B. The Borrowers have informed the Agents that certain Defaults and Events of Default described in Exhibit A attached hereto (the "**Specified Defaults**") have occurred and have been or are expected to be cured by the Borrowers.

C. The Borrowers have requested that the Agents and the Required Lenders waive the Specified Defaults and amend Sections 6.15 and 6.24 of the Credit Agreement, all upon the terms and subject to the conditions as herein set forth.

NOW, THEREFORE, in consideration of the foregoing, the covenants and conditions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**SECTION 1. Amendments to Credit Agreement.**

(a) The definition of "Subsidiary" in Section 1.01 of the Credit Agreement is hereby amended to insert "or Holdings" after the reference to "Borrower" in the final sentence thereof.

(b) The definition of "Subsidiary Guarantor" in Section 1.01 of the Credit Agreement is hereby amended to replace the reference to "Section 5.11" with a reference to "Section 5.10."

(c) Section 5.01 of the Credit Agreement is hereby amended to add a new Subsection (l) to read as follows:

"(l) Japan and Taiwan Average Monthly Balance. Within five (5) Business Days after the end of each month commencing with the month ending April 30, 2005, a certificate of a Financial Officer of Borrowers setting forth the aggregate average monthly balance for the preceding month of the deposit accounts, securities accounts or similar accounts which are subject to Section 6.24 and which are located in Japan and Taiwan."

(d) Subsection 5.10(a) of the Credit Agreement is amended to replace the reference to "Section 5.11" with a reference to "Section 5.10."

(e) The introductory language set forth in Subsection 5.10(b) up to clause (i) thereof is hereby deleted in its entirety and replaced with the following:

"Subject to the terms of the Intercreditor Agreement, with respect to any person that is or becomes a Subsidiary of either Borrower or Holdings after the Closing Date, promptly (and in any event within 30 days after such person becomes a Subsidiary of either Borrower or Holdings)"

(f) Section 6.14 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"**SECTION 6.14 Limitation on Creation of Subsidiaries.** Establish, create or acquire any additional Subsidiaries without the prior written consent of the Required Lenders; *provided* that, without such consent, (i) any Borrower may establish or create one or more Wholly Owned Subsidiaries of such Borrower, (ii) any Borrower may establish, create or acquire one or more Subsidiaries in connection with an Investment made pursuant to Section 6.04(f), (iii) any Borrower may acquire one or more Subsidiaries in connection with a Permitted Acquisition or (iv) Holdings may acquire or form one or more Subsidiaries in connection with a Permitted Acquisition, so long as, in each case, Section 5.10(b) shall be complied with.

(g) Clause (a)(i) of Section 6.15 of the Credit Agreement is hereby deleted in its entirety and replaced with the following:

"(i) its ownership of the Equity Interests of the Borrowers, the U.S. Sales Subsidiary, and any other Subsidiary acquired or formed by Holdings in connection with a Permitted Acquisition,"

(h) Clause (iii) of Section 6.24 of the Credit Agreement is hereby deleted in its entirety and replaced with the following:

"(iii) other accounts (excluding those set forth in clause (iv) below) that do not contain funds in the aggregate in excess of $2,000,000 at any time, and (iv)

accounts located in Japan and Taiwan that do not have an average monthly balance exceeding $5,000,000 and for which steps needed to perfect have not been consummated despite Borrowers' commercially reasonable efforts to do so."

**SECTION 2. Acknowledgement by Borrowers of Obligations and Existing Defaults and Events of Default.**

The Borrowers hereby acknowledge, confirm, and agree that as of the close of business on April 19, 2005, (a) the Borrowers are not indebted to the Lenders in respect of the Revolving Loans and (b) the Borrowers are indebted to the Lenders in respect of the Letters of Credit in the principal amount of approximately $13.6 million (subject to currency exchange fluctuations and reductions for any Letters of Credit which are drawn and reimbursed after April 20, 2005). Each of the Borrowers and the other Loan Parties represents, warrants and agrees that except for the Specified Defaults, no other Defaults or Events of Default have occurred which remain continuing as of the date hereof.

**SECTION 3. Waiver.**

(a) Subject to the satisfaction of the conditions precedent set forth in Section 12 hereof, the Agents and Lenders hereby waive the Specified Defaults. The foregoing waiver shall (i) not be deemed a waiver of any other Default or Event of Default which has occurred, exists or hereafter may occur under the Credit Agreement or any other Loan Document; (ii) not be deemed to establish a custom or course of dealing among the Administrative Agent, Collateral Agent, Lenders, Borrowers other Loan Parties or any of them; and (iii) expire on May 13, 2005, if by such date Borrowers have failed to (w) fully comply with Section 6.24 of the Credit Agreement, (x) deliver the certification required by Section 5.01(j) of the Credit Agreement, (y) deliver the financial information required under Sections 5.01(a), (c) and (d) of the Credit Agreement, and (z) take the actions required under Sections 5.10 and 6.14 of the Credit Agreement and Section 6.19 of the Security Agreement in connection with the ISRON Acquisition (as defined on Exhibit A). Upon the acquisition of ICM Corporation ("**ICM**"), Holdings acquired the subsidiaries of ICM organized in Taiwan ("**ICM Taiwan**"), Japan ("**ICM Japan**"), British Virgin Islands ("**ICM BVI**"), Cayman Islands ("**ICM Cayman**") and China ("**ICM China**" and, together with ICM Taiwan, ICM Japan, ICM BVI and ICM Cayman, the "**ICM Foreign Subs**"). Holdings intends to cause ICM to liquidate, merge into existing Subsidiary Guarantors or otherwise dispose of the ICM Foreign Subs (the "**Disposition**"). Accordingly, subject to the satisfaction of the conditions precedent set forth in Section 12 hereof, the Agents and Lenders hereby waive the requirement that the ICM Foreign Subs become Subsidiary Guarantors and grant a Lien on their assets and that any Company pledge of any securities of, or existing intercompany notes with, the ICM Foreign Subs; provided, however, if the Disposition is not consummated by June 15, 2005, each of the ICM Foreign Subs shall be required to become, and shall have become, Subsidiary Guarantors to the extent required by the Credit Agreement.

Notwithstanding anything to the contrary contained in the Credit Agreement or any other Loan Document, the Agent may extend the time period set forth in clause (a)(iii)(w) of this Section 3 in its sole and absolute discretion; provided, however, any such extension shall

only be valid if in writing signed by an authorized representative of the Administrative Agent and acknowledged by the Borrowers; provided, further, in no event shall any such extension be beyond June 30, 2005.

**SECTION 4. Representations, Warranties and Covenants of Loan Parties.** To induce the Agents and Lenders to execute and deliver this Agreement, each of the Loan Parties represent, warrant and covenant that:

(a) The execution, delivery and performance by the Loan Parties of this Agreement and all documents and instruments delivered in connection herewith and the Credit Agreement and all other Loan Documents have been duly authorized, and this Agreement and all documents and instruments delivered in connection herewith and the Credit Agreement and all other Loan Documents are legal, valid and binding obligations of the Loan Parties enforceable against the Loan Parties in accordance with their respective terms, except as the enforcement thereof may be subject to (i) the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally and (ii) general principles of equity (regardless of whether such enforcement is sought in a proceeding in equity or at law);

(b) Each of the representations and warranties made by or on behalf of such Loan Party to either Agent or any Lender in any of the Loan Documents was true and correct when made and in all material respects is true and correct on and as of the date of this Agreement with the same full force and effect as if each of such representations and warranties had been made by such Loan Party on the date hereof and in this Agreement, and each of the agreements and covenants in the Credit Agreement and the other Loan Documents is hereby reaffirmed with the same force and effect as if each were separately stated herein and made as of the date hereof;

(c) Neither the execution, delivery and performance of this Agreement and all documents and instruments delivered in connection herewith nor the consummation of the transactions contemplated hereby or thereby does or shall contravene, result in a breach of, or violate (i) any provision of any Loan Party's corporate charter, bylaws, operating agreement, purchase agreement, or other governing documents, (ii) any law or regulation, or any order or decree of any court or government instrumentality, or (iii) any indenture, mortgage, deed of trust, lease, agreement or other instrument to which any Loan Party is a party or by which any Loan Party or any of its property is bound;

(d) Agents' and Lenders' security interests in the Collateral continue to be valid, binding, and enforceable first-priority security interests which secure the Obligations (subject only to any Liens permitted under the Loan Documents), and no tax or judgment liens are currently of record against any Loan Party or any Subsidiary thereof; and

(e) The recitals to this Agreement are true and correct.

**SECTION 5. Reference to and Effect Upon the Credit Agreement.**

(a) Except as specifically set forth herein, all terms, conditions, covenants, representations and warranties contained in the Credit Agreement or any other Loan Documents, and all rights of Agents and Lenders and all of the Obligations, shall remain in full force and effect; provided that in the event of a conflict between the terms and provisions of the Credit

Agreement or any other Loan Documents (other than this First Amendment), the terms and provisions of the Credit Agreement (as amended hereby, and as the same has been and hereafter may be amended, restated, supplemented or otherwise modified from time to time) shall control. Each Loan Party hereby confirms that the Credit Agreement and the other Loan Documents are in full force and effect and that neither such Loan Party nor any of its Subsidiaries has any defenses, setoffs, claims, or counterclaims to the Obligations under the Credit Agreement or any other Loan Documents.

(b) Except as expressly set forth herein, the execution, delivery and effectiveness of this Agreement and any consents and waivers set forth herein shall not directly or indirectly (i) constitute a consent or waiver of any past, present or future violations of any provisions of the Credit Agreement or any other Loan Documents, (ii) amend, modify or operate as a waiver of any provision of the Credit Agreement or any other Loan Documents or any right, power or remedy of any Agent or any Lender thereunder, or (iii) constitute a course of dealing or other basis for altering any Obligations or any other contract or instrument. Except as expressly set forth herein, each of the Agents and Lenders reserves all of its rights, powers, and remedies under the Credit Agreement, the other Loan Documents, and/or applicable law. All of the provisions of the Credit Agreement and the other Loan Documents, including, without limitation, the time of the essence provisions, are hereby reiterated, and if ever waived, reinstated.

(c) Upon the effectiveness of this Agreement, all references to the Credit Agreement in any Loan Document shall mean and be a reference to the Credit Agreement, as amended hereby, and the term "Loan Documents" shall include, without limitation, this Agreement.

**SECTION 6. Costs and Expenses**. Each of the Borrowers and the other Loan Parties agrees jointly and severally to reimburse Agents and Lenders for all reasonable fees, costs and expenses, including the reasonable fees, costs and expenses of counsel or other advisors for advice, assistance, or other representation in connection with this Agreement and the other agreements and documents executed in connection herewith.

**SECTION 7. Governing Law.** THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AS OPPOSED TO CONFLICTS OF LAWS PROVISIONS) OF THE STATE OF NEW YORK.

**SECTION 8. Headings**. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purposes.

**SECTION 9. Counterparts.** This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed an original, but all such counterparts shall constitute one and the same instrument, and all signatures need not appear on any one counterpart. Any party hereto may execute and deliver a counterpart of this Agreement by delivering by facsimile transmission a signature page of this Agreement signed by such party, and any such facsimile signature shall be treated in all respects as having the same effect as an original signature. Any party delivering by facsimile transmission a counterpart executed by it shall promptly thereafter also deliver a manually signed counterpart of this Agreement.

**SECTION 10. Time of Essence.** Time is of the essence in the payment and performance of each of the obligations of any of the parties hereunder and with respect to all conditions to be satisfied by such party.

**SECTION 11. Further Assurances.** Each Loan Party agrees to take, and to cause its Subsidiaries to take, all further actions and to execute and deliver, and to cause its Subsidiaries to execute and deliver, all further documents as the Agents, or either of them, may from time to time reasonably request to carry out the transactions contemplated by this Agreement.

**SECTION 12. Effectiveness.** This Agreement shall become effective at the time (the "**Effective Date**") that all of the following conditions precedent have been met (or waived) as determined by the Agents and the Required Lenders in their sole discretion (as evidenced by Agents' and Lenders' execution and delivery of this Agreement):

(a) Agreement. Duly executed signature pages for this Agreement signed by the Agents, Lenders and Loan Parties shall have been delivered to Administrative Agent.

(b) Representations and Warranties. The representations and warranties contained herein shall be true and correct in all material respects, and no Event of Default or Default, in each case other than the Specified Defaults, shall exist on the date hereof.

(c) No Material Adverse Change. Since the Closing Date, there shall have occurred no material adverse change in the business, operations, financial conditions, profits or prospects, or in the Collateral of any Loan Party or any Subsidiary thereof.

(d) Payment of Commitment Fees and Letter of Credit Fees. All outstanding Commitment Fees and Fees related to any of the Letters of Credit shall each have been paid in cash to the Administrative Agent.

*** Signature Page Follows ***

IN WITNESS WHEREOF, this First Amendment to Credit Agreement and Waiver has been executed by the parties hereto as of the date first written above.

MAGNACHIP SEMICONDUCTOR S.A., a Luxembourg company

By: /s/ Paul Schorr IV

Name: Paul Schorr IV
Title:

MAGNACHIP SEMICONDUCTOR FINANCE COMPANY, a Delaware limited liability company

By: /s/ Paul Schorr IV

Name: Paul Schorr IV
Title:

MAGNACHIP SEMICONDUCTOR LLC, a Delaware limited liability company

By: /s/ Paul Schorr IV

Name: Paul Schorr IV
Title:

SUBSIDIARY GUARANTORS

MAGNACHIP SEMICONDUCTOR, INC.,
a Delaware company

By: /s/ John Radanovich

Name: John Radanovich
Title:

MAGNACHIP SEMICONDUCTOR SA HOLDINGS LLC, a Delaware limited liability company

By: /s/ Paul Schorr IV

Name: Paul Schorr IV
Title:

MAGNACHIP SEMICONDUCTOR LIMITED, a company incorporated in England and Wales with registered number 05232381

By: /s/ Robert Krakauer

Name: Robert Krakauer
Title:

MAGNACHIP SEMICONDUCTOR, LTD.,
a Japanese company

By: /s/ Robert Krakauer

Name: Robert Krakauer
Title:

**For execution as a deed:**

EXECUTED AS A DEED by )
)
as duly appointed attorney )
pursuant to a power of attorney )
dated )
for and on behalf of )
MAGNACHIP SEMICONDUCTOR )
LIMITED )
in the presence of: )

Witness: _____ Witness: _____

Name: Name:

Address: Address:

***For execution otherwise than as a deed:***

SIGNED by )
)
as duly appointed attorney )
pursuant to a power of attorney ) /s/ Robert Krakauer
dated )
for and on behalf of )
MAGNACHIP SEMICONDUCTOR )
LIMITED )
in the presence of: )

Witness: /s/ John McFarland

Name: John McFarland

Address: 891 Daechi-Dong
Kangnam-Gu
Seoul 135-738
Korea

***CERTIFICATION LANGUAGE***

I, the undersigned, being a director of MagnaChip Semiconductor Limited, do hereby certify that this document is a true and complete copy of its original.

/s/ Robert Krakauer

Robert Krakauer
Date:

MAGNACHIP SEMICONDUCTOR, LTD.,
a Taiwan company

By: /s/ Robert Krakauer

Name: Robert Krakauer
Title:

MAGNACHIP SEMICONDUCTOR B.V.

By: /s/ Robert Krakauer

Name: Robert Krakauer
Title:

UBS SECURITIES LLC, as Arranger, Syndication Agent and Documentation Agent

By: /s/ John C. Crockett

Name: John C. Crockett
Title: Director

By: /s/ Warren Jervey

Name: Warren Jervey
Title: Director and Counsel

UBS AG, STAMFORD BRANCH, as Administrative Agent and Collateral Agent

By: /s/ Wilfred Saint

Name: Wilfred Saint
Title: Director

By: /s/ Doris Mesa

Name: Doris Mesa
Title: Associate Director

UBS LOAN FINANCE LLC, as Swingline Lender

By: /s/ Wilfred Saint

Name: Wilfred Saint
Title: Director

By: /s/ Doris Mesa

Name: Doris Mesa
Title: Associate Director

KOREA EXCHANGE BANK

By: /s/ Il-Won Joo

Name: Il-Won Joo
Title: Senior Relationship Manager

GOLDMAN SACHS & CO

By: /s/ Philip F. Green

Name: Philip F. Green
Title: Authorized Signatory

CITIGROUP NORTH AMERICA, INC.

By: /s/ Suzanne Crymes

Name: Suzanne Crymes
Title: Vice President

JPMORGAN CHASE BANK N.A.

By: /s/ Edmund DeForest

Name: Edmund DeForest
Title: Vice President

DEUTSCHE BANK TRUST COMPANY
AMERICAS

By: /s/ Paul O'Leary

Name: Paul O'Leary
Title: Vice President

By: /s/ Omayra Laucella

Name: Omayra Laucella
Title: Vice President

The following exhibit to the Agreement has been omitted from this Exhibit 10.3:

Exhibit A - Specified Defaults

**Exhibit 10.3b**

**SECOND AMENDMENT TO CREDIT AGREEMENT AND WAIVER**

THIS SECOND AMENDMENT TO CREDIT AGREEMENT AND WAIVER (as the same may be amended, restated, supplemented, extended or otherwise modified from time to time, this "**Agreement**") is entered into as of June __, 2005, by and among MAGNACHIP SEMICONDUCTOR S.A., a *société anonyme*, organized and existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 10, rue de Vianden, L-2680 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Register of commerce and companies under the number B 97,483, MAGNACHIP SEMICONDUCTOR FINANCE COMPANY, a Delaware corporation (collectively, "**Borrowers**"), MAGNACHIP SEMICONDUCTOR LLC, a Delaware limited liability company ("**Holdings**"), the Subsidiary Guarantors listed on the signature pages hereto (each of Borrowers, Holdings and Subsidiary Guarantors are sometimes referred to herein as a "**Loan Party**" and, collectively, as the "**Loan Parties**"), the Lenders and UBS AG, STAMFORD BRANCH, as administrative agent (in such capacity, "**Administrative Agent**") for the Lenders and as collateral agent (in such capacity, "**Collateral Agent**" and together with the Administrative Agent, the "**Agents**" and each an "**Agent**") for the Secured Parties and the Issuing Bank.

**RECITALS**

A. The Borrowers, Holdings, Subsidiary Guarantors, UBS Securities LLC, as lead arranger, as documentation agent and as syndication agent, UBS Loan Finance LLC, as swingline lender, Korea Exchange Bank, as issuing bank and Agents are parties to that certain Credit Agreement dated as of December 23, 2004 (as amended hereby, and as the same has been and hereafter may be amended, restated, supplemented or otherwise modified from time to time, the "**Credit Agreement**"). MagnaChip Semiconductor, Ltd., a limited liability company organized under the laws of the Republic of Korea, and U.S. Bank National Association, a national association duly organized and existing under the federal laws of the United States of America, as Collateral Trustee ("**Collateral Trustee**"), have entered into the Accounts Receivable Assignment Agreement dated as of December 23, 2004 (as amended, the "**A/R Agreement**"). Unless otherwise specified herein, all capitalized terms used in this Agreement shall have the meanings ascribed to them in the Credit Agreement.

B. The Borrowers have informed the Agents that certain Defaults described in Exhibit A attached hereto (the "**Specified Defaults**") have occurred and have been or are expected to be cured by the Borrowers.

C. The Borrowers have requested that the Agents and the Required Lenders make certain acknowledgements and grant certain waivers described below, waive the Specified Defaults, and amend Sections 6.10(a) and 6.24 of the Credit Agreement, and that the Required Lenders waive, the Required Lenders instruct the Collateral Trustee to waive and that the Collateral Trustee waives, certain obligations under the A/R Agreement described below, all upon the terms and subject to the conditions as herein set forth.

NOW, THEREFORE, in consideration of the foregoing, the covenants and conditions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**SECTION 1. Acknowledgements.** The Agents and Lenders hereby acknowledge and agree that:

(a) The form and scope of each of the financial statements, Financial Officer's certificate and Compliance Certificate delivered by the Borrowers satisfy (as to form and scope) the financial reporting obligations of the Borrowers under Section 5.01(b) and 5.01(c) of the Credit Agreement with respect to the Holdings' fiscal quarter ended April 3, 2005, and the delivery of substantially similar financial statements and certificates with respect to subsequent fiscal quarters shall satisfy (as to form and scope) the financial reporting obligations set forth in such Sections with respect to such subsequent fiscal quarters.

(b) Based on Holdings' representation that the information provided to date is accurate and complete, the following obligations set forth in Schedule I of Schedule 5.13 of the Credit Agreement have been satisfied:

(i) Provide a complete, accurate and updated in all material respects list in English of all Improperly Registered IP as of the date thereof that is used or useful in any Company's business or that can be licensed for meaningful revenue; and

(ii) Provide a complete, accurate and updated in all material respects list in English of all Intellectual Property included in or called for by the Collateral that is registered in countries or jurisdictions outside of Korea, including, but not limited to, in Germany, Great Britain, Japan, Taiwan and the United States (including any Improperly Registered IP and Co-owned Patents therein) as of the date thereof.

(c) The Borrowers are not in breach of their obligation set forth in Schedule I of Schedule 5.13 of the Credit Agreement to register, file and record, and use commercially reasonable efforts to have appropriate third parties register, file and record, in all appropriate offices or agencies, all documents necessary or advisable to evidence or perfect such Liens and security interests including, without limitation, powers of attorney, transmittal forms, local language and/or local law security agreements, and the like for any Intellectual Property that is used or useful in any Company's business or that can be licensed for meaningful revenue, and there shall be no time limitation to satisfy such obligation. The Borrowers covenant and agree to continue to use their commercially reasonable efforts (and, at the Administrative Agent's reasonable request, shall provide a reasonably detailed written report to the Administrative Agent with respect to such efforts, together with copies of all filings made) to make such registrations, filings and recordings, and have appropriate third parties make such registrations, filings and recordings, to the extent that the same have not yet been made for any Intellectual Property that is used or useful in any Company's business or that can be licensed for meaningful revenue.

(d) The form and scope of the earnings releases, earnings release transcripts and lenders' presentations delivered by the Borrowers satisfy (as to form and scope) the financial reporting obligations of the Borrowers set forth in Sections 5.01(a)(ii) and (iii) and 5.01(b)(ii) and (iii) of the Credit Agreement with respect to Holdings' fiscal year ended December 31, 2004 and fiscal quarter ended April 3, 2005, and the delivery of documents, releases or presentations containing substantially similar information with respect to subsequent fiscal years and quarters

shall be deemed to satisfy (as to form and scope) such obligations with respect to such fiscal years and quarters, respectively.

**SECTION 2. Waivers.**

(a) The Agents and Lenders hereby waive, the Requisite Lenders hereby instruct the Collateral Trustee to waive, and the Collateral Trustee hereby waives, the obligations set forth in the A/R Agreement and Section 5.01(j) of the Credit Agreement, insofar as they relate to any agreements or transactions with Samsung Electronics Co., Ltd. ("**Samsung**") or any of its Affiliates, or any right, title, claim, interest, benefit or sum arising in respect thereof.

(b) The Agents and Lenders hereby waive the obligations set forth in paragraphs 7 and 9 of Schedule 5.13 of the Credit Agreement.

(c) Under the First Amendment to Credit Agreement and Waiver (the "**First Amendment**"), dated as of May 6, 2005, by and among the Borrowers, the Agents and the other parties thereto, the Agents and Lenders waived the requirement that the ICM Foreign Subs (as defined in the First Amendment) become Subsidiary Guarantors and grant a Lien on their assets and that any Company pledge any securities of, or existing intercompany notes with, the ICM Foreign Subs unless the Disposition (as defined in the First Amendment) is not consummated by June 15, 2005. The Agents and Lenders hereby waive the requirement that the ICM Foreign Subs become Subsidiary Guarantors and grant a Lien on their assets and that any Company pledge any securities of, or existing intercompany notes with, the ICM Foreign Subs; provided, however, that if the Disposition is not consummated by August 31, 2005, each of the ICM Foreign Subs shall have granted a Lien on its assets and the applicable Loan Party holding any securities or intercompany notes of the ICM Foreign Subs shall have pledged such securities or notes, in each case to the extent otherwise required by the Credit Agreement, and each of the ICM Foreign Subs shall be required to become, and shall have become, Subsidiary Guarantors to the extent required by the Credit Agreement.

(d) The Agents and Lenders hereby waive the Specified Defaults. The foregoing waiver shall (i) not be deemed a waiver of any other Default or Event of Default which has occurred, exists or hereafter may occur under the Credit Agreement or any other Loan Document and (ii) not be deemed to establish a custom or course of dealing among the Administrative Agent, Collateral Agent, Lenders, Borrowers other Loan Parties or any of them.

**SECTION 3. Amendments to Credit Agreement.**

(a) Sections 6.10(a), (b) and (c) of the Credit Agreement are hereby amended and restated in their entirety to read as follows:

"(a) Maximum Total Leverage Ratio. Permit the Total Leverage Ratio, at the last day of each fiscal quarter during any period set forth in the table below, to exceed the ratio set forth opposite such period in the table below:

| Test Period | Leverage Ratio |
|---|---|
| Closing Date – December 31, 2005 | 5.100 to 1.0 |
| January 1, 2006 – December 31, 2006 | 3.350 to 1.0 |
| January 1, 2007 – December 31, 2007 | 3.200 to 1.0 |
| January 1, 2008 – December 31, 2008 | 3.200 to 1.0 |
| January 1, 2009 and thereafter | 2.625 to 1.0 |

(b) Minimum Interest Coverage Ratio. Permit the Consolidated Interest Coverage Ratio, for any Test Period ending during any period set forth below, to be less than the ratio set forth opposite such period in the table below:

| Test Period | Interest Coverage Ratio |
|---|---|
| Closing Date – December 31, 2005 | 2.500 to 1.0 |
| January 1, 2006 – December 31, 2006 | 4.000 to 1.0 |
| January 1, 2007 – December 31, 2007 | 4.375 to 1.0 |
| January 1, 2008 – December 31, 2008 | 4.500 to 1.0 |
| January 1, 2009 and thereafter | 5.250 to 1.0 |

(c) Minimum Interest Coverage Ratio (Excluding CapEx). Permit the Consolidated Interest Coverage Ratio (Excluding CapEx), for any Test Period ending during any period set forth in the table below, to be less than the ratio set forth opposite such period in the table below:

| Test Period | Interest Coverage Ratio (Excluding CapEx) |
|---|---|
| Closing Date – December 31, 2005 | 1.000 to 1.0 |
| January 1, 2006 – December 31, 2006 | 1.600 to 1.0 |
| January 1, 2007 – December 31, 2007 | 2.125 to 1.0 |
| January 1, 2008 – December 31, 2008 | 2.000 to 1.0 |
| January 1, 2009 and thereafter | 3.750 to 1.0 |

(b) Section 6.24 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"**SECTION 6.24 Liens on Deposit Accounts and Available Cash.** At any time on or after April 1, 2005, neither Holdings nor any Subsidiary Guarantor shall have deposit accounts, security accounts, or similar accounts containing any cash or Cash Equivalents that have not been subjected to a perfected Lien in favor of the Collateral Agent or the Collateral Trustee, as applicable, pursuant to Security Documents in form and substance reasonably satisfactory to the Collateral Agent or the Collateral Trustee, as applicable, other than (i) payroll accounts and trust accounts maintained in the ordinary course of business, (ii) local cash accounts containing funds which were received from account debtors that, not later than three (3) Business Days after deposit of such funds therein, are transferred to a deposit account or security account subject to a perfected Lien in favor of the Collateral Agent or the Collateral Trustee, as applicable, (iii) other accounts (excluding those set forth in clause (iv) below) that do not contain funds in the aggregate in excess of $4,000,000 at any time, (iv) accounts located in Japan and Taiwan that do not have an average monthly balance exceeding $10,000,000, (v) other accounts for which the bank(s) at which such accounts are held and either Agent or the Senior Secured Notes Trustee cannot agree on a form of Security Document (including an account control agreement), and (vi) demand deposit and short-term money market accounts in Korea over which Holdings and the Subsidiary Guarantors have exercised commercially reasonable but unsuccessful efforts to obtain such perfected Liens; provided that the aggregate amount of deposits and amounts in the accounts described in clauses (v) and (vi) shall at no time exceed $20,000,000."

**SECTION 4. Acknowledgement by Borrowers of Obligations and Existing Defaults and Events of Default.**

The Borrowers hereby acknowledge, confirm, and agree that as of the close of business on June 19, 2005, (a) the Borrowers are not indebted to the Lenders in respect of the Revolving Loans and (b) the Borrowers are indebted to the Lenders in respect of the Letters of Credit in the principal amount of approximately $13,063,742.95 (subject to currency exchange fluctuations and reductions for any Letters of Credit which are drawn and reimbursed after June 19, 2005). Each of the Borrowers and the other Loan Parties represents, warrants and agrees that except for the Specified Defaults, no other Defaults or Events of Default have occurred which remain continuing as of the date hereof.

**SECTION 5. Representations, Warranties and Covenants of Loan Parties.** To induce the Agents and Lenders to execute and deliver this Agreement, each of the Loan Parties represent, warrant and covenant that:

(a) The execution, delivery and performance by the Loan Parties of this Agreement and all documents and instruments delivered in connection herewith and the Credit Agreement and all other Loan Documents have been duly authorized, and this Agreement and all documents and instruments delivered in connection herewith and the Credit Agreement and all other Loan Documents are legal, valid and binding obligations of the Loan Parties enforceable against the Loan Parties in accordance with their respective terms, except as the enforcement thereof may be subject to (i) the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally and (ii) general principles of equity (regardless of whether such enforcement is sought in a proceeding in equity or at law);

(b) Each of the representations and warranties made by or on behalf of such Loan Party to either Agent or any Lender in any of the Loan Documents was true and correct when made and in all material respects is true and correct on and as of the date of this Agreement with the same full force and effect as if each of such representations and warranties had been made by such Loan Party on the date hereof and in this Agreement, and each of the agreements and covenants in the Credit Agreement and the other Loan Documents is hereby reaffirmed with the same force and effect as if each were separately stated herein and made as of the date hereof;

(c) Neither the execution, delivery and performance of this Agreement and all documents and instruments delivered in connection herewith nor the consummation of the transactions contemplated hereby or thereby does or shall contravene, result in a breach of, or violate (i) any provision of any Loan Party's corporate charter, bylaws, operating agreement, purchase agreement, or other governing documents, (ii) any law or regulation, or any order or decree of any court or government instrumentality, or (iii) any indenture, mortgage, deed of trust, lease, agreement or other instrument to which any Loan Party is a party or by which any Loan Party or any of its property is bound;

(d) Agents' and Lenders' security interests in the Collateral continue to be valid, binding, and enforceable first-priority security interests which secure the Obligations (subject only to any Liens permitted under the Loan Documents), and no tax or judgment liens are currently of record against any Loan Party or any Subsidiary thereof; and

(e) The recitals to this Agreement are true and correct.

**SECTION 6. Reference to and Effect Upon the Credit Agreement.**

(a) Except as specifically set forth herein, all terms, conditions, covenants, representations and warranties contained in the Credit Agreement or any other Loan Documents, and all rights of Agents and Lenders and all of the Obligations, shall remain in full force and effect; provided that in the event of a conflict between the terms and provisions of the Credit Agreement or any other Loan Documents (other than this Agreement), the terms and provisions of the Credit Agreement (as amended hereby, and as the same has been and hereafter may be amended, restated, supplemented or otherwise modified from time to time) shall control. Each

Loan Party hereby confirms that the Credit Agreement and the other Loan Documents are in full force and effect and that neither such Loan Party nor any of its Subsidiaries has any defenses, setoffs, claims, or counterclaims to the Obligations under the Credit Agreement or any other Loan Documents.

(b) Except as expressly set forth herein, the execution, delivery and effectiveness of this Agreement and any consents and waivers set forth herein shall not directly or indirectly (i) constitute a consent or waiver of any past, present or future violations of any provisions of the Credit Agreement or any other Loan Documents, (ii) amend, modify or operate as a waiver of any provision of the Credit Agreement or any other Loan Documents or any right, power or remedy of any Agent or any Lender thereunder, or (iii) constitute a course of dealing or other basis for altering any Obligations or any other contract or instrument. Except as expressly set forth herein, each of the Agents and Lenders reserves all of its rights, powers, and remedies under the Credit Agreement, the other Loan Documents, and/or applicable law. All of the provisions of the Credit Agreement and the other Loan Documents, including, without limitation, the time of the essence provisions, are hereby reiterated, and if ever waived, reinstated.

(c) Upon the effectiveness of this Agreement, all references to the Credit Agreement in any Loan Document shall mean and be a reference to the Credit Agreement, as amended hereby, and the term "Loan Documents" shall include, without limitation, this Agreement.

**SECTION 7. Costs and Expenses**. Each of the Borrowers and the other Loan Parties agrees jointly and severally to reimburse Agents and Lenders for all reasonable fees, costs and expenses, including the reasonable fees, costs and expenses of counsel or other advisors for advice, assistance, or other representation in connection with this Agreement and the other agreements and documents executed in connection herewith.

**SECTION 8. Governing Law.** THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AS OPPOSED TO CONFLICTS OF LAWS PROVISIONS) OF THE STATE OF NEW YORK.

**SECTION 9. Headings**. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purposes.

**SECTION 10. Counterparts.** This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed an original, but all such counterparts shall constitute one and the same instrument, and all signatures need not appear on any one counterpart. Any party hereto may execute and deliver a counterpart of this Agreement by delivering by facsimile transmission a signature page of this Agreement signed by such party, and any such facsimile signature shall be treated in all respects as having the same effect as an original signature. Any party delivering by facsimile transmission a counterpart executed by it shall promptly thereafter also deliver a manually signed counterpart of this Agreement.

**SECTION 11. Time of Essence.** Time is of the essence in the payment and performance of each of the obligations of any of the parties hereunder and with respect to all conditions to be satisfied by such party.

**SECTION 12. Further Assurances.** Each Loan Party agrees to take, and to cause its Subsidiaries to take, all further actions and to execute and deliver, and to cause its Subsidiaries to execute and deliver, all further documents as the Agents, or either of them, may from time to time reasonably request to carry out the transactions contemplated by this Agreement.

**SECTION 13. Effectiveness.** This Agreement shall become effective at the time (the "**Effective Date**") that all of the following conditions precedent have been met (or waived) as determined by the Required Lenders in their sole discretion (as evidenced by the Required Lenders' execution and delivery of this Agreement):

(a) Agreement. Duly executed signature pages for this Agreement signed by the Required Lenders and Loan Parties shall have been delivered to Administrative Agent.

(b) Representations and Warranties. The representations and warranties contained herein shall be true and correct in all material respects, and no Event of Default or Default, in each case other than the Specified Defaults, shall exist on the date hereof.

(c) No Material Adverse Change. Since the Closing Date, there shall have occurred no material adverse change in the business, operations, financial conditions, profits or prospects, or in the Collateral of any Loan Party or any Subsidiary thereof.

(d) Payment of Commitment Fees and Letter of Credit Fees. All outstanding Commitment Fees and Fees related to any of the Letters of Credit shall each have been paid in cash to the Administrative Agent.

*** Signature Page Follows ***

IN WITNESS WHEREOF, this Second Amendment to Credit Agreement and Waiver has been executed by the parties hereto as of the date first written above.

MAGNACHIP SEMICONDUCTOR S.A., a Luxembourg company

By: _____
Name:
Title:

MAGNACHIP SEMICONDUCTOR FINANCE COMPANY, a Delaware limited liability company

By: _____
Name:
Title:

MAGNACHIP SEMICONDUCTOR LLC, a Delaware limited liability company

By: _____
Name:
Title:

SUBSIDIARY GUARANTORS

MAGNACHIP SEMICONDUCTOR, INC.,
a Delaware company

By: _____
Name:
Title:

MAGNACHIP SEMICONDUCTOR SA HOLDINGS LLC, a Delaware limited
liability company

By: _____
Name:
Title:

MAGNACHIP SEMICONDUCTOR
LIMITED, a company incorporated in
England and Wales with registered number
05232381

By: _____
Name:
Title:

MAGNACHIP SEMICONDUCTOR, LTD.,
a Japanese company

By: _____
Name:
Title:

**For execution as a deed:**

EXECUTED AS A DEED by )
)
as duly appointed attorney )
pursuant to a power of attorney )
dated )
for and on behalf of )
MAGNACHIP SEMICONDUCTOR )
LIMITED )
in the presence of: )

Witness: _____ Witness: _____

Name: Name:

Address: Address:

***For execution otherwise than as a deed:***

SIGNED by )
)
as duly appointed attorney )
pursuant to a power of attorney )
dated )
for and on behalf of )
MAGNACHIP SEMICONDUCTOR )
LIMITED )
in the presence of: )

Witness: _____

Name:

Address:

***CERTIFICATION LANGUAGE***

I, the undersigned, being a director of MagnaChip Semiconductor Limited, do hereby certify that this document is a true and complete copy of its original.

_____
[***Name***]
Date:

MAGNACHIP SEMICONDUCTOR, LTD.,
a Taiwan company

By: _____
Name:
Title:

MAGNACHIP SEMICONDUCTOR B.V.

By: _____
Name:
Title:

ISRON Corporation, a Japanese company

By: _____
Name:
Title:

IC Media Holding Company Limited., a
British Virgin Islands company

By: _____
Name:
Title:

IC Media Corporation., a California
company

By: _____
Name:
Title:

IC Media International Corporation., a
Cayman Islands company

By: _____
Name:
Title:

IC Media Technology Corporation., a
Taiwan company

By: _____
Name:
Title:

IC Media International Corporation., a
Taiwan branch

By: _____
Name:
Title:

U.S. BANK NATIONAL ASSOCIATION

By: _____
Name:
Title:

UBS SECURITIES LLC, as Arranger,
Syndication Agent and Documentation
Agent

By: _____
Name:
Title:

By: _____
Name:
Title:

UBS AG, STAMFORD BRANCH, as
Administrative Agent and Collateral Agent

By: _____
Name:
Title:

By: _____
Name:
Title:

UBS LOAN FINANCE LLC, as Swingline Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

KOREA EXCHANGE BANK

By: _____
Name:
Title:

GOLDMAN SACHS & CO

By: _____
Name:
Title:

CITIGROUP NORTH AMERICA, INC.

By: _____
Name:
Title:

JPMORGAN CHASE BANK N.A.

By: _____
Name:
Title:

DEUTSCHE BANK TRUST COMPANY AMERICAS

By: _____
Name:
Title:

**Exhibit 10.4**

**EXECUTION COPY**

---

**INTERCREDITOR AGREEMENT**

dated as of December 23, 2004

among

MAGNACHIP SEMICONDUCTOR S.A.,
MAGNACHIP SEMICONDUCTOR FINANCE COMPANY,

the other Pledgors from time to time party hereto,

UBS AG, STAMFORD BRANCH,
as Credit Agreement Agent and
Priority Lien Collateral Agent hereunder,

The Bank of New York,
as Trustee and Parity Lien Collateral Agent hereunder,

and

U.S. Bank National Association,
as Collateral Trustee

---

TABLE OF CONTENTS

This Intercreditor Agreement (this ***"Agreement"***) is dated as of December 23, 2004 and is by and among MAGNACHIP SEMICONDUCTOR S.A., a *société anonyme*, organized and existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 10, rue de Vianden, L-2680 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Register of commerce and companies under the number B 97,483, MAGNACHIP SEMICONDUCTOR FINANCE COMPANY, a Delaware corporation (collectively, the ***"Borrowers"***), the Pledgors (as defined below) from time to time party hereto, UBS AG, STAMFORD BRANCH, as Credit Agreement Agent (as defined below) and as Priority Lien Collateral Agent (in such capacity and together with its successors in such capacity, the ***"Priority Lien Collateral Agent"***), The Bank of New York, as Trustee (as defined below) and as Parity Lien Collateral Agent (in such capacity and together with its successors in such capacity, the ***"Parity Lien Collateral Agent"***) and U.S. Bank National Association, as Collateral Trustee (as defined below).

RECITALS

The Borrowers intend to enter into a Credit Agreement dated as of the date hereof (as amended, supplemented, amended and restated or otherwise modified and in effect from time to time, the ***"Credit Agreement"***) among the Borrowers, the Pledgors from time to time party thereto, the Lenders party thereto, UBS AG, STAMFORD BRANCH, as Administrative Agent and Collateral Agent (in such capacities and together with its successors, the ***"Credit Agreement Agent"***), which will provide for a $100.0 million credit facility.

The Borrowers and the other Pledgors also intend to enter into the Priority Lien Security Documents pursuant to which the Priority Lien Collateral Agent will be granted a first priority security interest in the Collateral.

The Borrowers intend to issue 6-7/8% Second Priority Senior Secured Notes due 2011 in the aggregate principal amount not to exceed $200 million and Floating Rate Second Priority Senior Secured Notes due, 2011 in the aggregate principal amount not to exceed $300 million(including any related exchange notes, the ***"Notes"***) pursuant to an Indenture dated as of the date hereof (as amended, supplemented, amended and restated or otherwise modified and in effect from time to time, the ***"Indenture"***) among the Borrowers, the guarantors party thereto and The Bank of New York, as trustee (in such capacity and together with its successors in such capacity, the ***"Trustee"***).

The Borrowers and the other Pledgors also intend to enter into the Parity Lien Security Documents pursuant to which the Parity Lien Collateral Agent will be granted a second priority security interest in the Collateral, which security interest is subordinate to the security interest of the Priority Lien Collateral Agent.

The Borrowers and the other Pledgors intend to secure the Obligations under the Credit Agreement and any future Priority Lien Debt on a priority basis and, subject to such priority, intend to secure the Obligations under the Indenture and any future Parity Lien Debt, with Liens on all present and future Collateral to the extent that such Liens have been provided for in the applicable Security Documents, and desire to enter into this Agreement to confirm their relative rights with respect to the Collateral as provided in this Agreement.

Capitalized terms used in this Agreement have the meanings assigned to them above or in Article 1 below.

**AGREEMENT**

In consideration of the premises and the mutual agreements herein set forth, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement hereby agree as follows:

ARTICLE 1. DEFINITIONS; PRINCIPLES OF CONSTRUCTION

SECTION 1.1 Defined Terms. The following terms will have the following meanings:

***"Act of Required Debtholders"*** means, as to any matter at any time:

(a) prior to the Discharge of Priority Lien Obligations, a direction in writing delivered to the Priority Lien Collateral Agent by or with the written consent of the holders of more than 50% of the sum of:

(1) the aggregate outstanding principal amount of Priority Lien Debt (including outstanding letters of credit whether or not then available or drawn); and

(2) other than in connection with the exercise of remedies, the aggregate unfunded commitments to extend credit which, when funded, would constitute Priority Lien Debt; and

(b) at any time after the Discharge of Priority Lien Obligations, a direction in writing delivered to the Parity Lien Collateral Agent by or with the written consent of the holders of Parity Lien Debt representing the Required Parity Lien Debtholders.

For purposes of this definition, (i) Secured Debt registered in the name of, or beneficially owned by, the Borrowers or any Affiliate of the Borrowers will be deemed not to be outstanding and (ii) votes will be determined in accordance with Section 7.2.

***"Additional Secured Debt"*** has the meaning set forth in Section 4.3.

***"Affiliate"*** of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; *provided*, that beneficial ownership of 10% or more of the Voting Stock of a Person will be deemed to be control. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

***"Agreement"*** has the meaning set forth in the preamble.

***"Board of Directors"*** means (a) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board, (b) with respect to a partnership, the Board of Directors of the general partner of the partnership, (c) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof and (d) with respect to any other Person, the board or committee of such Person serving a similar function.

***"Borrowers"*** has the meaning set forth in the preamble.

***"Business Day"*** means any day other than a Saturday, a Sunday or a day on which banking institutions in the City of New York or at a place of payment are authorized by law, regulation or executive order to remain closed.

***"Capital Lease Obligation"*** means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with GAAP, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

***"Capital Stock"*** means:

(a) in the case of a corporation, corporate stock;

(b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(c) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(d) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person,

but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

***"Class"*** means (1) in the case of Parity Lien Debt, every Series of Parity Lien Debt, taken together, and (2) in the case of Priority Lien Debt, every Series of Priority Lien Debt, taken together.

***"Collateral"*** means all properties and assets of the Borrowers and the other Pledgors now owned or hereafter acquired which constitute Parity Lien Collateral or Priority Lien Collateral.

***"Collateral Trust Agreement"*** means that certain Collateral Trust Agreement dated as of December 23, 2004 (as the same may be amended from time to time) by and among the Credit Agreement Agent, the Trustee and the Collateral Trustee with respect to a trust estate consisting

of certain guarantees of the Secured Obligations issued to the Collateral Trustee by Korean Opco and the various liens on Collateral owned by Korean Opco to secure such guarantees, together with its successors in such capacity

***"Collateral Trust Guarantee Rights"*** means the rights of the Collateral Trustee with respect to any guarantee issued by Korean Opco to the Collateral Trustee.

***"Collateral Trust Security Rights"*** means the rights of the Collateral Trustee with respect to the properties and assets of Korean Opco which secure, directly or indirectly, any of the Secured Obligations.

***"Collateral Trustee"*** means U.S. Bank National Association, in its capacity as collateral trustee under the Collateral Trust Agreement.

***"Credit Agreement"*** has the meaning set forth in the recitals.

***"Credit Agreement Agent"*** has the meaning set forth in the recitals.

***"Credit Facilities"*** means one or more debt facilities (including, without limitation, the Credit Agreement) or commercial paper facilities, in each case with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time.

***"Discharge of Priority Lien Obligations"*** means the occurrence of all of the following:

(a) termination or expiration of all commitments to extend credit that would constitute Priority Lien Debt;

(b) payment in full in cash of the principal of and interest and premium (if any) on all Priority Lien Debt (other than any undrawn letters of credit);

(c) discharge or cash collateralization (at the lower of (A) 105% of the aggregate undrawn amount and (B) the percentage of the aggregate undrawn amount required for release of liens under the terms of the applicable Priority Lien Document) of all outstanding letters of credit constituting Priority Lien Debt or the arrangement of substitute collateralization for such Priority Lien Debt which is satisfactory to the holder of such applicable Priority Lien Debt; and

(d) payment in full in cash of all other Priority Lien Obligations that are outstanding and unpaid at the time the Priority Lien Debt is paid in full in cash (other than any obligations for taxes, costs, indemnifications, reimbursements, damages and other liabilities in respect of which no claim or demand for payment has been made at such time).

***"equally and ratably"*** means, in reference to sharing of Liens or proceeds thereof as between holders of Secured Obligations within the same Class, that such Liens or proceeds:

(a) will be allocated and distributed first to the Secured Debt Representative for each outstanding Series of Secured Debt within that Class, for the account of the holders of such Series of Secured Debt, ratably in proportion to the principal of, and interest and premium (if any) and reimbursement obligations (contingent or otherwise) with respect to letters of credit, if any, outstanding (whether or not drawings have been made under such letters of credit) on each outstanding Series of Secured Debt within that Class when the allocation or distribution is made, and thereafter

(b) will be allocated and distributed (if any remain after payment in full of all of the principal of, and interest and premium (if any) and reimbursement obligations (contingent or otherwise) with respect to letters of credit, if any, outstanding (whether or not drawings have been made on such letters of credit) on all outstanding Secured Obligations within that Class) to the Secured Debt Representative for each outstanding Series of Secured Obligations within that Class, for the account of the holders of any remaining Secured Obligations within that Class, ratably in proportion to the aggregate unpaid amount of such remaining Secured Obligations within that Class due and demanded (with written notice to the applicable Secured Debt Representative, the Priority Lien Collateral Agent and the Parity Lien Collateral Agent) prior to the date such distribution is made.

***"GAAP"*** means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect on the date hereof.

***"Guarantee"*** means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

***"Hedging Obligations"*** means, with respect to any specified Person, the obligations of such Person under:

(a) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(b) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(c) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices, in each case, in the ordinary

course of business, in reasonable relation to the business of the Borrowers and the Restricted Subsidiaries (as defined under the Indenture), and not for speculative purposes.

***"Indebtedness"*** means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent:

(a) in respect of borrowed money;

(b) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);

(c) in respect of banker's acceptances;

(d) representing Capital Lease Obligations;

(e) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed; or

(f) representing any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person and the amount of such obligation being deemed to be the lesser of the value of such asset and the amount of the obligation so secured) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person.

***"Indenture"*** has the meaning set forth in the recitals.

***"Insolvency or Liquidation Proceeding"*** means:

(a) any case commenced by or against any Borrower or any other Pledgor under Title 11, U.S. Code or any similar federal, state, or foreign law for the relief of debtors, any other proceeding for the reorganization, recapitalization or adjustment or marshalling of the assets or liabilities of any Borrower or any other Pledgor, any receivership or assignment for the benefit of creditors relating to any Borrower or any other Pledgor or any similar case or proceeding relative to any Borrower or any other Pledgor or its creditors, as such, in each case whether or not voluntary;

(b) any liquidation, dissolution, marshalling of assets or liabilities or other winding up of or relating to any Borrower or any other Pledgor, in each case whether or not voluntary and whether or not involving bankruptcy or insolvency; or

(c) any other proceeding of any type or nature in which substantially all claims of creditors of any Borrower or any other Pledgor are determined and any payment or distribution is or may be made on account of such claims.

***"Insurance Claims"*** means any claims of the Collateral Trustee for recovery under any insurance policy (including, without limitation, title insurance) with respect to any of the Collateral.

***"Intercreditor Agreement Joinder"*** means an agreement substantially in the form of Exhibit A.

***"Korean Opco"*** means MagnaChip Semiconductor, Ltd., a limited liability company (*yuhan hoesa* in Korean) duly organized and existing under the laws of the Republic of Korea, and any successor entity which grants or provides liens on its properties and assets to the Collateral Trustee.

***"Lien"*** means any security interest, mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or otherwise), charge against or interest in property, in each case of any kind, to secure payment of a debt or performance of an obligation.

***"Lien Enforcement Parties"*** means each of the Priority Lien Collateral Agent, the Parity Lien Collateral Agent and the Collateral Trustee.

***"Lien Sharing and Priority Confirmation"*** means:

(a) as to any Series of Parity Lien Debt, the written agreement of the holders of such Series of Parity Lien Debt, as set forth in the indenture, credit agreement or other agreement governing such Series of Parity Lien Debt, for the enforceable benefit of all holders of each existing and future Series of Priority Lien Debt, each existing and future Priority Lien Representative and each existing and future holder of Permitted Prior Liens:

(1) that all Parity Lien Obligations will be and are secured equally and ratably by all Parity Liens at any time granted by any Borrower or any other Pledgor to secure any Obligations in respect of such Series of Parity Lien Debt, whether or not upon property otherwise constituting collateral for such Series of Parity Lien Debt, and that all such Parity Liens will be enforceable by the Parity Lien Collateral Agent for the benefit of all holders of Parity Lien Obligations equally and ratably;

(2) that the holders of Obligations in respect of such Series of Parity Lien Debt are bound by the provisions of this Agreement, including the provisions relating to the ranking of Parity Liens, the order of application of proceeds from the enforcement of Parity Liens and the indemnification of the Parity Lien Collateral Agent and Collateral Trustee; and

(3) consenting to and directing the Collateral Trustee and the Parity Lien Collateral Agent to perform its obligations under this Agreement and the other Security Documents; and

(b) as to any Series of Priority Lien Debt, the written agreement of the holders of such Series of Priority Lien Debt, as set forth in the Credit Agreement or other agreement governing such Series of Priority Lien Debt, for the enforceable benefit of all holders of each existing and future Series of Parity Lien Debt, each existing and future Parity Lien Representative and each existing and future holder of Permitted Prior Liens:

(1) that all Priority Lien Obligations will be and are secured equally and ratably by all Priority Liens at any time granted by any Borrower or any other Pledgor to secure any Obligations in respect of such Series of Priority Lien Debt, whether or not upon property otherwise constituting collateral for such Series of Priority Lien Debt, and that all such Priority Liens will be enforceable by the Priority Lien Collateral Agent for the benefit of all holders of Priority Lien Obligations equally and ratably;

(2) that the holders of Obligations in respect of such Series of Priority Lien Debt are bound by the provisions of this Agreement, including the provisions relating to the ranking of Priority Liens, the order of application of proceeds from enforcement of Priority Liens and the indemnification of the Priority Lien Collateral Agent and Collateral Trustee; and

(3) consenting to and directing the Collateral Trustee and the Priority Lien Collateral Agent to perform its obligations under this Agreement and the other Priority Lien Security Documents.

***"Notes"*** has the meaning set forth in the recitals.

***"Note Documents"*** means the Indenture, the Notes and the Security Documents.

***"Obligations"*** means any principal (including reimbursement obligations with respect to letters of credit whether or not drawn), interest (including, to the extent legally permitted, all interest accrued thereon after the commencement of any Insolvency or Liquidation Proceeding at the rate, including any applicable post-default rate, specified in the Priority Lien Documents, even if such interest is not enforceable, allowable or allowed as a claim in such proceeding), premium (if any), fees, indemnifications, reimbursements, expenses and other liabilities payable under the documentation governing any Indebtedness.

***"Officers' Certificate"*** means a certificate with respect to compliance with a condition or covenant provided for in this Agreement, signed on behalf of the Borrowers by two officers of the Borrowers, one of whom must be the principal executive officer, the principal financial officer, the treasurer or the principal accounting officer of the Borrowers, including:

(a) a statement that the Person making such certificate has read such covenant or condition;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate are based;

(c) a statement that, in the opinion of such Person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been satisfied; and

(d) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been satisfied.

***"Opinion of Counsel"*** means an opinion of legal counsel (which may be counsel to a Lien Enforcement Party or a Borrower) which is in form and substance reasonably acceptable to the Priority Lien Collateral Agent and the Parity Lien Collateral Agent.

***"Parity Lien"*** means a Lien granted by a Parity Lien Security Document to the Parity Lien Collateral Agent, at any time, upon any property of the Borrowers or any other Pledgor to secure Parity Lien Obligations.

***"Parity Lien Collateral"*** means all properties and assets of Borrowers and the other Pledgors, now owned or hereafter acquired, with respect to which a Parity Lien is granted, together with the rights of the Parity Lien Collateral Agent, if any, in the Collateral Trust Security Rights and the rights in any Insurance Claims.

***"Parity Lien Collateral Agent"*** means the Trustee, in its capacity as collateral agent under certain of the Parity Lien Security Documents, for the benefit of the Trustee and the holders of notes or other Parity Lien Obligations, together with its successors in such capacity.

***"Parity Lien Debt"*** means:

(a) the Notes issued on the date hereof (including any related exchange notes); and

(b) any other Indebtedness (including additional Notes) that is secured equally and ratably with the Notes by a Lien which was intended to be a Parity Lien and that was permitted to be incurred and so secured under each applicable Secured Debt Document;

*provided*, in the case of any Indebtedness referred to in clause (b) of this definition, that:

(1) on or before the date on which such Indebtedness is incurred by the Borrowers or by a Restricted Subsidiary (as defined under the Indenture) of the Borrowers, such Indebtedness is designated by the Borrowers, in an Officers' Certificate delivered to each of the Parity Lien Representative, Collateral Trustee and the Parity Lien Collateral Agent, as "Parity Lien Debt" for the purposes of the Secured Debt Documents; *provided*, that no Series of Secured Debt may be designated as both Parity Lien Debt and Priority Lien Debt;

(2) such Indebtedness is governed by an indenture, credit agreement or other agreement that includes a Lien Sharing and Priority Confirmation; and

(3) all requirements set forth in this Agreement as to the confirmation, grant or perfection of the Parity Lien Collateral Agent's Lien to secure such

Indebtedness or Obligations in respect thereof are satisfied (and the satisfaction of such requirements and the other provisions of this clause (3) will be conclusively established if the Borrowers deliver to the Parity Lien Collateral Agent and the Priority Lien Collateral Agent an Officers' Certificate stating that such requirements and other provisions have been satisfied and that such Indebtedness is "Parity Lien Debt").

***"Parity Lien Documents"*** means, collectively, the Note Documents and the indenture, credit agreement or other agreement governing each other Series of Parity Lien Debt and the Parity Lien Security Documents.

***"Parity Lien Security Documents"*** means this Agreement, each Lien Sharing and Priority Confirmation relating to Parity Lien Debt, and all security agreements, pledge agreements, collateral assignments, mortgages, deeds of trust, collateral agency agreements, control agreements or other grants or transfers of security executed and delivered by any Borrower or any other Pledgor creating (or purporting to create) a Lien for the benefit of the holders of Parity Lien Debt upon Collateral in favor of the Collateral Trustee or the Parity Lien Representative, in each case, as amended, modified, renewed, restated or replaced, in whole or in part, from time to time, in accordance with its terms.

***"Parity Lien Obligations"*** means Parity Lien Debt and all other Obligations (including, without limitation, any Obligations under guarantees issued by Korean Opco or any other Pledgor) in respect thereof.

***"Parity Lien Representative"*** means:

(a) in the case of the Notes, the Trustee; or

(b) in the case of any other Series of Parity Lien Debt, the trustee, agent or representative of the holders of such Series of Parity Lien Debt who maintains the transfer register for such Series of Parity Lien Debt and (i) is appointed as a Parity Lien Representative (for purposes related to the administration of the Security Documents) pursuant to the indenture, credit agreement or other agreement governing such Series of Parity Lien Debt, together with its successors in such capacity, and (ii) that has executed an Intercreditor Agreement Joinder.

***"Permitted Prior Liens"*** means:

(a) Liens described in clause (1), (4), (5), (6), (7), (8) (11), (16), (18) (provided that the original Lien was a Permitted Prior Lien), (19), (20), (21), (22), (23), (24), (25) and (26) of the definition of "Permitted Liens" (as defined in the Indenture); and

(b) Other "Permitted Liens" (as defined in the Indenture) that arise by operation of law and are not voluntarily granted, to the extent entitled by law to priority over the Liens created by the Security Documents.

***"Person"*** means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or other entity.

***"Pledgors"*** means MagnaChip Semiconductor LLC, the Borrowers, the Guarantors (as defined in the Indenture) and any other Person (if any) that provides collateral security for any Secured Obligations.

***"Priority Lien"*** means a Lien granted by a Priority Lien Security Document to the Collateral Trustee or the Priority Lien Collateral Agent, at any time, upon any property of any Borrower or any other Pledgor to secure Priority Lien Obligations.

***"Priority Lien Collateral"*** means all properties and assets of Borrowers and the other Pledgors, now owned or hereafter acquired, with respect to which a Priority Lien is granted, together with the rights of the Priority Lien Collateral Agent, if any, in the Collateral Trust Security Rights and the rights in any Insurance Claims.

***"Priority Lien Collateral Agent"*** means the Credit Agreement Agent, in its capacity as Priority Lien Collateral Agent under the Priority Lien Security Documents, together with its successors in such capacity.

***"Priority Lien Debt"*** means:

(a) Indebtedness under the Credit Agreement that was permitted to be incurred and secured under each applicable Secured Debt Document (or as to which the lenders under the Credit Agreement obtained an Officers' Certificate at the time of incurrence to the effect that such Indebtedness was permitted to be incurred and secured by all applicable Secured Debt Documents);

(b) Indebtedness under any other Credit Facility that is secured equally and ratably with the Credit Agreement by a Lien which was intended to be a Priority Lien and that was permitted to be incurred and so secured under each applicable Secured Debt Document; *provided*, in the case of any Indebtedness referred to in this clause (b), that:

(1) on or before the date on which such Indebtedness is incurred by the Borrowers such Indebtedness is designated by the Borrowers, in an Officers' Certificate delivered to each Priority Lien Representative and each Parity Lien Representative, as "Priority Lien Debt" for the purposes of the Secured Debt Documents; *provided*, that no Series of Secured Debt may be designated as both Parity Lien Debt and Priority Lien Debt;

(2) such Indebtedness is governed by a credit agreement or other agreement that includes a Lien Sharing and Priority Confirmation; and

(3) all requirements set forth in this Agreement as to the confirmation, grant or perfection of the Collateral Trustee and the Priority Lien Collateral Agent's Lien to secure such Indebtedness or Obligations in respect thereof are satisfied (and the satisfaction of such requirements and the other provisions of this

clause (3) will be conclusively established if the Borrowers deliver to the Priority Lien Collateral Agent an Officers' Certificate stating that such requirements and other provisions have been satisfied and that such Indebtedness is "Priority Lien Debt"); and

(c) Hedging Obligations incurred to hedge or manage interest rate, currency or commodity price risk and which are secured by a Lien on all of the assets and properties that secure Indebtedness under the Credit Agreement.

***"Priority Lien Documents"*** means the Credit Agreement and any other Credit Facility pursuant to which any Priority Lien Debt is incurred and the Priority Lien Security Documents.

***"Priority Lien Obligations"*** means the Priority Lien Debt and all other Obligations (including, without limitation, any Obligations under guarantees issued by Korean Opco or any other Pledgor) in respect of Priority Lien Debt.

***"Priority Lien Representative"*** means:

(a) in the case of the Credit Agreement, the Credit Agreement Agent; or

(b) in the case of any other Series of Priority Lien Debt, the trustee, agent or representative of the holders of such Series of Priority Lien Debt who maintains the transfer register for such Series of Priority Lien Debt and is appointed as a representative of the Priority Lien Debt (for purposes related to the administration of the Priority Lien Security Documents) pursuant to the credit agreement or other agreement governing such Series of Priority Lien Debt, and who has executed an Intercreditor Agreement Joinder.

***"Priority Lien Security Documents"*** means this Agreement, each Lien Sharing and Priority Confirmation relating to Priority Lien Debt, and all security agreements, pledge agreements, collateral assignments, mortgages, deeds of trust, collateral agency agreements, control agreements or other grants or transfers for security executed and delivered by any Borrower or any other Pledgor creating (or purporting to create) a Lien for the benefit of the holders of Priority Lien Debt upon Collateral in favor of the Priority Lien Representative, in each case, as amended, modified, renewed, restated or replaced, in whole or in part, from time to time, in accordance with its terms.

***"Required Parity Lien Debtholders"*** means, at any time, the holders of more than 50% of the sum of:

(a) the aggregate outstanding principal amount of Parity Lien Debt (including outstanding letters of credit whether or not then available or drawn); and

(b) other than in connection with the exercise of remedies, the aggregate unfunded commitments to extend credit which, when funded, would constitute Parity Lien Debt.

For purposes of this definition, (i) Parity Lien Debt registered in the name of, or beneficially owned by, any Borrower or any Affiliate of such Borrower will be deemed not to be outstanding, and (ii) votes will be determined in accordance with the provisions of Section 7.2.

***"Required Priority Lien Debtholders"*** means, at any time, the holders of more than 50% of the sum of:

(a) the aggregate outstanding principal amount of Priority Lien Debt (including outstanding letters of credit whether or not then available or drawn); and

(b) other than in connection with the exercise of remedies, the aggregate unfunded commitments to extend credit which, when funded, would constitute Priority Lien Debt.

For purposes of this definition, (i) Priority Lien Debt registered in the name of, or beneficially owned by, any Borrower or any Affiliate of such Borrower will be deemed not to be outstanding, and (ii) votes will be determined in accordance with Section 7.2.

***"Secured Debt"*** means Parity Lien Debt and Priority Lien Debt.

***"Secured Debt Default"*** means any event or condition which, under the terms of any credit agreement, indenture or other agreement governing any Series of Secured Debt causes, or permits holders of Secured Debt outstanding thereunder (with or without the giving of notice or lapse of time, or both, and whether or not notice has been given or time has lapsed) to cause, the Secured Debt outstanding thereunder to become immediately due and payable.

***"Secured Debt Documents"*** means the Parity Lien Documents and the Priority Lien Documents.

***"Secured Debt Representative"*** means each Parity Lien Representative and each Priority Lien Representative.

***"Secured Obligations"*** means Parity Lien Obligations and Priority Lien Obligations.

***"Secured Parties"*** means the holders of Secured Obligations and the Secured Debt Representatives.

***"Security Documents"*** means the Parity Lien Security Documents and the Priority Lien Security Documents.

***"Series of Parity Lien Debt"*** means, severally, the Notes and each other issue or series of Parity Lien Debt for which a single transfer register is maintained.

***"Series of Priority Lien Debt"*** means, severally, Indebtedness outstanding under the Credit Agreement and each other issue or series of Priority Lien Debt for which a single transfer register is maintained.

***"Series of Secured Debt"*** means, severally, each Series of Priority Lien Debt and each Series of Parity Lien Debt.

"***Stated Maturity***" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the date hereof, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

***"Subsidiary"*** means, with respect to any specified Person:

(a) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(b) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

***"Trustee"*** has the meaning set forth in the recitals.

***"UCC"*** means the Uniform Commercial Code as in effect in the State of New York or any other applicable jurisdiction.

***"Voting Stock"*** of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

SECTION 1.2 Rules of Interpretation.

(a) All terms used in this Agreement that are defined in Article 9 of the UCC and not otherwise defined herein have the meanings assigned to them in Article 9 of the UCC.

(b) Unless otherwise indicated, any reference to any agreement or instrument will be deemed to include a reference to that agreement or instrument as assigned, amended, supplemented, amended and restated, or otherwise modified and in effect from time to time or replaced in accordance with the terms of this Agreement.

(c) The use in this Agreement or any of the other Security Documents or Priority Lien Security Documents of the word "include" or "including," when following any general statement, term or matter, will not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not nonlimiting language (such as "without

limitation" or "but not limited to" or words of similar import) is used with reference thereto, but will be deemed to refer to all other items or matters that fall within the broadest possible scope of such general statement, term or matter. The word "will" shall be construed to have the same meaning and effect as the word "shall."

(d) References to "Sections," "clauses," "recitals" and the "preamble" will be to Sections, clauses, recitals and the preamble, respectively, of this Agreement unless otherwise specifically provided. References to "Articles" will be to Articles of this Agreement unless otherwise specifically provided. References to "Exhibits" and "Schedules" will be to Exhibits and Schedules, respectively, to this Agreement unless otherwise specifically provided.

(e) Notwithstanding anything to the contrary in this Agreement, any references contained herein to any section, clause, paragraph, definition or other provision of the Indenture (including any definition contained therein) shall be deemed to be a reference to such section, clause, paragraph, definition or other provision as in effect on the date of this Agreement; *provided*, that any reference to any such section, clause, paragraph or other provision shall refer to such section, clause, paragraph or other provision of the Indenture (including any definition contained therein) as amended or modified from time to time if such amendment or modification has been (1) made in accordance with the Indenture and (2) prior to the Discharge of Priority Lien Obligations, approved in a writing delivered to the Collateral Trustee, the Priority Lien Collateral Agent and the Parity Lien Collateral Agent by, or on behalf of, the requisite holders of Priority Lien Obligations as are needed (if any) under the terms of the applicable Priority Lien Documents to approve such amendment or modification.

(f) This Agreement and the Security Documents will be construed without regard to the identity of the party who drafted it and as though the parties participated equally in drafting it. Consequently, each of the parties acknowledges and agrees that any rule of construction that a document is to be construed against the drafting party will not be applicable to this Agreement or the other Security Documents.

## ARTICLE 2. AUTHORITY, REPRESENTATIONS AND WARRANTIES

SECTION 2.1 Appointment and Authority. Each Priority Lien Representative and Parity Lien Representative hereby irrevocably appoints, respectively, the Priority Lien Collateral Agent, the Parity Lien Collateral Agent, and Collateral Trustee, to act on its behalf in the roles described herein and pursuant to the other Security Documents to which they are respectively either a party or a beneficiary and authorizes each such Person to take such actions on its behalf and to exercise such powers as are delegated to such Person by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto.

SECTION 2.2 Representations and Warranties of the Priority Lien Collateral Agent and Priority Lien Representatives. The Priority Lien Collateral Agent and each Priority Lien Representative represent, warrant, acknowledge and agree on behalf of itself and the holders of Priority Lien Obligations for which it purports to be acting that (1) it is authorized to enter into this Agreement on behalf of itself and such holders, (2) it has the corporate power and authority

and the legal right to execute and deliver and perform its obligations under this Agreement and has taken all necessary corporate action to authorize its execution, delivery and performance of this Agreement and (3) this Agreement constitutes a valid and legally binding obligation of the Priority Lien Collateral Agent or such Priority Lien Representative, as the case may be, enforceable against the Priority Lien Collateral Agent or such Priority Lien Representative, as the case may be, in accordance with its terms.

SECTION 2.3 Representations and Warranties of the Parity Lien Collateral Agent and Parity Lien Representatives. The Parity Lien Collateral Agent and each Parity Lien Representative represents, warrants, acknowledges and agrees on behalf of itself and the holders of the Parity Lien Obligations for which it purports to be acting that (1) it is authorized to enter into this Agreement on behalf of itself and such holders, (2) it has the corporate power and authority and the legal right to execute and deliver and perform its obligations under this Agreement and has taken all necessary corporate action to authorize its execution, delivery and performance of this Agreement and (3) this Agreement constitutes a valid and legally binding obligation of the Parity Lien Collateral Agent or such Parity Lien Representatives, as the case may be, enforceable against the Parity Lien Collateral Agent or such Parity Lien Representative, as the case may be, in accordance with its terms.

SECTION 2.4 Representations and Warranties of the Collateral Trustee. The Collateral Trustee represents, warrants, acknowledges and agrees that (1) it is authorized to enter into this Agreement, (2) it has the corporate power and authority and the legal right to execute and deliver and perform its obligations under this Agreement and has taken all necessary corporate action to authorize its execution, delivery and performance of this Agreement and (3) this Agreement constitutes a valid and legally binding obligation of the Collateral Trustee, enforceable against the Collateral Trustee in accordance with its terms.

## ARTICLE 3. THE TRUST ESTATES AND LIEN INTERESTS

SECTION 3.1 Priority of Liens and Interests in Collateral Trust.

(a) Notwithstanding (1) anything else contained herein, (2) in any of the other Security Documents, (3) the time of incurrence of any Series of Parity Lien Debt, (4) the order or method of attachment or perfection of any Liens securing any Series of Parity Lien Debt, (5) the time or order of filing or recording of financing statements, mortgages or other documents filed or recorded to perfect any Lien upon any Collateral, (6) the time of taking possession or control over any Collateral, (7) that any Parity Lien may not have been perfected or may be or have become subordinated, by equitable subordination or otherwise, to any other Lien, or (8) the rules for determining priority under any law governing relative priorities of Liens, it is:

(A) the intent of the parties that the grant of Priority Liens pursuant to the Priority Lien Security Documents and the grant of Parity Liens pursuant to the Parity Lien Security Documents, respectively, create two separate and distinct Liens: the Priority Liens securing the payment and performance of the Priority Lien Obligations and the Parity Liens securing the payment and performance of the Parity Lien Obligations, respectively; and

(B) the agreement of the parties that the Parity Liens securing the Parity Lien Obligations are expressly subject and subordinate to the Priority Liens securing the Priority Lien Obligations.

(b) Notwithstanding anything contained herein or in any of the other Security Documents, the Collateral Trustee shall act pursuant to the enforcement of its rights with respect to Korean Opco, including any Collateral granted or provided to it by Korean Opco, only in accordance with the following procedures:

(1) Subject to the restrictions, limitations and other provisions set forth in the balance of this Section 3.1(b) or in Section 3.2(b), the Collateral Trustee shall make demand under and take enforcement actions with respect to the Collateral Trust Guarantee Rights in accordance with the directions of the Priority Lien Collateral Agent, with respect to the guarantee of Priority Obligations, and in accordance with the directions of the Parity Lien Collateral Agent, with respect to the guarantee of Parity Obligations; *provided* that nothing in this clause (1) shall be deemed to authorize any actions with respect to the enforcement, waiver or non-enforcement of any Collateral Trust Security Rights or Insurance Claims, all of which actions shall be taken only pursuant to clause (2) or (5) below, as applicable.

(2) Until the Discharge of Priority Lien Obligations, the Collateral Trustee shall act with respect to the enforcement, waiver or non-enforcement of all Collateral Trust Security Rights or Insurance Claims, in accordance with the directions of the Priority Lien Collateral Agent, including, without limitation, the filing and enforcement of any secured claim(s) in any Insolvency and Liquidation Proceeding with respect to any guarantee it holds for the benefit of the holders of Priority Lien Obligations or the Parity Lien Obligations and the filing and settlement of such Insurance Claims.

(3) Until the Discharge of Priority Lien Obligations, all proceeds from secured claims in any Korean Insolvency and Liquidation Proceedings received by the Collateral Trustee, all proceeds of Insurance Claims and all other payments from the enforcement of the guaranties held by the Collateral Trustee shall be delivered, after payment of any expenses of the Collateral Trustee, to the Priority Lien Collateral Agent for distribution in accordance with this Agreement; thereafter, all proceeds shall be paid to the Parity Lien Collateral Agent for distribution in accordance with this Agreement.

(4) If it shall be determined in any Insolvency or Liquidation Proceeding that there are Collateral Trust Guarantee Rights, any proceeds and all instructions for the filing and enforcement of claims with respect thereto (including, without limitation, the voting of such claims) are to be given to/by Parity Lien Collateral Agent with respect to that portion of the Collateral Trust Guarantee Rights that relate to the guarantee of the Parity Lien Debt and the Priority Lien Collateral Agent with respect to that portion of the Collateral Trust Guarantee Right that relate to the Priority Lien Debt.

(5) After the Discharge of Priority Lien Obligations, the Collateral Trustee shall act with respect to the enforcement, waiver, or non-enforcement of all Collateral Trust Security Rights or Insurance Claims, in accordance with the directions of the Parity Lien Collateral Agent.

SECTION 3.2 Restrictions on Enforcement of Parity Liens.

(a) Until the Discharge of Priority Lien Obligations, the Collateral Trustee, the Priority Lien Collateral Agent and the holders of the Priority Lien Obligations will have, subject to the exceptions set forth below in clauses (1) through (4), and subject to the rights, if any, of the holders of Permitted Prior Liens, the exclusive right to enforce, collect or realize on any Collateral or exercise any other right or remedy with respect to the Collateral, including, without limitation, the right to instruct the Collateral Trustee with respect to all Collateral Trust Security Rights as described in Section 3.1(b). The Parity Lien Collateral Agent, the Trustee and the holders of Notes or other Parity Lien Obligations may not take any action to enforce, collect or realize on any Collateral or exercise any other right or remedy with respect to the Collateral until the Discharge of Priority Lien Obligations. Notwithstanding the foregoing, the Required Parity Lien Debtholders may, subject to the rights of the holders of other Permitted Prior Liens, direct the Parity Lien Collateral Agent:

(1) without any condition or restriction whatsoever, at any time after the Discharge of Priority Lien Obligations;

(2) as necessary to redeem any Parity Lien Collateral in a creditor's redemption permitted by law or to deliver any notice or demand necessary to enforce (subject to the prior Discharge of Priority Lien Obligations) any right to claim, take or receive proceeds of Collateral remaining after the Discharge of Priority Lien Obligations in the event of foreclosure or other enforcement of any Permitted Prior Lien;

(3) as necessary to perfect or establish the priority (subject to Priority Liens and other Permitted Prior Liens) of the Parity Liens upon any Parity Lien Collateral; provided, that the Trustee and the holders of Parity Lien Obligations may not require the Collateral Trustee or the Parity Lien Collateral Agent to take any action to perfect any Collateral through possession or control; or

(4) as necessary to create, prove, preserve or protect (but not enforce) the Parity Liens upon any Parity Lien Collateral; provided, that the Trustee and the holders of Parity Lien Obligations may not require the Collateral Trustee or the Parity Lien Collateral Agent to take any action to create, prove, preserve or protect any Collateral through possession or control.

(b) Until the Discharge of Priority Lien Obligations, none of the holders of Notes or other Parity Lien Obligations, the Parity Lien Collateral Agent or any Parity Lien Representative will:

(1) request judicial relief, in an Insolvency or Liquidation Proceeding or in any other court or administrative tribunal, that would hinder, delay, limit or prohibit the lawful exercise or enforcement of any right or remedy otherwise available to the holders of Priority Lien Obligations in respect of the Priority Liens or that would limit, invalidate, avoid or set aside any Priority Lien or subordinate the Priority Liens to the Parity Liens or grant the Parity Liens equal ranking to the Priority Liens;

(2) oppose or otherwise contest any motion for relief from the automatic stay or from any injunction or other judicial or administrative order or restriction against foreclosure or enforcement of Priority Liens made by the Collateral Trustee, the Priority Lien Collateral Agent, any holder of Priority Lien Obligations or any Priority Lien Representative in any Insolvency or Liquidation Proceeding;

(3) oppose or otherwise contest any lawful exercise by the Collateral Trustee, the Priority Lien Collateral Agent, any holder of Priority Lien Obligations or any Priority Lien Representative of the right to credit bid Priority Lien Debt at any sale in foreclosure of Priority Liens;

(4) oppose or otherwise contest any other request for judicial relief made in any court by the Collateral Trustee, the Priority Lien Collateral Agent, any holder of Priority Lien Obligations or any Priority Lien Representative relating to the lawful enforcement of any Priority Lien; or

(5) challenge the validity, enforceability, perfection or priority of the Priority Liens.

Notwithstanding the foregoing, both before and during an Insolvency or Liquidation Proceeding, the holders of Notes and other Parity Lien Obligations and the Parity Lien Representatives may take any actions and exercise any and all rights that would be available to a holder of their claims if they were to be treated as unsecured claims, including, without limitation, the commencement of an Insolvency or Liquidation Proceeding against any Borrower or any other Pledgor against which they have a claim in accordance with applicable law; provided, that, by accepting a Note, each holder of Notes agrees not to take any of the actions prohibited under Section 3.1(b) or under clauses (1) through (5) of this Section 3.2(b) or oppose or contest any order that it has agreed not to oppose or contest under Section 3.6.

(c) At any time prior to the Discharge of Priority Lien Obligations and after (1) the commencement of any Insolvency or Liquidation Proceeding in respect of any Borrower or any other Pledgor or (2) the Parity Lien Collateral Agent and each Parity Lien Representative and the Borrowers have received written notice from the Priority Lien Collateral Agent or any Priority Lien Representative, stating that (A) any Series of Priority Lien Debt has become due and payable in full (whether at maturity, upon acceleration or otherwise) or (B) the holders of Priority Liens securing one or more Series of Priority Lien Debt have become entitled under any Priority Lien Documents to, and

desire to, enforce any or all of the Priority Liens by reason of a default under such Priority Lien Documents, no distribution of securities or other assets received with respect to any secured claim in any Insolvency or Liquidation Proceedings of any Pledgor and no payment of money (or the equivalent of money) will be made from the proceeds of Collateral by any Borrower or any other Pledgor to the Parity Lien Collateral Agent, any Parity Lien Representative or any holder of Notes or any other holder of Parity Lien Obligations (including, without limitation, payments and prepayments made for application to Parity Lien Obligations and all other payments and deposits made pursuant to any provision of any Parity Lien Document).

(d) All proceeds of Collateral (including any distribution of securities or other assets with respect to any secured claim in any Insolvency or Liquidation Proceedings of any Pledgor) received by the Collateral Trustee or the Parity Lien Collateral Agent, any Parity Lien Representative or any holder of Parity Lien Obligations at any time prior to the Discharge of Priority Lien Obligations in violation of Section 3.2(c) will be held by the Collateral Trustee, the Parity Lien Collateral Agent, the applicable Parity Lien Representative or the applicable holder of Parity Lien Obligations for the account of the holders of Priority Liens and remitted or otherwise appropriately delivered to any Priority Lien Representative upon demand by such Priority Lien Representative. The Parity Liens will remain attached to and enforceable against all proceeds so held or remitted. All proceeds of Collateral received by the Collateral Trustee, the Parity Lien Collateral Agent, any Parity Lien Representative, the holders of Notes and the other holders of Parity Lien Obligations not in violation of Section 3.2(c) will be received by the Collateral Trustee, the Parity Lien Collateral Agent, such Parity Lien Representatives or such holder of Parity Lien Obligations free from the Priority Liens and all other Liens except the Parity Liens.

SECTION 3.3 Waivers With Respect to Rights of Marshalling or Subrogation.

(a) Prior to the Discharge of Priority Lien Obligations, holders of Notes and other Parity Lien Obligations, each Parity Lien Representative and the Parity Lien Collateral Agent may not assert or enforce any right (1) of marshalling accorded to a junior lienholder, as against the holders of Priority Liens (in their capacity as priority lienholders), or (2) to subrogation that may exist as a result of the operation of this Agreement or applicable law.

(b) Following the Discharge of Priority Lien Obligations, the Parity Lien Collateral Agent, the holders of Parity Lien Obligations and any Parity Lien Representative may assert (1) their right under the UCC or otherwise to any proceeds remaining following a sale or other disposition of Collateral by, or on behalf of, the holders of Priority Lien Obligations, and (2) any subrogation rights that may then exist in their favor.

(c) The Parity Lien Collateral Agent, any Parity Lien Representative and each holder of Parity Lien Obligations agree that the Collateral Trustee, any Priority Lien Representatives, and the Priority Lien Collateral Agent have no duty to preserve any rights of subrogation for their benefit other than as provided in the following sentence.

The Priority Lien Collateral Agent agrees to provide any documentation (which documentation shall not impose any liability or responsibility on the Priority Lien Collateral Agent) reasonably requested by the Parity Lien Collateral Agent to allow the enforcement of any subordination rights that are permitted to be enforced under Section 3.3(b).

SECTION 3.4 Discretion in Enforcement of Priority Liens. In exercising rights and remedies with respect to the Collateral, the Priority Lien Representatives may enforce (or refrain from enforcing) the provisions of the Priority Lien Documents and exercise (or refrain from exercising) remedies thereunder or any such rights and remedies, all in such order and in such manner as they may determine in the exercise of their sole and exclusive discretion, including:

(a) the exercise or forbearance from exercise of all rights and remedies in respect of the Collateral and/or the Priority Lien Obligations, (including, without limitation, the right to instruct the Collateral Trustee with respect to all Collateral Trust Security Rights as described in Section 3.1(b);

(b) the enforcement or forbearance from enforcement of any Priority Lien in respect of the Collateral;

(c) the exercise or forbearance from exercise of rights and powers of a holder of shares of stock included in the Priority Lien Collateral to the extent provided in the Priority Lien Security Documents;

(d) the acceptance of the Collateral in full or partial satisfaction of the Priority Lien Obligations;

(e) the exercise or forbearance from exercise of all rights and remedies of a secured lender under the UCC or any similar law of any applicable jurisdiction or in equity; and

(f) instruct the Collateral Trustee, subject to and in accordance with the terms of this Agreement.

SECTION 3.5 Discretion in Enforcement of Priority Lien Obligations. Without in any way limiting the generality of Section 3.4, the holders of Priority Lien Obligations and the Priority Lien Representatives may, at any time and from time to time, without the consent of or notice to holders of Parity Lien Obligations or the Parity Lien Representatives, without incurring responsibility to holders of Parity Lien Obligations and the Parity Lien Representatives and without impairing or releasing the subordination provided in this Agreement or the obligations hereunder of holders of Parity Lien Obligations and the Parity Lien Representatives, do any one or more of the following:

(a) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, the Priority Lien Obligations, or otherwise amend or supplement in any manner the Priority Lien Obligations, or any instrument evidencing the Priority Lien Obligations or any agreement under which the Priority Lien Obligations are outstanding;

(b) release any Person or entity liable in any manner for the collection of the Priority Lien Obligations;

(c) release the Priority Lien on any Collateral;

(d) exercise or refrain from exercising any rights against any Pledgor; and

(e) instruct the Collateral Trustee, subject to and in accordance with the terms of this Agreement.

SECTION 3.6 Insolvency or Liquidation Proceedings.

(a) If in any Insolvency or Liquidation Proceeding and prior to the Discharge of Priority Lien Obligations, the holders of Priority Lien Obligations by an Act of Required Debtholders consent to any order:

(1) for use of cash collateral;

(2) approving a debtor-in-possession financing secured by a Lien that is senior to or on a parity with all Priority Liens upon any property of the estate in such Insolvency or Liquidation Proceeding;

(3) granting any relief on account of Priority Lien Obligations as adequate protection (or its equivalent) for the benefit of the holders of Priority Lien Obligations in the Collateral subject to Priority Liens; or

(4) relating to a sale of assets of any Borrower or any other Pledgor that provides, to the extent the assets sold are to be free and clear of Liens, that all Priority Liens and Parity Liens will attach to the proceeds of the sale;

then, the holders of Notes and other Parity Lien Obligations, in their capacity as holders of secured claims, and each Parity Lien Representative, will not oppose or otherwise contest the entry of such order, so long as none of the holders of Priority Lien Obligations or any Priority Lien Representative in any respect opposes or otherwise contests any request made by any holder of Notes or other Parity Lien Obligations or a Parity Lien Representative for the grant to the Parity Lien Collateral Agent, for the benefit of the holders of Notes and other Parity Lien Obligations, of a junior Lien upon any property on which a Lien is (or is to be) granted under such order to secure the Priority Lien Obligations, co-extensive in all respects with, but subordinated (as set forth in Section 3.1) to, such Lien and all Priority Liens on such property.

Notwithstanding the foregoing, both before and during an Insolvency or Liquidation Proceeding, the holders of Notes and other Parity Lien Obligations and the Parity Lien Representatives may take any actions and exercise any and all rights that would be available to a holder of their claims if they were to be treated as unsecured claims, including, without limitation, the commencement of Insolvency or Liquidation Proceedings against any Borrower or any other Pledgor against which they have a claim in accordance with applicable law; provided, that the holders of Parity Lien Obligations

and the Parity Lien Representatives may not take any of the actions prohibited under Section 3.2(b) or oppose or contest any order that it has agreed not to oppose or contest under clauses (1) through (4) of the preceding paragraph.

(b) The holders of Notes or other Parity Lien Obligations or any Parity Lien Representative will not file or prosecute in any Insolvency or Liquidation Proceeding any motion for adequate protection (or any comparable request for relief) based upon their interest in the Collateral under the Parity Liens, except that the foregoing restriction shall not prevent the foregoing Persons from:

(1) freely seeking and obtaining relief: (A) granting a junior Lien co-extensive in all respects with, but subordinated (as set forth in Section 3.1) to, all Liens granted in the Insolvency or Liquidation Proceeding to, or for the benefit of, the holders of Priority Lien Obligations; or (B) in connection with the confirmation of any plan of reorganization or similar dispositive restructuring plan; and

(2) freely seeking and obtaining any relief upon a motion for adequate protection (or any comparable relief), without any condition or restriction whatsoever, at any time after the Discharge of Priority Lien Obligations.

SECTION 3.7 Collateral Shared Equally and Ratably within Class. The parties to this Agreement agree that the payment and satisfaction of all of the Secured Obligations within each Class will be secured equally and ratably by the Liens established in favor of the Priority Lien Collateral Agent or Parity Lien Collateral Agent, as applicable, for the benefit of the Secured Parties belonging to such Class. It is understood and agreed that nothing in this Section 3.7 is intended to alter the priorities among Secured Parties belonging to different Classes as provided in Section 3.1.

SECTION 3.8 Amendment of Priority Lien Security Documents.

(a) No amendment or supplement to the provisions of any Priority Lien Security Document will be effective without the approval of the Priority Lien Collateral Agent acting as directed by the Required Priority Lien Debtholders, except that:

(1) any amendment or supplement that has the effect solely of adding or maintaining Collateral, securing additional Priority Lien Debt that was otherwise permitted by the terms of the Priority Lien Documents to be secured by the Collateral or preserving, perfecting or establishing the priority of the Priority Liens or the rights of the Priority Lien Collateral Agent therein will become effective when executed and delivered by any Borrower or any other applicable Pledgor party thereto and the Priority Lien Collateral Agent;

(2) no amendment or supplement that reduces, impairs or adversely affects the right of any holder of Priority Lien Obligations:

(A) to vote its outstanding Priority Lien Debt as to any matter described as subject to direction by the Required Priority Lien Debtholders

(or amends the provisions of this clause (2) or the definition of "Required Priority Lien Debtholders"),

(B) to share in the order of application described under Section 3.1 in the proceeds of enforcement of or realization on any Collateral, or

(C) to require that Priority Liens be released only as set forth in the provisions described under Section 5.1,

will become effective without the consent of the requisite percentage or number of holders of each Series of Priority Lien Debt so affected under the applicable Priority Lien Document; and

(3) no amendment or supplement that imposes any obligation upon the Priority Lien Collateral Agent or any Priority Lien Debt Representative or adversely affects the rights of the Priority Lien Collateral Agent or any Priority Lien Representative, in its individual capacity as such, will become effective without the consent of the Priority Lien Collateral Agent or such Priority Lien Representative.

(b) Any amendment or supplement to the provisions of the Priority Lien Security Documents that releases Collateral will be effective only in accordance with the requirements set forth in the applicable Priority Lien Documents referenced under Section 5.1.

SECTION 3.9 Amendment of Parity Lien Security Documents.

(a) No amendment or supplement to the provisions of any Parity Lien Security Document will be effective without the approval of the Parity Lien Collateral Agent acting as directed by the Required Parity Lien Debtholders, except that:

(1) any amendment or supplement that has the effect solely of adding or maintaining Collateral, securing additional Parity Lien Debt that was otherwise permitted by the terms of the Parity Lien Documents to be secured by the Parity Lien Collateral or preserving, perfecting or establishing the priority of the Parity Liens or the rights of the Parity Lien Collateral Agent therein will become effective when executed and delivered by any Borrower or any other applicable Pledgor party thereto and the Parity Lien Collateral Agent;

(2) no amendment or supplement that reduces, impairs or adversely affects the right of any holder of Parity Lien Obligations:

(A) to vote its outstanding Parity Lien Debt as to any matter described as subject to direction by the Required Parity Lien Debtholders (or amends the provisions of this clause (2) or the definition of "Required Parity Lien Debtholders"),

(B) to share in the order of application described under Sections 4.1 and 4.2 in the proceeds of enforcement of or realization on any Collateral, or

(C) to require that Parity Liens be released only as set forth in the provisions described under Section 5.1,

will become effective without the consent of the requisite percentage or number of holders of each Series of Parity Lien Debt so affected under the applicable Parity Lien Document; and

(3) no amendment or supplement that imposes any obligation upon the Parity Lien Collateral Agent or any Parity Lien Representative or adversely affects the rights of the Parity Lien Collateral Agent or any Parity Lien Representative, respectively, in its individual capacity as such, will become effective without the consent of the Parity Lien Collateral Agent or such Parity Lien Representative, respectively.

(b) Any amendment or supplement to the provisions of the Security Documents that releases Collateral will be effective only in accordance with the requirements set forth in the applicable Parity Lien Documents referenced under Section 5.1. Any amendment or supplement that results in the Parity Lien Collateral Agent's Liens upon the Parity Lien Collateral no longer securing the Notes and the other obligations under the Indenture may only be effected in accordance with Section 5.4.

(c) Notwithstanding anything to the contrary contained in the Parity Lien Documents, but subject to clauses (a)(2) and (a)(3) above:

(A) any mortgage or other security document that secures Parity Lien Obligations (but not Priority Lien Obligations) may be amended or supplemented with the approval of the Parity Lien Collateral Agent acting as directed in writing by the Required Parity Lien Debtholders, unless such amendment or supplement would not be permitted under the terms of this Agreement or the other Priority Lien Documents; and

(B) any amendment or waiver of, or any consent under, any provision of this Agreement or any other Security Document that secures Priority Lien Obligations will apply automatically to any comparable provision of any comparable Parity Lien Document without the consent of or notice to any holder of Parity Lien Obligations and without any action by any Pledgor or any holder of notes or other Parity Lien Obligations.

SECTION 3.10 Certain Notices in Security Documents. The holders of Parity Lien Obligations and the Parity Lien Representatives agree that each Security Document that secures Parity Lien Obligations (but not also securing Priority Lien Obligations) will include the following language:

"Notwithstanding anything herein to the contrary, the lien and security interest granted to the Parity Lien Collateral Agent pursuant to this Agreement and the exercise of any right or remedy by such Parity Lien Collateral Agent hereunder are subject to the provisions of the Intercreditor Agreement, dated as of December 23, 2004, among MAGNACHIP SEMICONDUCTOR S.A., a *société anonyme*, organized and existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 10, rue de Vianden, L-2680 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Register of commerce and companies under the number B 97,483, MAGNACHIP SEMICONDUCTOR FINANCE COMPANY, a Delaware corporation, the Pledgors from time to time party thereto, UBS AG, STAMFORD BRANCH, as Credit Agreement Agent under the Credit Agreement (as defined therein) and as Priority Lien Collateral Agent, THE BANK OF NEW YORK, as Trustee under the Indenture (as defined therein) and as Priority Lien Collateral Agent, and U.S. BANK NATIONAL ASSOCIATION, as Collateral Trustee (as amended, supplemented, amended and restated or otherwise modified and in effect from time to time, the "*Intercreditor Agreement*"). In the event of any conflict between the terms of the Intercreditor Agreement and this Agreement, the terms of the Intercreditor Agreement will govern."

; *provided, however*, that if the jurisdiction in which any such Parity Lien Document will be filed prohibits the inclusion of the language above or would prevent a document containing such language from being recorded, the Parity Lien Representatives and the Priority Lien Representatives agree, prior to such Parity Lien Document being entered into, to negotiate in good faith replacement language stating that the lien and security interest granted under such Parity Lien Document is subject to the provisions of this Agreement.

ARTICLE 4. INTERCREDITOR RELATIONS

SECTION 4.1 Application of Proceeds in Distributions by the Priority Lien Collateral Agent.

(a) The Priority Lien Collateral Agent will apply the proceeds of any collection, sale, foreclosure or other realization upon any Collateral and the proceeds of any title insurance policy required under any Priority Lien Document in the following order of application:

FIRST, to the payment of all amounts payable under the Priority Lien Documents on account of the Collateral Trustee's and the Priority Lien Collateral Agent's fees and any reasonable legal fees, costs and expenses or other liabilities of any kind incurred by the Collateral Trustee and the Priority Lien Collateral Agent or any co-trustee or agent of the Priority Lien Collateral Agent in connection with any Priority Lien Security Document;

SECOND, to the repayment of Indebtedness and other Obligations, other than Secured Debt, secured by a Permitted Prior Lien on the Collateral collected, sold, foreclosed, or realized upon;

THIRD, to the respective Priority Lien Representatives for application to the payment of all outstanding Priority Lien Debt and any other Priority Lien Obligations that are then due and payable in such order as may be provided in the Priority Lien Documents in an amount sufficient to pay in full in cash all outstanding Priority Lien Debt and all other Priority Lien Obligations that are then due and payable (including all interest accrued thereon after the commencement of any Insolvency or Liquidation Proceeding at the rate, including any applicable post-default rate, specified in the Priority Lien Documents, even if such interest is not enforceable, allowable or allowed as a claim in such proceeding, and including the discharge or cash collateralization (at the lower of (1) 105% of the aggregate undrawn amount and (2) the percentage of the aggregate undrawn amount required for release of Liens under the terms of the applicable Priority Lien Document) of all outstanding letters of credit constituting Priority Lien Debt);

FOURTH, to the payment of all amounts payable under the Parity Lien Documents on account of the Collateral Trustee's (to the extent not payable pursuant to clause FIRST above) and the Parity Lien Collateral Agent's fees and any reasonable legal fees, costs and expenses or other liabilities of any kind incurred by the Collateral Trustee and the Parity Lien Collateral Agent or any co-trustee or agent of the Parity Lien Collateral Agent in connection with any Security Document;

FIFTH, to the respective Parity Lien Representatives for application to the payment of all outstanding Parity Lien Debt and any other Parity Lien Obligations that are then due and payable in such order as may be provided in the Parity Lien Documents in an amount sufficient to pay in full in cash all outstanding Parity Lien Debt and all other Parity Lien Obligations that are then due and payable (including, to the extent legally permitted, all interest accrued thereon after the commencement of any Insolvency or Liquidation Proceeding at the rate, including any applicable post-default rate, specified in the Parity Lien Documents, even if such interest is not enforceable, allowable or allowed as a claim in such proceeding, and including the discharge or cash collateralization (at the lower of (1) 105% of the aggregate undrawn amount and (2) the percentage of the aggregate undrawn amount required for release of Liens under the terms of the applicable Parity Lien Document) of all outstanding letters of credit, if any, constituting Parity Lien Debt); and

SIXTH, any surplus remaining after the payment in full in cash of the amounts described in the preceding clauses will be paid to the applicable Borrower or the applicable Pledgor, as the case may be, its successors or assigns, or as a court of competent jurisdiction may direct.

(b) In connection with the application of proceeds pursuant to Section 4.1(a), except as otherwise directed by an Act of Required Debtholders, the Priority Lien Collateral Agent may sell any non-cash proceeds for cash prior to the application of the proceeds thereof.

SECTION 4.2 Application of Proceeds in Distributions by the Parity Lien Collateral Agent.

(a) Notwithstanding Section 4.1, following the Discharge of Priority Lien Obligations, the Collateral Trustee or the Parity Lien Collateral Agent will apply the proceeds of any collection, sale, foreclosure or other realization upon any Collateral and the proceeds of any title insurance policy required under any Parity Lien Document in the following order of application:

FIRST, to the payment of all amounts payable under the Parity Lien Documents on account of the Collateral Trustee's and the Parity Lien Collateral Agent's fees and any reasonable legal fees, costs and expenses or other liabilities of any kind incurred by the Collateral Trustee and the Parity Lien Collateral Agent or any co-trustee or agent of the Parity Lien Collateral Agent in connection with any Security Document;

SECOND, in accordance with clauses FIFTH and SIXTH of Section 4.1(a).

(b) If any Parity Lien Representative or any holder of a Parity Lien Obligation collects or receives any proceeds of such foreclosure, collection or other enforcement that should have been applied to the payment of the Priority Lien Obligations in accordance with Section 4.1(a) above, whether after the commencement of an Insolvency or Liquidation Proceeding or otherwise, such Parity Lien Representative or such holder of a Parity Lien Obligation, as the case may be, will forthwith deliver the same to the Priority Lien Collateral Agent, for the account of the holders of the Priority Lien Obligations and other Obligations secured by a Permitted Prior Lien, to be applied in accordance with Section 4.1(a). Until so delivered, such proceeds will be held by that Parity Lien Representative or that holder of a Parity Lien Obligation, as the case may be, for the benefit of the holders of the Priority Lien Obligations and other Obligations secured by a Permitted Prior Lien.

(c) This Section 4.2 is intended for the benefit of, and will be enforceable as a third party beneficiary by, each present and future holder of Secured Obligations, each present and future Secured Debt Representative, the Priority Lien Collateral Agent as holder of Priority Liens and the Parity Lien Collateral Agent as holder of Parity Liens. The Secured Debt Representative of each future Series of Secured Debt will be required to deliver a Lien Sharing and Priority Confirmation to the Priority Lien Collateral Agent, the Parity Lien Collateral Agent and each other Secured Debt Representative at the time of incurrence of such Series of Secured Debt.

(d) In connection with the application of proceeds pursuant to Section 4.2(a), except as otherwise directed by an Act of Required Debtholders, the Collateral Trustee may sell any non-cash proceeds for cash prior to the application of the proceeds thereof.

SECTION 4.3 Additional Secured Debt.

(a) Any Borrower or other applicable Pledgor will be permitted to designate as an additional holder of Secured Obligations hereunder each Person who is, or who becomes, the registered holder of Parity Lien Debt or the registered holder of Priority

Lien Debt incurred by such Borrower or such other Pledgor after the date of this Agreement in accordance with the terms of all applicable Secured Debt Documents. Any Borrower or other applicable Pledgor may effect such designation by delivering to the Collateral Trustee, the Priority Lien Collateral Agent and the Parity Lien Collateral Agent, with copies to each previously identified Secured Debt Representative, each of the following:

(1) an Officers' Certificate stating that such Borrower or such other Pledgor intends to incur additional Secured Debt (***"Additional Secured Debt"***) which will either be (A) Priority Lien Debt permitted by each applicable Secured Debt Document to be secured by a Priority Lien equally and ratably with all previously existing and future Priority Lien Debt or (B) Parity Lien Debt permitted by each applicable Secured Debt Document to be secured with a Parity Lien equally and ratably with all previously existing and future Parity Lien Debt;

(2) an Opinion of Counsel to the effect that such Borrower or such other Pledgor has (A) duly authorized, executed (if applicable) and recorded (or caused to be recorded) in each appropriate governmental office all relevant filings and recordations and other documents to ensure that the Additional Secured Debt is secured by a lien on substantially the same Collateral (including substantially the same Collateral Trust Security Rights) as that held by the Priority Lien Collateral Agent or the Parity Lien Collateral Agent, as the case may be, and (B) all required consents have been obtained with respect to the additional guarantees issued to the Collateral Trustee with respect to such Additional Secured Debt; and

(3) a written notice specifying the name and address of the Secured Debt Representative for such series of Additional Secured Debt for purposes of Section 7.8.

Notwithstanding the foregoing, nothing in this Agreement will be construed to allow any Borrower or any other Pledgor to incur additional Indebtedness unless otherwise permitted by the terms of all applicable Secured Debt Documents.

(b) A Person to be designated as an additional holder of Secured Obligations hereunder must, prior to such designation,

(1) sign, through its designated Secured Debt Representative identified pursuant to Section 4.3(a), an Intercreditor Agreement Joinder and deliver such document to the Collateral Trustee and each Secured Debt Representative; and

(2) sign a Lien Sharing and Priority Confirmation and deliver such document to the Collateral Trustee and each Secured Debt Representative.

Originals of the foregoing documents shall be delivered to the Priority Lien Collateral Agent and the Parity Lien Collateral Agent, *provided* that after the Discharge of Priority Lien Obligations, originals thereof need not be delivered to the Priority Lien Collateral Agent.

ARTICLE 5. OBLIGATIONS ENFORCEABLE BY
THE BORROWERS AND THE OTHER PLEDGORS

SECTION 5.1 Release of Liens on Collateral.

(a) The Priority Liens and the Parity Liens upon the Collateral will be released:

(1) in whole, upon (A) payment in full and discharge of all outstanding Secured Debt and all other Secured Obligations that are outstanding, due and payable at the time all of the Secured Debt is paid in full in cash and discharged and (B) termination or expiration of all commitments to extend credit under all Secured Debt Documents and the cancellation, termination, or cash collateralization (at the lower of (1) 105% of the aggregate undrawn amount and (2) the percentage of the aggregate undrawn amount required for release of Liens under the terms of the applicable Secured Debt Documents) of all outstanding letters of credit issued pursuant to any Secured Debt Documents or arrangement of substitute collateralization for such Priority Lien Debt which is satisfactory to the holder of such applicable Priority Lien Debt;

(2) as to any Collateral that is sold, transferred or otherwise disposed of by any Borrower or any other Pledgor to a Person that is not (either before or after such sale, transfer or disposition) a Borrower or a Restricted Subsidiary (as defined under the Indenture) of any Borrower in a transaction or other circumstance that complies with Section 4.10 of the Indenture, if any, and is permitted by all of the other Secured Debt Documents or that is made in connection with an enforcement of a Priority Lien, at the time of such sale, transfer or other disposition or to the extent of the interest sold, transferred or otherwise disposed of; provided, that the Parity Lien Collateral Agent's Liens upon the Collateral will not be released if the sale or disposition (other than a sale or disposition made in connection with an enforcement of a Priority Lien) is subject to Section 5.01 of the Indenture;

(3) as to a release of less than all or substantially all of the Collateral, if consent to the release of all Priority Liens on such Collateral has been given by an Act of Required Debtholders; and

(4) as to a release of all or substantially all of the Collateral, if (A) consent to release of that Collateral has been given by the requisite percentage or number of holders of each Series of Secured Debt at the time outstanding as provided for in the applicable Secured Debt Documents and (B) the Borrowers have delivered an Officers' Certificate to the Priority Lien Collateral Agent and the Parity Lien Collateral Agent certifying that any such necessary consents have been obtained.

(b) The Priority Lien Collateral Agent and the Parity Lien Collateral Agent agree for the benefit of the Borrowers and the other Pledgors that if the Priority Lien Collateral Agent or Parity Lien Collateral Agent, as applicable, at any time receives:

(1) an Officers' Certificate stating that (A) the signing officer has read Article 5 of this Agreement and understands the provisions and the definitions relating hereto, (B) such officer has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not the conditions precedent in this Agreement and all other Secured Debt Documents, if any, relating to the release of the Collateral have been complied with and (C) in the opinion of such officer, such conditions precedent, if any, have been complied with;

(2) the proposed instrument or instruments releasing such Lien as to such property in recordable form, if applicable; and

(3) prior to the Discharge of Priority Lien Obligations, the written confirmation of each Priority Lien Representative (or, at any time after the Discharge of Priority Lien Obligations, each Parity Lien Representative) (such confirmation to be given following receipt of, and based solely on, the Officers' Certificate described in clause (1) above) that, in its view, such release is permitted by Section 5.1(a) and the respective Secured Debt Documents governing the Secured Obligations the holders of which such Secured Debt Representative represents;

(4) an Opinion of Counsel and any other documents required by, in the case of the Parity Lien Collateral Agent, the Indenture and the Trust Indenture Act of 1939, as amended.

then the Priority Lien Collateral Agent or Parity Lien Collateral Agent, as applicable, will execute (with such acknowledgements and/or notarizations as are required) and deliver such release to the Borrowers or other applicable Pledgor on or before the later of (x) the date specified in such request for such release and (y) the fifth Business Day after the date of receipt of the items required by this Section 5.1(b) by the Priority Lien Collateral Agent or Parity Lien Collateral Agent, as applicable.

(c) The Priority Lien Collateral Agent and the Parity Lien Collateral Agent hereby agree that:

(1) in the case of any release pursuant to clause (2) of Section 5.1(a), if the terms of any such sale, transfer or other disposition require the payment of the purchase price to be contemporaneous with the delivery of the applicable release, then, at the written request of and at the expense of the Borrowers or other applicable Pledgor, the Priority Lien Collateral Agent and the Parity Lien Collateral Agent, as requested, will either (A) be present at and deliver the release at the closing of such transaction or (B) deliver the release under customary

escrow arrangements that permit such contemporaneous payment and delivery of the release; and

(2) at any time when a Secured Debt Default under a Series of Secured Debt that constitutes Parity Lien Debt has occurred and is continuing, within one Business Day of the receipt by it of any Act of Required Debtholders pursuant to Section 5.1(a)(3), the Priority Lien Collateral Agent prior to the Discharge of Parity Lien Obligations (and the Parity Lien Collateral Agent) thereafter will deliver a copy of such Act of Required Debtholders to each Secured Debt Representative.

(d) Each Secured Debt Representative hereby agrees that within one Business Day of the receipt by it of any notice from the Priority Lien Collateral Agent prior to the Discharge of Parity Lien Obligations and the Collateral Agent thereafter pursuant to Section 5.1(c)(2), such Secured Debt Representative will deliver a copy of such notice to each registered holder of the Series of Priority Lien Debt or Series of Parity Lien Debt for which it acts as Secured Debt Representative.

SECTION 5.2 Delivery of Copies to Secured Debt Representatives. The Borrowers will deliver to each Secured Debt Representative a copy of each Officers' Certificate delivered to the Priority Lien Collateral Agent or the Parity Lien Collateral Agent pursuant to Section 5.1(b), together with copies of all documents delivered to the Priority Lien Collateral Agent or the Parity Lien Collateral Agent with such Officers' Certificate. The Secured Debt Representatives will not be obligated to take notice thereof or to act thereon, subject to Section 5.1(d).

SECTION 5.3 Collateral Trustee and Collateral Agents not Required to Serve, File or Record. The Collateral Trustee, the Priority Lien Collateral Agent and the Parity Lien Collateral Agent are not required to serve, file, register or record any instrument releasing or subordinating their Liens on any Collateral to any third party; *provided, however*, that if after the satisfaction of all conditions to the release of the relevant Collateral described in Section 5.1, any Borrower or any other Pledgor shall make a written demand for a termination statement whether under Section 9-513(c) of the UCC or any other applicable law, the Collateral Trustee, the Priority Lien Collateral Agent and the Parity Lien Collateral Agent shall comply with the written request of such Borrower or Pledgor to comply with the requirements of such UCC or other applicable provision; *provided*, *further,* that the Collateral Trustee, the Priority Lien Collateral Agent and the Parity Lien Collateral Agent may first confirm with their counsel and the Secured Debt Representatives that the requirements of such UCC or other applicable provisions have been satisfied and that additional Collateral is not being released by the execution and delivery thereof.

SECTION 5.4 Release of Liens in Respect of Notes. The Parity Lien Collateral Agent's Parity Lien upon the Parity Lien Collateral will no longer secure the Notes outstanding under the Indenture or any other Obligations under the Indenture, and the right of the holders of the Notes and such Obligations to the benefits and proceeds of the Parity Lien Collateral Agent's Parity Lien on the Parity Lien Collateral will terminate and be discharged:

(a) upon satisfaction and discharge of the Indenture as set forth under Article 11 of the Indenture;

(b) upon a Legal Defeasance or Covenant Defeasance (each as defined under the Indenture) of the Notes as set forth under Article 8 of the Indenture;

(c) upon payment in full and discharge of all Notes outstanding under the Indenture and all Obligations that are outstanding, due and payable under the Indenture at the time the Notes are paid in full and discharged; or

(d) in whole or in part, with the consent of the holders of the requisite percentage of Notes in accordance with Article 9 of the Indenture.

As a condition to the release of the Collateral by the Parity Lien Collateral Agent, the Trustee and the Parity Lien Collateral Agent shall have received the Officer's Certificate, Opinion of Counsel and other documentation required by Section 5.1.

SECTION 5.5 Standard for Excluded Assets After Discharge of Priority Lien Obligations. Following the Discharge of Priority Lien Obligations if (a) a Subsidiary of MagnaChip Semiconductor LLC (USA) ("***US LLC***") owns Collateral in a jurisdiction where no Subsidiary of US LLC has pledged Collateral or owns Collateral of a type which has not been previously pledged to secure Parity Lien Debt, or the pledge of any Collateral by such Subsidiary shall be unlawful or impracticable, or costs of obtaining Liens in such Collateral are excessive in relation to the value of such Collateral or if such Collateral had not been subject to the Priority Liens at the time of the Discharge of Priority Lien Obligations, or (b) there occurs a change in law or regulation which would make it unlawful or impracticable to maintain liens in any portion of the Collateral, then upon receipt of (1) an Officer's Certificate setting forth in reasonable detail the reasons why such Collateral was not subject to the Priority Liens or cannot be made or remain subject to the Parity Lien Security Documents and (2) an Opinion of Counsel or letter from a prominent financial institution or investment bank located in the applicable jurisdiction and active in secured lending stating that it is not customary (which determination may take into account the reason for excluding any such property from the scope of Priority Liens) for borrowers in such jurisdiction to make or maintain pledges in such Collateral under such circumstances, the Parity Lien Representative and the Parity Lien Collateral Agent shall not require such Subsidiary to pledge such Collateral pursuant to the Security Documents.

## ARTICLE 6. PROVISIONS RELATING TO RIGHTS OF LIEN ENFORCEMENT PARTIES

SECTION 6.1 Exculpatory Provisions.

(a) None of the Lien Enforcement Parties shall have any duties or obligations except those expressly set forth herein and in the other Security Documents and the Collateral Trust Agreement and no implied duties or obligations shall be read into this Agreement against any Lien Enforcement Party. Without limiting the generality of the foregoing, none of the Lien Enforcement Parties:

(1) shall be subject to any fiduciary or other implied duties;

(2) shall have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers that the applicable Lien Enforcement Party is required to undertake as directed in writing by the Required Priority Lien Debtholders or the Required Parity Lien Debtholders, as applicable; *provided* that none of the Lien Enforcement Parties shall be required to act until such Lien Enforcement Party has received security or indemnity reasonably satisfactory to such Lien Enforcement Party against any claim, loss, liability, cost or expense; *provided further* that none of the Lien Enforcement Parties shall be required to take any action that, in its judgment or the judgment of its counsel, may expose such Lien Enforcement Party to liability;

(3) shall have any duty to disclose, nor shall such Lien Enforcement Party be liable for the failure to disclose, any information relating to any Borrower or any of such Lien Enforcement Party's Affiliates that is communicated to or obtained by the Person serving as a Lien Enforcement Party or any of its Affiliates in any capacity; and

(4) shall have any duty or obligation to perfect or maintain perfection of any security interest granted to it, it being understood and agreed that such duty and obligation shall be that of the Borrowers.

(b) None of the Lien Enforcement Parties shall be liable for any action taken or not taken by it (1) with the consent or at the request of the Required Priority Lien Debtholders or the Required Parity Lien Debtholders, as applicable (or such other number or percentage of the respective holders as shall be necessary, or such Lien Enforcement Party shall believe in good faith shall be necessary, under the circumstances) or (2) in the absence of its own gross negligence or willful misconduct.

(c) None of the Lien Enforcement Parties shall be responsible for or have any duty to ascertain or inquire into (1) any statement, warranty or representation made in or in connection with this Agreement or any other Security Document or the Collateral Trust Agreement, (2) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (3) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein, or (4) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Security Document, the Collateral Trust Agreement or any other agreement, instrument or document. Without limiting the generality of the foregoing, the use of the term "agent" in this Agreement with reference to any Lien Enforcement Party is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term us used merely as a matter of market custom and is intended to create or reflect only an administrative relationship between independent contracting parties.

(d) None of the Lien Enforcement Parties shall be responsible or liable for any failure or delay in the performance of its obligations under this Agreement arising out of or caused, directly or indirectly, by circumstances beyond their reasonable control, including without limitation: acts of God, earthquakes, fires, floods, wars, civil or

military disturbances, sabotage, epidemics, riots, terrorist acts, interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications service, accidents, labor disputes, and acts of civil or military authority or governmental actions.

SECTION 6.2 Reliance by the Lien Enforcement Parties. Each Lien Enforcement Party shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. Each Lien Enforcement Party also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder that by its terms must be fulfilled to the satisfaction of a Lien Enforcement Party, each Lien Enforcement Party may presume that such condition is satisfactory to the Priority Lien Representative or Parity Lien Representative, as applicable, unless such Lien Enforcement Party shall have received notice to the contrary from such Priority Lien Representative or Parity Lien Representative. Each Lien Enforcement Party may consult with legal counsel (who may be counsel for Borrowers or other Persons having an interest in the decision), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

SECTION 6.3 Delegation of Duties. Each Lien Enforcement Party may perform any and all of its duties and exercise its rights and powers hereunder or under any other Security Document or under the Collateral Trust Agreement by or through any one or more sub-agents, co-trustees or separate trustees appointed by the Borrowers or such Lien Enforcement Party. Each Lien Enforcement Party and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Affiliates. The exculpatory provisions of this Article shall apply to any such sub-agent, co-trustee or separate trustee and to the Affiliates of such Lien Enforcement Party and any such sub-agent, co-trustee or separate trustee.

SECTION 6.4 Resignation of the Lien Enforcement Parties. Collateral Trustee may resign pursuant to Section 5.1 of the Collateral Trust Agreement. Each of the Priority Lien Collateral Agent and the Parity Lien Collateral Agent may at any time give notice of its resignation to the Priority Lien Representative or the Parity Lien Representative, respectively. Upon receipt of any such notice of resignation, the Required Priority Lien Debtholders or the Required Parity Lien Debtholders, as applicable, shall have the right, in consultation with Borrowers, to appoint a successor. If no such successor shall have been so appointed by the Required Priority Lien Debtholders or the Required Parity Lien Debtholders, as applicable, and shall have accepted such appointment within 30 days after the retiring Priority Lien Collateral Agent or the retiring Parity Lien Collateral Agent, as applicable, gives notice of its resignation, then the retiring Priority Lien Collateral Agent or the retiring Parity Lien Collateral Agent, as applicable, may on behalf of the Priority Lien Representative or the Parity Lien Representative appoint a successor Priority Lien Collateral Agent or a successor Parity Lien Collateral Agent, as applicable, provided that if the Priority Lien Collateral Agent or the Parity Lien Collateral Agent shall notify Borrowers, the Priority Lien Representative or the Parity Lien Representative that no qualifying Person has accepted such appointment, then such resignation shall nonetheless

become effective in accordance with such notice and (a) the retiring Priority Lien Collateral Agent or the retiring Parity Lien Collateral Agent, as applicable, shall be discharged from its duties and obligations hereunder and under the other Security Documents (except that in the case of any collateral security held by the Priority Lien Collateral Agent or the Parity Lien Collateral Agent, as applicable, on behalf of the Priority Lien Representative and the Parity Lien Representative respectively under any of the Security Documents, the retiring Priority Lien Collateral Agent or the retiring Parity Lien Collateral Agent, as applicable, shall continue to hold such collateral security as nominee until such time as a successor Priority Lien Collateral Agent or a successor Parity Lien Collateral Agent, as applicable, is appointed) and (b) all payments, communications and determinations provided to be made by, to or through the Priority Lien Collateral Agent or the Parity Lien Collateral Agent shall instead be made by or to each Priority Lien Representative or the Parity Lien Representative, as applicable, directly, until such time as the Required Priority Lien Debtholders and the Required Parity Lien Debtholders, as applicable, appoint a successor Priority Lien Collateral Agent or a successor Parity Lien Collateral Agent, as applicable, as provided for above in this paragraph. Upon the acceptance of a successor's appointment as the Priority Lien Collateral Agent or the Parity Lien Collateral Agent, as applicable, hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Priority Lien Collateral Agent or the retiring (or retired) Parity Lien Collateral Agent, as applicable, and the retiring (or retired) Priority Lien Collateral Agent or the retiring (or retired) Parity Lien Collateral Agent, as applicable, shall be discharged from all of its duties and obligations hereunder or under the other Security Documents (if not already discharged therefrom as provided above in this paragraph). The fees payable by any Borrower to a successor Priority Lien Collateral Agent or a successor Parity Lien Collateral Agent shall be the same as those payable to its predecessor unless otherwise agreed between such Borrower and such successor. After the retiring Priority Lien Collateral Agent's or the retiring Parity Lien Collateral Agent's resignation hereunder and under the other Security Documents, the provisions of this Article 6 shall continue in effect for the benefit of such retiring Priority Lien Collateral Agent or the retiring Parity Lien Collateral Agent, as applicable, its sub-agents and their respective Affiliates in respect of any actions taken or omitted to be taken by any of them while the retiring Priority Lien Collateral Agent or the retiring Parity Lien Collateral Agent, as applicable, was acting as the Priority Lien Collateral Agent or the Parity Lien Collateral Agent.

SECTION 6.5 Non-Reliance on the Lien Enforcement Parties, the Priority Lien Representative and the Parity Lien Representative. Each of Priority Lien Representative and the Parity Lien Representative acknowledges that each holder of Secured Debt, by their acceptance of the Secured Debt Documents to which it is a party and its extension of credit to the Borrowers, shall be deemed to acknowledge that it (i) has independently and without reliance upon any of the Lien Enforcement Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into the applicable Secured Debt Documents, (ii) will, independently and without reliance upon any of the Lien Enforcement Parties, and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Security Document or any related agreement or any document furnished hereunder or thereunder, and (iii) has instructed a Priority Lien Representative or a Parity Lien Representative, as the case may be, to act on its behalf.

SECTION 6.6 Expenses; Indemnity; Damage Waiver.

(a) Costs and Expenses. The Borrowers hereby jointly and severally agree to pay on demand (1) all out-of-pocket expenses incurred by each Lien Enforcement Party (including the fees, charges and disbursements of any counsel for such Lien Enforcement Party), in connection with the perfection, enforcement, or protection of the Liens and other rights of the Secured Parties (A) in connection with this Agreement and the other Security Documents and the Collateral Trust Agreement, including all post-closing matters contemplated by the Security Documents and its rights under this Section 6.6, or (B) in connection with the Priority Lien Debt or the Parity Lien Debt, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Priority Lien Debt or the Parity Lien Debt and (2) all documentary and similar taxes and charges in respect of the Security Documents and the Collateral Trust Agreement.

(b) Indemnification of the Lien Enforcement Parties. The Borrowers shall jointly and severally indemnify each Lien Enforcement Party and each of its Affiliates (each such person being called an "***Indemnitee***") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any Indemnitee) incurred by any Indemnitee or asserted against any Indemnitee by any third party or by any Borrower or any other Pledgor arising out of, in connection with, or as a result of (1) the execution or delivery of this Agreement, any other Security Document, the Collateral Trust Agreement, or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (2) any Priority Lien Debt or Parity Lien Debt or the use or proposed use of the proceeds therefrom, (3) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by any Borrower or any other Pledgor, and regardless of whether any Indemnitee is a party thereto; *provided* that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (A) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (B) result from a claim brought by any Borrower or any other Pledgor against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Security Document or under the Collateral Trust Agreement, if such Borrower or such other Pledgor has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

(c) Reimbursement by the Priority Lien Representative. To the extent that any Borrower for any reason fails to indefeasibly pay any amount required under paragraph (a) or (b) of this Section 6.6 to be paid by it to the Priority Lien Collateral Agent or any of its Affiliates, each Priority Lien Representative agrees to pay to the Priority Lien Collateral Agent or any of its Affiliates such unpaid amount ratably in proportion to the principal of, and interest and premium (if any) and reimbursement

obligations on each outstanding Series of Priority Lien Debt; *provided* that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Priority Lien Collateral Agent or any of its Affiliates.

(d) Reimbursement by the Parity Lien Representative. To the extent that any Borrower for any reason fails to indefeasibly pay any amount required under paragraph (a) or (b) of this Section 6.6 to be paid by it to the Parity Lien Collateral Agent or any of its Affiliates, the Parity Lien Representative agrees to pay (solely from funds therefor received from holders of Parity Lien Debt) to the Parity Lien Collateral Agent or any of its Affiliates such unpaid amount ratably in proportion to the principal of, and interest and premium (if any) and reimbursement obligations on each outstanding Series of Parity Lien Debt; *provided* that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Parity Lien Collateral Agent or any of its Affiliates.

(e) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable requirements of law, none of the Borrowers nor the Pledgors shall assert, and each Borrower and each Pledgor hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Security Document, the Collateral Trust Agreement, or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Priority Lien Debt, Parity Lien Debt, or the use of the proceeds thereof. No Indemnitee referred to in paragraph (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement, any other Security Document, the Collateral Trust Agreement, or the transactions contemplated hereby or thereby.

## ARTICLE 7. MISCELLANEOUS PROVISIONS

SECTION 7.1 Amendment of this Agreement. No amendment or supplement to the provisions of this Agreement will be effective unless made in accordance with Section 3.8 and Section 3.9 and with the consent of the Collateral Trustee.

SECTION 7.2 Voting. In connection with any matter under this Agreement requiring a vote of holders of Secured Debt, each Series of Secured Debt will cast its votes in accordance with the Secured Debt Documents governing such Series of Secured Debt. The amount of Secured Debt to be voted by a Series of Secured Debt will equal (a) the aggregate principal amount of Secured Debt held by such Series of Secured Debt (including outstanding letters of credit whether or not then available or drawn), plus (b) other than in connection with an exercise of remedies, the aggregate unfunded commitments to extend credit which, when funded, would constitute Indebtedness of such Series of Secured Debt. Following and in accordance with the outcome of the applicable vote under its Secured Debt Documents, the Secured Debt Representative of each Series of Secured Debt will vote the total amount of Secured Debt under that Series as a block in respect of any vote under this Agreement. Such Secured Debt

Representative shall deliver a certificate to the Priority Lien Collateral Agent or the Parity Lien Collateral Agent, as applicable, setting forth the aggregate amount of Secured Debt of such Series of Secured Debt and the results of the vote of such Series. The Priority Lien Collateral Agent or the Parity Lien Collateral Agent, as applicable, shall be entitled to rely and shall be fully protected in relying on such certificate.

SECTION 7.3 Further Assurances. Each Pledgor will do or cause to be done all acts and things that may be required, or that the Parity Lien Collateral Agent from time to time may reasonably request, to assure and confirm that the Parity Lien Collateral Agent holds, for the benefit of the holders of Parity Lien Obligations, duly created and enforceable and perfected Parity Liens upon the Parity Lien Collateral (including any property or assets that are acquired or otherwise become Parity Lien Collateral after the Notes are issued), in each case, as contemplated by, and with the Lien priority required under, the Parity Lien Documents. Upon the reasonable request of the Parity Lien Collateral Agent or any Parity Lien Representative at any time and from time to time, each Pledgor will promptly execute, acknowledge and deliver such Security Documents, instruments, certificates, notices and other documents, and take such other actions as shall be reasonably required, or that the Parity Lien Collateral Agent may reasonably request, to create, perfect, protect, assure or enforce the Liens and benefits intended to be conferred, in each case as contemplated by the Parity Lien Documents for the benefit of the holders of Parity Lien Obligations.

SECTION 7.4 Bailee for Perfection. Solely for purposes of perfecting the Parity Liens of the Parity Lien Collateral Agent in any portion of the Collateral in the possession of the Priority Lien Collateral Agent (or its agents or bailees) as part of the collateral securing the Priority Lien Obligations including, without limitation, any instruments, goods, negotiable documents, tangible chattel paper, certificated securities or money, the Priority Lien Collateral Agent and the Priority Lien Representatives acknowledge that the Priority Lien Collateral Agent also holds that property as bailee for the benefit of the Parity Lien Collateral Agent for the benefit of the holders of Parity Lien Obligations.

SECTION 7.5 Delivery of Collateral and Proceeds of Collateral. Following the Discharge of Priority Lien Obligations, the Priority Lien Collateral Agent will, to the extent permitted by applicable law, deliver to (a) the Parity Lien Collateral Agent or (b) such other Person as a court of competent jurisdiction may otherwise direct, (1) any Collateral held by, or on behalf of, the Priority Lien Collateral Agent or any holder of Priority Lien Obligations which secures the Parity Lien Obligations, and (2) all proceeds of Collateral held by, or on behalf of, the Priority Lien Collateral Agent or any holder of Priority Lien Obligations, whether arising out of an action taken to enforce, collect or realize upon any Collateral or otherwise. Such Collateral and such proceeds will be delivered without recourse and without any representation or warranty whatsoever as to the enforceability, perfection, priority or sufficiency of any Lien securing or guarantee or other supporting obligation for any Priority Lien Debt or Parity Lien Debt, together with any necessary endorsements or as a court of competent jurisdiction may otherwise direct.

SECTION 7.6 Successors and Assigns. Neither any Borrower nor any other Pledgor may delegate any of its duties or assign any of its rights hereunder, and any attempted delegation or assignment of any such duties or rights will be null and void. All obligations of the Borrowers and the other Pledgors hereunder will inure to the sole and exclusive benefit of, and be

enforceable by, the Collateral Trustee, the Priority Lien Collateral Agent, the Parity Lien Collateral Agent, each Secured Debt Representative and each present and future holder of Secured Obligations, each of whom will be entitled to enforce this Agreement as a third-party beneficiary hereof, and all of their respective successors and assigns.

SECTION 7.7 Delay and Waiver. No failure to exercise, no course of dealing with respect to the exercise of, and no delay in exercising, any right, power or remedy arising under this Agreement or any of the other Security Documents or Priority Lien Security Documents will impair any such right, power or remedy or operate as a waiver thereof. No single or partial exercise of any such right, power or remedy will preclude any other or future exercise thereof or the exercise of any other right, power or remedy. The remedies herein are cumulative and are not exclusive of any remedies provided by law.

SECTION 7.8 Notices. Any communications, including notices and instructions, between the parties hereto or notices provided herein to be given may be given to the following addresses:

| | |
|---|---|
| If to the Priority Lien Collateral Agent: | UBS AG, Stamford Branch<br>Banking Products Services<br>677 Washington Boulevard<br>6-South<br>Stamford, CT 06901<br>Attention: Winslowe F. Ogbourne,<br>Associate Director<br>Telephone No.: (203) 719-3587<br>Fax: (203) 719-3888 |
| If to the Parity Lien Collateral Agent: | The Bank of New York<br>101 Barclay Street<br>New York, NY 10286<br>Attention: Corporate Trust Division –<br>Corporate Finance Unit<br>Telephone: (212) 815-5360<br>Fax: (212) 815-5704 |
| If to any Borrower or any other Pledgor: | c/o MagnaChip Semiconductor, Ltd.<br>891 daechi-dong, Kangnam-gu<br>Seoul 135-738, Korea<br>Attention: Robert Krakauer<br>Telephone: 82-23-459-3682<br>Fax: _____ |

| | |
|---|---|
| If to the Credit Agreement Agent: | UBS AG, Stamford Branch<br>Banking Products Services<br>677 Washington Boulevard<br>6-South<br>Stamford, CT 06901<br>Attention: Winslowe F. Ogbourne,<br>Associate Director<br>Telephone No.: (203) 719-3587<br>Fax: (203) 719-3888 |
| If to the Collateral Trustee: | US Bank National Association<br>100 Wall Street, Suite 1600<br>New York, NY 10005<br>Attention: Corporate Trust Department<br>Telephone: (212) 361-6184<br>Fax: (212) 809-5459 |

and if to any other Secured Debt Representative, to such address as it may specify by written notice to the parties named above.

All notices and communications will be mailed by first class mail, certified or registered, return receipt requested, or by overnight air courier guaranteeing next day delivery, to the relevant address set forth above or, as to holders of Secured Debt, its address shown on the register kept by the office or agency where the relevant Secured Debt may be presented for registration of transfer or for exchange. To the extent applicable, any notice or communication will also be so mailed to any Person described in § 313(c) of the Trust Indenture Act of 1939, as amended, to the extent required thereunder. Failure to mail a notice or communication to a holder of Secured Debt or any defect in it will not affect its sufficiency with respect to other holders of Secured Debt.

If a notice or communication is mailed in the manner provided above within the time prescribed, it shall be considered to have been duly given, whether or not the addressee receives it.

SECTION 7.9 Notice Following Discharge of Priority Lien Obligations. Promptly following the Discharge of Priority Lien Obligations with respect to one or more Series of Priority Lien Debt, each Priority Lien Representative with respect to each applicable Series of Priority Lien Debt that is so discharged will provide written notice of such Discharge to the Collateral Trustee, the Priority Lien Collateral Agent, the Parity Lien Collateral Agent and to each other Secured Debt Representative.

SECTION 7.10 Parity Lien Collateral Agent and Priority Lien Collateral Agent. Notwithstanding anything herein to the contrary, it is hereby expressly agreed and acknowledged that the lien subordination and other agreements and obligations of the Parity Lien Collateral Agent herein are made solely in its capacity as Parity Lien Collateral Agent (and not in its individual capacity). The Parity Lien Collateral Agent shall not have any duties, obligations, or

responsibilities to the Priority Lien Collateral Agent or any holder of Priority Lien Debt under this Agreement except as expressly set forth herein. Nothing in this Agreement shall be construed to operate as a waiver by the Parity Lien Collateral Agent of the benefit of any exculpatory provisions, presumptions, indemnities, protections, benefits, immunities or reliance rights contained in the Indenture, all of which are incorporated herein by reference mutatis mutandis, and each of the Priority Lien Collateral Agent and each holder of Priority Lien Obligations expressly agrees that, as between it and the Parity Lien Collateral Agent, the Parity Lien Collateral Agent shall have the benefit of all such exculpatory provisions, presumptions, indemnities, protections, benefits, immunities or reliance rights with respect to all actions of or omissions by the Parity Lien Collateral Agent under or pursuant to this Agreement.

SECTION 7.11 Concerning Parity Lien Representatives and Priority Lien Representatives. In directing the Parity Lien Collateral Agent or the Priority Lien Collateral Agent, the Parity Lien Representatives and the Priority Lien Representatives shall have no personal liability for acting as instructed by the requisite Secured Debt Holders under the applicable Security Documents.

SECTION 7.12 Entire Agreement. This Agreement states the complete agreement of the parties relating to the matters set forth herein and supersedes all oral negotiations and prior writings in respect of such undertaking. In the event of any conflict between the terms, conditions and provisions of this Agreement and any such agreement, document or instrument or any other Security Document, Priority Lien Security Document, or Parity Lien Security Document, the terms, conditions and provisions of this Agreement shall prevail.

SECTION 7.13 Severability. If any provision of this Agreement is invalid, illegal or unenforceable in any respect or in any jurisdiction, the validity, legality and enforceability of such provision in all other respects and of all remaining provisions, and of such provision in all other jurisdictions, will not in any way be affected or impaired thereby.

SECTION 7.14 Headings. Section headings herein have been inserted for convenience of reference only, are not to be considered a part of this Agreement and will in no way modify or restrict any of the terms or provisions hereof.

SECTION 7.15 Obligations Secured. All obligations of the Pledgors set forth in or arising under this Agreement will be Secured Obligations. The Priority Lien Obligations are secured by the Priority Liens and the Parity Lien Obligations are secured by the Parity Liens.

SECTION 7.16 Governing Law. THE INTERNAL LAW OF THE STATE OF NEW YORK WILL GOVERN AND BE USED TO CONSTRUE THIS AGREEMENT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

SECTION 7.17 Consent to Jurisdiction. All judicial proceedings brought against any party hereto arising out of or relating to this Agreement or any of the other Security Documents may be brought in any state or federal court of competent jurisdiction in the State, County and

City of New York. By executing and delivering this Agreement, each Pledgor, for itself and in connection with its properties, irrevocably:

(a) accepts generally and unconditionally the nonexclusive jurisdiction and venue of such courts;

(b) waives any defense of forum non conveniens;

(c) agrees that service of all process in any such proceeding in any such court may be made by registered or certified mail, return receipt requested, to such party at its address provided in accordance with Section 7.8;

(d) agrees that service as provided in clause (c) above is sufficient to confer personal jurisdiction over such party in any such proceeding in any such court and otherwise constitutes effective and binding service in every respect; and

(e) agrees each party hereto retains the right to serve process in any other manner permitted by law or to bring proceedings against any party in the courts of any other jurisdiction.

SECTION 7.18 Waiver of Jury Trial. Each party to this Agreement waives its rights to a jury trial of any claim or cause of action based upon or arising under this Agreement or any of the other Security Documents, Priority Lien Security Documents, or Parity Lien Security Documents or any dealings between them relating to the subject matter of this Agreement or the intents and purposes of the other Security Documents, Priority Lien Security Documents, or Parity Lien Security Documents. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this Agreement and the other Security Documents and Priority Lien Security Documents, including contract claims, tort claims, breach of duty claims and all other common law and statutory claims. Each party to this Agreement acknowledges that this waiver is a material inducement to enter into a business relationship, that each party hereto has already relied on this waiver in entering into this Agreement, and that each party hereto will continue to rely on this waiver in its related future dealings. Each party hereto further warrants and represents that it has reviewed this waiver with its legal counsel and that it knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. This waiver is irrevocable, meaning that it may not be modified either orally or in writing (other than by a mutual written waiver specifically referring to this Section 7.18 and executed by each of the parties hereto), and this waiver will apply to any subsequent amendments, renewals, supplements or modifications of or to this Agreement or any of the other Security Documents or Priority Lien Security Documents or to any other documents or agreements relating thereto. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

SECTION 7.19 Counterparts. This Agreement may be executed in any number of counterparts (including by facsimile), each of which when so executed and delivered will be deemed an original, but all such counterparts together will constitute but one and the same instrument.

SECTION 7.20 Effectiveness. This Agreement will become effective upon the execution of a counterpart hereof by each of the parties hereto and receipt by each party of written notification of such execution and written or telephonic authorization of delivery thereof.

SECTION 7.21 Additional Pledgors. The Borrowers will cause each Person that becomes a Pledgor or is required by any Secured Debt Document to become a party to this Agreement to become a party to this Agreement, for all purposes of this Agreement, by causing such Person to execute and deliver to the parties hereto an Intercreditor Agreement Joinder, whereupon such Person will be bound by the terms hereof to the same extent as if it had executed and delivered this Agreement as of the date hereof. The Borrowers shall promptly provide each Secured Debt Representative with a copy of each Intercreditor Agreement Joinder executed and delivered pursuant to this Section 7.21.

SECTION 7.22 Continuing Nature of this Agreement. This Agreement, including the subordination provisions hereof, will be reinstated if at any time any payment or distribution in respect of any of the Priority Lien Obligations is rescinded or must otherwise be returned in an Insolvency or Liquidation Proceeding or otherwise by any holder of Priority Lien Obligations or Priority Lien Representative or any representative of any such party (whether by demand, settlement, litigation or otherwise). In the event that all or any part of a payment or distribution made with respect to the Priority Lien Obligations is recovered from any holder of Priority Lien Obligations or any Priority Lien Representative in an Insolvency or Liquidation Proceeding or otherwise, such payment or distribution received by any holder of Parity Lien Obligations or Parity Lien Representative with respect to the Parity Lien Obligations from the proceeds of any Collateral or any title insurance policy required by any real property mortgage at any time after the date of the payment or distribution that is so recovered, whether pursuant to a right of subrogation or otherwise, that Parity Lien Representative or that holder of a Parity Lien Obligation, as the case may be, will forthwith deliver the same to the Priority Lien Collateral Agent, for the account of the holders of the Priority Lien Obligations and other Obligations secured by a Permitted Prior Lien, to be applied in accordance with Sections 4.1 and 4.2. Until so delivered, such proceeds will be held by that Parity Lien Representative or that holder of a Parity Lien Obligation, as the case may be, for the benefit of the holders of the Priority Lien Obligations and other Obligations secured by a Permitted Prior Lien.

SECTION 7.23 Insolvency. This Agreement will be applicable both before and after the commencement of any Insolvency or Liquidation Proceeding by or against any Pledgor. The relative rights, as provided for in this Agreement, will continue after the commencement of any such Insolvency or Liquidation Proceeding on the same basis as prior to the date of the commencement of any such case, as provided in this Agreement.

SECTION 7.24 Rights and Immunities of Secured Debt Representatives. The Credit Agreement Agent will be entitled to all of the rights, protections, immunities and indemnities set forth in the Credit Agreement and the Trustee will be entitled to all of the rights, protections, immunities and indemnities set forth in the Indenture and any future Secured Debt Representative will be entitled to all of the rights, protections, immunities and indemnities set forth in the credit agreement, indenture or other agreement governing the applicable Secured Debt with respect to which such Person will act as representative, in each case as if specifically set forth herein. In no event will any Secured Debt Representative be liable for any act or omission on the part of the Pledgors, the Priority Lien Collateral Agent or the Parity Lien Collateral Agent hereunder.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Intercreditor Agreement to be executed by their respective officers or representatives as of the day and year first above written.

MAGNACHIP SEMICONDUCTOR S.A.,
a Luxembourg company

By: _____
Name:
Title:

MAGNACHIP SEMICONDUCTOR FINANCE COMPANY, a Delaware corporation

By: _____
Name:
Title:

MAGNACHIP SEMICONDUCTOR LLC,
a Delaware limited company

By: _____
Name:
Title:

MAGNACHIP SEMICONDUCTOR, INC.,
a Delaware corporation

By: _____
Name:
Title:

MAGNACHIP SEMICONDUCTOR SA HOLDINGS LLC, a Delaware limited liability company

By: _____
Name:
Title:

[Signature Page to Intercreditor Agreement]

MAGNACHIP SEMICONDUCTOR LIMITED,
a company incorporated in England and Wales with registered no. 0523281

By: _____
Name:
Title:

MAGNACHIP SEMICONDUCTOR, LTD.,
a Japanese company

By: _____
Name:
Title:

MAGNACHIP SEMICONDUCTOR LIMITED,
a Taiwanese company

By: _____
Name:
Title:

MAGNACHIP SEMICONDUCTOR B.V.,
a Netherlands company

By: _____
Name:
Title:

MAGNACHIP SEMICONDUCTOR LTD.,
a Korean corporation

By: _____
Name:
Title:

**For execution as a deed:**

EXECUTED AS A DEED by )
)
as duly appointed attorney )
pursuant to a power of attorney )
dated )
for and on behalf of )
MAGNACHIP SEMICONDUCTOR )
LIMITED )
in the presence of: )

Witness: _____ Witness: _____

Name: Name:

Address: Address:

***For execution otherwise than as a deed:***

SIGNED by )
)
as duly appointed attorney )
pursuant to a power of attorney )
dated )
for and on behalf of )
MAGNACHIP SEMICONDUCTOR )
LIMITED )
in the presence of: )

Witness: _____

Name:

Address:

***CERTIFICATION LANGUAGE***

I, the undersigned, being a director of MagnaChip Semiconductor Limited, do hereby certify that this document is a true and complete copy of its original.

_____
[***Name***]
Date:

UBS AG, STAMFORD BRANCH,
as Credit Agreement Agent

By: _____
Name:
Title:

By: _____
Name:
Title:

UBS AG, STAMFORD BRANCH,, as Priority Lien
Collateral Agent

By: _____
Name:
Title:

By: _____
Name:
Title:

THE BANK OF NEW YORK, as Parity Lien
Collateral Agent

By: _____
Name:
Title:

[Signature Page to Intercreditor Agreement]

U.S. BANK NATIONAL ASSOCIATION, as Collateral Trustee

By: _____
Name:
Title:

EXHIBIT A
to Intercreditor Agreement

**[FORM OF]**
**INTERCREDITOR AGREEMENT JOINDER**

The undersigned, _____, a _____, hereby agrees to become party as [a Pledgor] [a Parity Lien Representative] [a Priority Lien Representative] under the Intercreditor Agreement dated as of December 23, 2004 (the ***"Intercreditor Agreement"***) among MAGNACHIP SEMICONDUCTOR S.A., a *société anonyme*, organized and existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 10, rue de Vianden, L-2680 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Register of commerce and companies under the number B 97,483, MAGNACHIP SEMICONDUCTOR FINANCE COMPANY, a Delaware corporation, the Pledgors from time to time party thereto, UBS AG, STAMFORD BRANCH, as Credit Agreement Agent (as defined therein) and as Priority Lien Collateral Agent (as defined therein), The Bank of New York, as Trustee (as defined therein) and as Parity Lien Collateral Agent (as defined therein), and U.S. Bank National Association, as Collateral Trustee (as defined therein), as amended, supplemented, amended and restated or otherwise modified and in effect from time to time, for all purposes thereof on the terms set forth therein, and to be bound by the terms of the Intercreditor Agreement as fully as if the undersigned had executed and delivered the Intercreditor Agreement as of the date thereof.

The provisions of Article 6 of the Intercreditor Agreement will apply with like effect to this Joinder.

IN WITNESS WHEREOF, the parties hereto have caused this Intercreditor Agreement Joinder to be executed by their respective officers or representatives as of _____, 20____.

[_____]

By: _____
Name: _____
Title: _____

**Exhibit 10.5**

# SECOND AMENDED AND RESTATED

# SECURITYHOLDERS' AGREEMENT

**dated as of**

**October 6, 2004**

**by and among**

**MAGNACHIP SEMICONDUCTOR LLC,**

**CVC CAPITAL PARTNERS ASIA PACIFIC LP,**

**ASIA INVESTORS LLC,**

**CVC CAPITAL PARTNERS ASIA II LIMITED,**

**CITIGROUP VENTURE CAPITAL EQUITY PARTNERS, L.P.,**

**CVC EXECUTIVE FUND LLC,**

**CVC/SSB EMPLOYEE FUND, L.P.,**

**CVC CO-INVESTORS (as defined herein),**

**FRANCISCO PARTNERS, L.P.,**

**FRANCISCO PARTNERS FUND A, L.P.,**

**PENINSULA INVESTMENT PTE. LTD.,**

**HYNIX SEMICONDUCTOR INC.,**

**MANAGEMENT INVESTORS (as defined herein),**

**and**

**CERTAIN OTHER PERSONS NAMED HEREIN**

**TABLE OF CONTENTS**

**TABLE OF CONTENTS**
(continued)

**SECOND AMENDED AND RESTATED SECURITYHOLDERS' AGREEMENT**

THIS IS A SECOND AMENDED AND RESTATED SECURITYHOLDERS' AGREEMENT dated as of October 6, 2004 among (i) MagnaChip Semiconductor LLC, a Delaware limited liability company (the "**Company**"), (ii) CVC Capital Partners Asia Pacific LP, a Cayman Islands limited partnership ("**CVC Asia LP**"), Asia Investors LLC, a Delaware limited liability company ("**CVC Asia Investors**") and CVC Capital Partners Asia II Limited, a Jersey company ("**CVC Asia II Limited**" and, collectively with CVC Asia LP and CVC Asia Investors, "**CVC Asia Pacific Investors**"), (iii) Citigroup Venture Capital Equity Partners, L.P., a Delaware limited partnership ("**CVC Equity Fund**"), CVC Executive Fund LLC, a Delaware limited liability company ("**CVC Executive Fund**"), CVC/SSB Employee Fund, L.P., a Delaware limited partnership ("**CVC Employee Fund**"), the persons named on Schedule I hereto (collectively, the "**CVC Co-Investors**" and, collectively with CVC Equity Fund, CVC Executive Fund and CVC Employee Fund, "**CVC US**"), (iv) Francisco Partners, L.P., a Delaware limited partnership ("**FP LP**"), Francisco Partners Fund A, L.P., a Delaware limited partnership ("**FP Fund A**" and, collectively, with FP LP and FP Fund A, "**FP**"), (v) Peninsula Investment Pte. Ltd., a Singapore private company ("**Peninsula**"), (vi) Hynix Semiconductor Inc. ("**Hynix**"), (vii) the persons named on Schedule II hereto (collectively, "**Management Investors**") and (viii) such persons that shall sign joinder agreements to this Agreement in accordance with the terms hereof. Each of CVC US and FP are sometimes referred to herein individually as an "**Institutional Securityholder**" and collectively as the "**Institutional Securityholders**."

**WITNESSETH:**

WHEREAS, the parties hereto own or have the right to acquire securities of the Company and desire to enter into this Agreement to govern certain of their rights, duties and obligations with respect to such securities;

NOW, THEREFORE, in consideration of the covenants and agreements contained herein and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1

DEFINITIONS

Section 1.01. *Definitions.*

(a) The following terms, as used herein, have the following meanings:

"**Affiliate**" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with such Person, *provided* that no securityholder of the Company shall be deemed an Affiliate of any other securityholder solely by reason of any investment in the Company. For the purpose of this definition, the term "**control**"

(including with correlative meanings, the terms "**controlling**", "**controlled by**" and "**under common control with**"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"**Aggregate Ownership**" means, with respect to any Securityholder or group of Securityholders, and with respect to any class of Eligible Securities, the total number of shares, units (or other unit of measurement into which such securities are designated) of such class of Eligible Securities "beneficially owned" (as such term is defined in Rule 13d-3 of the Exchange Act) (without duplication) by such Securityholder or group of Securityholders as of the date of such calculation, calculated as if all units issuable in respect of securities convertible into or exchangeable for such units, have been issued and all options, warrants (including the Warrant) and other rights to purchase or subscribe for units of such class of Eligible Securities have been exercised (regardless of any vesting provisions contained therein); *provided*, that the determination of the Aggregate Ownership of a Securityholder with respect to Common Units shall not include any of a Securityholder's Preferred Units that have not been converted into Common Units at the time of determination.

"**Board**" means the board of directors of the Company.

"**Business Day**" means any day except a Saturday, Sunday or other day on which commercial banks in New York City are authorized by law to close.

"**Change of Control**" means such time as:

(i) any "person" (as such term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act), other than

(A) the Institutional Securityholders and/or their respective Permitted Transferees, or

(B) any "group" (within the meaning of such Section 13(d)(3)) of which either of the Institutional Securityholders constitutes a majority (on the basis of ownership interest),

acquires, directly or indirectly, by virtue of the consummation of any purchase, merger or other combination, securities of the Company representing more than 51% of the combined voting power of the Company's then outstanding voting securities with respect to matters submitted to a vote of the stockholders generally; or

(ii) a sale or transfer by the Company or any of its Subsidiaries of substantially all of the consolidated assets of the Company and its Subsidiaries to a Person that is not an Affiliate of the Company prior to such sale or transfer.

"**Closing Date**" has the meaning ascribed to such term in the Business Transfer Agreement, dated June 12, 2004, between the Company and Hynix.

"**Common Units**" means the Common Membership Interests of the Company having the rights, including voting rights, described in the Operating Agreement and any securities into which such Common Units may hereafter be converted or changed.

"**Company Securities**" means (i) the Common Units and Preferred Units, (ii) securities convertible into or exchangeable for Common Units and/or Preferred Units and (iii) options, warrants (including the Warrant) or other rights to acquire Common Units, Preferred Units or any other equity or equity-linked security issued by the Company.

"**CVC Asia II LP**" means CVC Capital Partners Asia Pacific II, L.P., a Cayman Islands limited partnership which has CVC Asia II Limited, or any Affiliate thereof as the general partner, and any successor entity thereto.

"**Dollars**" or "**$**" means the lawful currency of the United States of America.

"**Drag-Along Portion**" means, with respect to any Other Securityholder and any series or class of Eligible Securities, (i) the Aggregate Ownership of such series or class of Eligible Securities by such Other Securityholder multiplied by (ii) a fraction, the numerator of which is the number of units of such series or class of Eligible Securities proposed to be purchased by a Third Party in the applicable Compelled Sale under Section 4.02 and the denominator of which is the Fully-Diluted number of units of such series or class of Eligible Securities.

"**Eligible Securities**" means (a) the Company Securities and (b) any New Securities purchased by a Securityholder pursuant to Section 4.04.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

"**First Public Offering**" means the first Public Offering of Common Units (or securities into which the Common Units have been converted or changed) after the date hereof.

"**Five Percent Securityholder**" means a Securityholder whose Aggregate Ownership of Common Units, when aggregated with the Aggregate Ownership of Common Units of all of its Permitted Transferees, divided by the Aggregate Ownership of such Common Units by all Securityholders, is 5% or more.

"**Fully Diluted**" means, with respect to any series or class of Eligible Securities, all outstanding units of such series or class of Eligible Securities and all units issuable in respect of securities convertible into or exchangeable for such units, all options, warrants (including the Warrant) and other rights to purchase or subscribe for units of such series or class of Eligible Securities or securities convertible into or exchangeable for units of such series or class of Eligible Securities, *provided* that, to the extent any of the foregoing options, warrants or other rights to purchase or subscribe for such Eligible Securities are subject to vesting, the Eligible

Securities subject to vesting shall be included in the definition of "**Fully Diluted**" only upon and to the extent of such vesting.

"**Initial Ownership**" means, with respect to any Securityholder and any series or class of Eligible Securities, the Aggregate Ownership of such series or class by such Securityholder as of the date hereof, or, in the case of any Person who shall become a party to this Agreement on a later date, as of such later date, in each case taking into account any unit split, unit dividend, reverse unit split or similar event.

"**New Securities**" means any equity securities of the Company issued after the date hereof that do not constitute Company Securities.

"**Operating Agreement**" means the Limited Liability Company Agreement of the Company, as the same may be amended from time to time.

"**Other Securityholders**" means all Securityholders other than the Institutional Securityholders.

"**Permitted Transferee**" means

(i) in the case of CVC Asia II Limited, CVC Asia LP, CVC Asia Investors and each of their respective Permitted Transferees, each of (A) CVC Asia II, LP, Asia Enterprise II Domestic LLC, Asia Enterprise II Offshore, L.P., Citigroup, Inc. or any of its Affiliates in their capacity as co-investors with such Persons and any other fund, co-investment partnership or similar investment vehicle formed for the purpose of investing with CVC Asia LP or CVC Asia II LP (each a "**CVC Asia Pacific Fund**"), (B) any general or limited partner of any CVC Asia Pacific Fund or co-investment partnership (each, a "**CVC Asia Pacific Partner**," and, collectively, the "**CVC Asia Pacific Partners**"), and any corporation, partnership or other entity that is an Affiliate of any CVC Asia Pacific Partner (collectively "**CVC Asia Pacific Affiliates**"), (C) any managing director, general partner, director, limited partner, officer or employee of any CVC Asia Pacific Fund, any CVC Asia Pacific Partner or any CVC Asia Pacific Affiliate, or any spouse, lineal descendant, sibling, parent, heir, executor, administrator, testamentary trustee, legatee or beneficiary of any of the foregoing persons described in this clause (C) (collectively, "**CVC Asia Pacific Associates**"), (D) any trust, the beneficiaries of which, any charitable trust, the grantor of which, or any corporation, limited liability company or partnership, the stockholders, members or general or limited partners of which include only one or more CVC Asia Pacific Funds, CVC Asia Pacific Partners, CVC Asia Pacific Affiliates, CVC Asia Pacific Associates, their spouses or their lineal descendants and (E) with respect to CVC Asia II Limited, Citicorp North America, Inc. ("**Citicorp N.A.**") in its capacity as a secured lender under the certain Specific Recourse Loan Facility Agreement (the "**CVC Asia Loan Agreement**"), dated as of September 15, 2004, and any Affiliate of Citicorp N.A. to whom Citicorp N.A.

assigns its rights and obligations under the CVC Asia Loan Agreement (the Persons described in clauses (A) through (E), the "**CVC Asia Pacific Permitted Transferees**"); *provided*, that each of CVC Employee Fund, CVC Equity Fund and CVC Executive Fund shall not be a "Permitted Transferee" of any CVC Asia Pacific Investors; *provided further* that to the extent a Person is a Permitted Transferee under both subparagraphs (i) and (ii) of this definition of "Permitted Transferee" such Person may transfer any Eligible Securities it receives as a Permitted Transferee pursuant to this subparagraph (i) only to a CVC Asia Pacific Permitted Transferee and, for purposes of any provision of this Agreement pursuant to which the Eligible Securities of CVC Asia Pacific Investors and its Permitted Transferees are aggregated hereunder, such Person shall be deemed a Permitted Transferee pursuant to this subparagraph (i) only to the extent of the Eligible Securities held by such Person as a Permitted Transferee pursuant to this subparagraph (i);

(ii) in the case of CVC Employee Fund, CVC Equity Fund, CVC Executive Fund, CVC Co-Investors and each of their respective Permitted Transferees, (A) any CVC US fund or co-investment partnership or similar investment vehicle, (B) (1) any general or limited partner of any CVC US fund or co-investment partnership (collectively, a "**CVC US Partner**"), and (2) Citigroup and any corporation, partnership or other entity that is an Affiliate of Citigroup or any CVC US Partner (collectively "**CVC US Affiliates**"), (C) any CVC Co-Investor, Diana K. Mayer or any managing director, general partner, director, limited partner, officer or employee of any CVC US fund, any CVC US Partner or any CVC US Affiliate, or any spouse, lineal descendant, sibling, parent, heir, executor, administrator, testamentary trustee, legatee or beneficiary of any of the foregoing persons described in this clause (C) (collectively, "**CVC US Associates**"), (D) any trust, the beneficiaries of which, any charitable trust, the grantor of which, or any corporation, limited liability company or partnership, the stockholders, members or general or limited partners of which include only CVC US, CVC US Partners, CVC US Affiliates, CVC Associates, their spouses or their lineal descendants (the Persons described in clauses (A) through (D), the "**CVC US Permitted Transferees**"); *provided*, that each of CVC Asia II Limited, CVC Asia LP and CVC Asia Investors shall not be a "Permitted Transferee" of CVC US; *provided further* that to the extent a Person is a Permitted Transferee under both subparagraphs (i) and (ii) of this definition of "Permitted Transferee" such Person may transfer any Eligible Securities it receives as a Permitted Transferee pursuant to this subparagraph (ii) only to a CVC US Permitted Transferee and, for purposes of any provision of this Agreement pursuant to which the Eligible Securities of CVC US and its Permitted Transferees are aggregated hereunder, such Person shall be deemed a Permitted Transferee pursuant to this subparagraph (ii) only to the extent of the Eligible Securities held by such Person as a Permitted Transferee pursuant to this subparagraph (ii);

(iii) in the case of FP LP, FP Fund A, and each of their Permitted Transferees, (A) any FP fund or co-investment partnership or limited liability company, including without limitation, FP Annual Investors, LLC, a Delaware limited liability company and FP-Magnachip Coinvest, LLC, a Delaware limited liability company, (B) (1) any general or limited partner of any FP fund or co-investment partnership (collectively, an "**FP Partner**"), and (2) any corporation, partnership or other entity that is an Affiliate of any FP Partner (collectively "**FP Affiliates**") or (3) any manager or member of any FP co-investment limited liability company (collectively, "**FP Member**"), (C) any managing director, general partner, director, limited partner, officer or employee of any FP fund, any FP Partner, any FP Affiliate or any FP Member, or any spouse, lineal descendant, sibling, parent, heir, executor, administrator, testamentary trustee, legatee or beneficiary of any of the foregoing persons described in this clause (C) (collectively, "**FP Associates**"), (D) any trust, the beneficiaries of which, any charitable trust, the grantor of which, or any corporation, limited liability company or partnership, the stockholders, members or general or limited partners of which include only FP, FP Partners, FP Affiliates, FP Associates, FP Members, their spouses or their lineal descendants;

(iv) in the case of Peninsula and its Permitted Transferees, any Affiliate of Peninsula; *provided*, that the consent of both the CVC US Securityholder Representative and the FP Securityholder Representative, which consent shall not be unreasonably withheld shall be obtained prior to such Transfer;

(v) in the case of Hynix and its Permitted Transferees, any controlled Affiliate of Hynix; and

(vi) in the case of any Other Securityholder (other than Peninsula and Hynix) that is or becomes a party to this Agreement and its Permitted Transferees, (A) a Person to whom Common Units are Transferred from such Other Securityholder (1) by will or the laws of descent and distribution or (2) by gift without consideration of any kind, *provided* that, in the case of clause (2), such transferee is (x) the spouse or the lineal descendant, sibling or parent of such Securityholder, or (y) if such Securityholder is a trust, or family corporation, limited liability company or partnership of the type described in the following clause (B), a beneficiary of, or a stockholder, member or partner of, such Securityholder or (B) any trust, the beneficiaries of which, any charitable trust, the grantor of which, or any corporation, limited liability company or partnership, the stockholders, members or general or limited partners of which include only such Other Securityholder or its Permitted Transferees.

"**Person**" means an individual, corporation, limited liability company, partnership, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"**Preferred Units**" means the Series A Preferred Units and the Series B Preferred Units.

"**Public Offering**" means an underwritten public offering of the Common Units of the Company (or any successor to the Company) pursuant to an effective registration statement under the Securities Act other than pursuant to a registration statement on Form S-4 or Form S-8 or any similar or successor form, *provided* that the proceeds of such public offering amount to at least $30,000,000 of gross proceeds to the Company (or any successor to the Company).

"**Registrable Securities**" means, at any time, any Common Units and any securities issued or issuable in respect of such Common Units by way of conversion, exchange, dividend, split or combination, recapitalization, merger, consolidation, other reorganization or otherwise until, with respect to any such Common Units or other Eligible Securities (i) a registration statement covering such Common Units has been declared effective by the SEC and such Common Units have been disposed of pursuant to such effective registration statement, (ii) such Common Units are sold under circumstances in which all of the applicable conditions of Rule 144 (or any similar provisions then in force) under the Securities Act are met or (iii) such Common Units are otherwise transferred, the Company has delivered a new certificate or other evidence of ownership for such Common Units not bearing the legend required pursuant to this Agreement and such Common Units may be resold without subsequent registration under the Securities Act.

"**Registration Expenses**" means (i) all registration and filing fees, (ii) fees and expenses of compliance with any securities or blue sky laws (including reasonable fees and disbursements of counsel in connection with blue sky qualifications of the securities registered), (iii) printing expenses, (iv) internal expenses of the Company (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), (v) reasonable fees and disbursements of counsel for the Company and customary fees and expenses for independent certified public accountants retained by the Company (including the expenses relating to any comfort letters or costs associated with the delivery by independent certified public accountants of a comfort letter or comfort letters requested pursuant to Section 5.04(h) hereof), (vi) reasonable fees and expenses of any special experts retained by the Company in connection with such registration, (vii) reasonable fees and expenses of one counsel for all of the Securityholders participating in the offering selected (A) by the Institutional Securityholders, in the case of any offering in which such entities participate, or (B) in any other case, by the Securityholders holding the majority of Eligible Securities to be sold for the account of all Securityholders in the offering, (viii) fees and expenses in connection with any review of underwriting arrangements by the National Association of Securities Dealers, Inc. (the "**NASD**") including fees and expenses of any "qualified independent underwriter" and (ix) fees and disbursements of underwriters customarily paid by issuers or sellers of securities, but shall not include any underwriting fees, discounts or commissions attributable to the sale of Registrable Securities, or any out-of-pocket expenses (except as set forth in clause (vii) above) of the Securityholders (or the agents who manage their accounts) or any fees and expenses of underwriter's counsel.

"**Rule 144**" means Rule 144 under the Securities Act.

"**SEC**" means the United States Securities and Exchange Commission.

"**Securities**" means the Common Units and Preferred Units.

"**Securities Act**" means the United States Securities Act of 1933, as amended.

"**Securityholder**" means each Person (other than the Company) who shall be a party to or bound by this Agreement, whether in connection with the execution and delivery hereof as of the date hereof, pursuant to Sections 3.03 or 7.03 or otherwise, so long as such Person shall "beneficially own" (as such term is defined in Rule 13d-3 of the Exchange Act) any Eligible Securities.

"**Series A Preferred Units**" means the Series A Preferred Membership Interests of the Company having the rights, including voting rights, described in the Operating Agreement and any securities into which such Series A Preferred Membership Interests may hereafter be converted or changed.

"**Series B Preferred Units**" means the Series B Preferred Membership Interests of the Company having the rights, including voting rights, described in the Operating Agreement and any securities into which such Series B Preferred Membership Interests may hereafter be converted or changed.

"**Subsidiary**" means, with respect to any Person, any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person.

"**Tag-Along Portion**" means

(i) where the Tag-Along Seller is Transferring Common Units, the product of (X) the Aggregate Ownership of Common Units by the Tag-Along Seller or the Tagging Person, as applicable, immediately prior to such Transfer and (Y) a fraction, the numerator of which is the maximum number of Common Units that the buyer in the Tag-Along Sale is willing to purchase, and the denominator of which is the Aggregate Ownership of Common Units by the Tag-Along Seller and all Tagging Persons,

(ii) where the Tag-Along Seller is Transferring Series A Preferred Units, the product of (X) the Aggregate Ownership of Series A Preferred Units by the Tag-Along Seller or the Tagging Person, as applicable, immediately prior to such Transfer and (Y) a fraction, the numerator of which is the maximum number of Series A Preferred Units that the buyer in the Tag-Along Sale is willing to

purchase, and the denominator of which is the Aggregate Ownership of Series A Preferred Units by the Tag-Along Seller and all Tagging Persons;

(iii) where the Tag-Along Seller is Transferring Series B Preferred Units, the product of (X) the Aggregate Ownership of Series B Preferred Units by the Tag-Along Seller or the Tagging Person, as applicable, immediately prior to such Transfer and (Y) a fraction, the numerator of which is the maximum number of Series B Preferred Units that the buyer in the Tag-Along Sale is willing to purchase, and the denominator of which is the Aggregate Ownership of Series B Preferred Units by the Tag-Along Seller and all Tagging Persons;

(iv) where the Tag-Along Seller is Transferring New Securities, the product of (X) the Aggregate Ownership of such class or series of the New Securities by the Tag-Along Seller or the Tagging Person, as applicable, immediately prior to such Transfer and (Y) a fraction, the numerator of which is the maximum number of such series or class of New Securities that the buyer in the Tag-Along Sale is willing to purchase, and the denominator of which is the Aggregate Ownership of such series or class of New Securities by the Tag-Along Seller and all Tagging Persons.

"**Third Party**" means a prospective purchaser(s) of (i) Eligible Securities from a Securityholder or (ii) all or substantially all of the assets of the Company, in an arm's-length transaction where such purchaser is not a Permitted Transferee or other Affiliate of any Securityholder.

"**Transfer**" means, with respect to any Eligible Security, (i) when used as a verb, to sell, assign, dispose of, exchange, pledge, encumber, hypothecate or otherwise transfer such security or any participation or interest therein, whether directly or indirectly, or agree or commit to do any of the foregoing and (ii) when used as a noun, a direct or indirect sale, assignment, disposition, exchange, pledge, encumbrance, hypothecation or other transfer of such security or any participation or interest therein or any agreement or commitment to do any of the foregoing.

"**Warrant**" means the warrant dated as of the Closing Date issued by the Company to Hynix for the purchase of Common Units.

(b) The term "Institutional Securityholder", to the extent such entity shall have transferred any of its Eligible Securities to any of its Permitted Transferees, shall mean the Institutional Securityholder and such Permitted Transferees, taken together.

(c) The term "Other Securityholders", to the extent any such Other Securityholders shall have transferred any of their Eligible Securities to any of their Permitted Transferees, shall mean the Other Securityholders and such Permitted Transferees, taken together.

(d) Each of the following terms is defined in the Section set forth opposite such term:

| Term | Section |
|---|---|
| $ | 1.01(a) |
| Additional Directors | 2.01 |
| Affiliate | 1.01(a) |
| Affiliate Transactions | 6.05(a) |
| Aggregate Ownership | 1.01(a) |
| Applicable Holdback Period | 5.03 |
| Board | 1.01(a) |
| Business Day | 1.01(a) |
| Cause | 2.02 |
| Change of Control | 1.01(a) |
| Citicorp N.A. | 1.01(a) |
| Closing Date | 1.01(a) |
| Common Units | 1.01(a) |
| Company | Preamble |
| Company Securities | 1.01(a) |
| Compelled Sale | 4.02(a) |
| Compelled Sale Notice | 4.02(a) |
| Compelled Sale Notice Period | 4.02(a) |
| Compelled Sale Price | 4.02(a) |
| Confidential Information | 6.01(b) |
| control | 1.01(a) |
| controlled by | 1.01(a) |
| controlling | 1.01(a) |
| CVC AP Designator | 2.01 |
| CVC Asia II Limited | Preamble |
| CVC Asia II LP | 1.01(a) |
| CVC Asia Investors | Preamble |
| CVC Asia Loan Agreement | 1.01(a) |
| CVC Asia LP | Preamble |
| CVC Asia Pacific Affiliates | 1.01(a) |
| CVC Asia Pacific Associates | 1.01(a) |
| CVC Asia Pacific Fund | 1.01(a) |
| CVC Asia Pacific Investors | Preamble |
| CVC Asia Pacific Partner | 1.01(a) |
| CVC Asia Pacific Partners | 1.01(a) |
| CVC Asia Pacific Permitted Transferees | 1.01(a) |
| CVC Asia Pacific Securityholder Representative | 6.04(a) |
| CVC Co-Investors | Preamble |
| CVC Employee Fund | Preamble |
| CVC Equity Fund | Preamble |
| CVC Executive Fund | Preamble |
| CVC US | Preamble |

| | |
|---|---|
| CVC US Affiliates | 1.01(a) |
| CVC US Associates | 1.01(a) |
| CVC US Designator | 2.01 |
| CVC US Partner | 1.01(a) |
| CVC US Permitted Transferees | 1.01(a) |
| CVC US Securityholder Representative | 6.04(b) |
| Demand Registration | 5.01(a) |
| Dissolution Transferees | 2.06 |
| Dollars | 1.01(a) |
| Drag-Along Portion | 1.01(a) |
| Drag-Along Rights | 4.02(a) |
| Eligible Securities | 1.01(a) |
| Eligible Securityholder | 4.01(a) |
| Exchange Act | 1.01(a) |
| Exempt Issuance | 4.04(g) |
| First Public Offering | 1.01(a) |
| Five Percent Securityholder | 1.01(a) |
| FP | Preamble |
| FP Affiliates | 1.01(a) |
| FP Associates | 1.01(a) |
| FP Designator | 2.01 |
| FP Fund A | Preamble |
| FP LP | Preamble |
| FP Member | 1.01(a) |
| FP Partner | 1.01(a) |
| FP Securityholder Representative | 6.04(c) |
| Fully Diluted | 1.01(a), 1.01(a) |
| Holders | 5.01(a)(ii) |
| Hynix | Preamble |
| Incidental Registration | 5.02(a) |
| Indemnified Party | 5.07 |
| Indemnifying Party | 5.07 |
| Initial Ownership | 1.01(a) |
| Inspectors | 5.04(g) |
| Institutional Securityholder | Preamble |
| Institutional Securityholders | Preamble |
| IPO Valuation | 4.05(b) |
| Issuance Notice | 4.04(a) |
| Issuance Pro Rata Portion | 4.04(a) |
| Management Investors | Preamble |
| NASD | 1.01(a) |
| New Securities | 1.01(a) |
| Non-Requesting Securityholder | 5.01(a) |
| Non-Selling Securityholders | 4.03(a) |

| | |
|---|---|
| Offer | 4.03(a) |
| Offer Notice | 4.03(a) |
| Offer Price | 4.03(a) |
| Offer Pro Rata Portion | 4.03(b) |
| Offered Securities | 4.03(a) |
| Operating Agreement | 1.01(a) |
| Other Securityholders | 1.01(a) |
| Peninsula | Preamble |
| Peninsula Securityholder Representative | 6.04(d) |
| Permitted Transferee | 1.01(a) |
| Person | 1.01(a) |
| Potential Conflict Matter | 2.06 |
| Preemptive Election | 4.04(g) |
| Preemptive Escrow Amount | 4.04(g) |
| Preemptive Escrow Notice | 4.04(g) |
| Preemptive Securityholders | 4.04(a) |
| Preferred Units | 1.01(a) |
| Public Offering | 1.01(a) |
| Purchasing Securityholder | 4.04(a) |
| Records | 5.04(g) |
| Registrable Securities | 1.01(a) |
| Registration Expenses | 1.01(a) |
| Replacement Nominee | 2.03(a) |
| Representatives | 6.01(b) |
| Requesting Securityholder | 5.01(a) |
| Rule 144 | 1.01(a) |
| SEC | 1.01(a) |
| Securities | 1.01(a) |
| Securities Act | 1.01(a) |
| Securityholder | 1.01(a) |
| Seller | 4.03(a) |
| Series A Preferred Units | 1.01(a) |
| Series B Preferred Units | 1.01(a) |
| Shortform Registration | 5.01(a) |
| Subsidiary | 1.01(a) |
| Tag-Along Escrow Amount | 4.01(f) |
| Tag-Along Escrow Notice | 4.01(f) |
| Tag-Along Notice | 4.01(a) |
| Tag-Along Notice Period | 4.01(a) |
| Tag-Along Offer | 4.01(a) |
| Tag-Along Portion | 1.01(a) |
| Tag-Along Response Notice | 4.01(a) |
| Tag-Along Right | 4.01(a) |
| Tag-Along Sale | 4.01(a) |

| | |
|---|---|
| Tag-Along Seller | 4.01(a) |
| Tagging Person | 4.01(a) |
| Third Party | 1.01(a) |
| Threshold Price | 4.05(b) |
| Total Equity Value | 4.05(b) |
| Transfer | 1.01(a) |
| under common control with | 1.01(a) |
| Warrant | 1.01(a) |

ARTICLE 2

CORPORATE GOVERNANCE

Section 2.01. *Composition of the Board*. (a) The Board shall consist of eight directors, of whom (i) two directors will be designated by either (A) CVC Equity Fund, at any time it holds Common Units or (B) the CVC US Securityholder Representative, at any time when the CVC Equity Fund does not hold Common Units (such designating party, the "**CVC US Designator**"), (ii) two directors will be designated by either (A) FP LP, at any time it holds Common Units or (B) the FP Securityholder Representative, at any time when FP LP does not hold Common Units (such designating party, the "**FP Designator**"), (iii) one director will be designated by either (A) CVC Asia II LP, at any time it holds any Common Units or (B) the CVC Asia Pacific Securityholder Representative, at any time when CVC Asia II LP does not hold Common Units (such designating party, the "**CVC AP Designator**"), (iv) one director will be the chief executive officer of the Company for so long as he or she is employed by the Company, (v) one director will be the chief financial officer of the Company for so long as he or she is employed by the Company and (vi) the remaining director will be an independent director designated by the CVC US Designator and the FP Designator. If the number of directors that comprise the entire Board is increased in accordance with Section 2.05, the number of directors added to the Board (the "**Additional Directors**") must be a multiple of two, and for every two Additional Directors, the CVC US Designator shall be permitted to designate one such Additional Director and the FP Designator shall be permitted to designate one such Additional Director; *provided*, that in the event that, following any increase in the number of directors, the Board consists of twelve or more directors and each of (i) the CVC US Designator and (ii) the FP Designator have the right to appoint no fewer than four directors, the number of directors shall be further increased by one, and the number of directors designated by the CVC AP Designator pursuant to this Section 2.01 shall be increased to two for any time period during which the Board continues to consist of twelve or more directors; *provided further*, that prior to the consummation of the First Public Offering the Board shall not consist of more than 13 directors.

(b) Each Securityholder entitled to vote for the election of directors to the Board agrees that it will vote its Eligible Securities or execute written consents, as the case may be, and take all other necessary action (including causing the Company to call a special meeting of Securityholders) in order to ensure that the composition of the Board is as set forth in this Section 2.01.

(c) The right of each of the CVC US Designator and the FP Designator to designate at least two directors of the Board pursuant to this Article 2 shall be reduced to the right to designate only one director of the Board at such time as the Aggregate Ownership of Common Units by CVC US and its Permitted Transferees (for purposes of determining the number of directors appointed by the CVC US Designator) or FP and its Permitted Transferees (for purposes of determining the number of directors appointed by the FP Designator) divided by the Aggregate Ownership of Common Units by all Securityholders is less than 10% and terminate at such time as the Aggregate Ownership of Common Units by CVC US and its Permitted Transferees (for purposes of determining the number of directors appointed by the CVC US Designator) or FP and its Permitted Transferees (for purposes of determining the number of directors appointed by the FP Designator), divided by the Aggregate Ownership of Common Units by all Securityholders is less than 5%. The right of the CVC AP Designator, to designate one director of the Board shall terminate at such time as the Aggregate Ownership of Common Units by the CVC Asia Pacific Investors and their Permitted Transferees, divided by the Aggregate Ownership of Common Units by all Securityholders is less than 5%. The obligations imposed on the Securityholders to give effect to the rights to designate directors set forth in Section 2.01 shall terminate as to any Person when such Person's right to designate a director is terminated.

(d) The Company agrees to cause each individual designated pursuant to Section 2.01(a) or 2.03 to be nominated to serve as a director on the Board, and to take all other necessary actions (including calling a special meeting of the Board and/or securityholders) to ensure that the composition of the Board is as set forth in this Section 2.01.

Section 2.02. *Removal*. Each Securityholder agrees that if, at any time, it is then entitled to vote for the removal of directors of the Company, it will not vote any of its Eligible Securities in favor of the removal of any director who shall have been designated or nominated in accordance with Section 2.01 or Section 2.03, unless such removal shall be for Cause or the Person or Persons entitled to designate or nominate such director shall have consented to such removal in writing, *provided* that if the Person or Persons entitled to designate or nominate any director pursuant to Section 2.01 shall request in writing the removal, with or without Cause, of such director, such Securityholder shall vote its Eligible Securities in favor of such removal. Removal for "**Cause**" shall mean removal of a director because of such director's (a) willful and continued failure substantially to perform his or her statutory or fiduciary duties to the Company in his or her established position, (b) participation in a fraud, act of dishonesty or other misconduct that is injurious, monetarily or otherwise, to the Company or any of its Subsidiaries, (c) being charged with or pleading guilty to a felony or a crime involving fraud or dishonesty, (d) violation of any state or federal law that has an adverse effect on the Company or (e) abuse of illegal drugs or other controlled substances or habitual intoxication.

Section 2.03. *Vacancies*. If, as a result of death, disability, retirement, resignation, removal (with or without Cause) or otherwise, there shall exist or occur any vacancy on the Board:

(a) the Person or Persons entitled under Section 2.01 to designate or nominate such director whose death, disability, retirement, resignation or removal (with or without Cause) resulted in such vacancy may, subject to the provisions of Section 2.01, designate another individual (the "**Replacement Nominee**") to fill such vacancy and serve as a director of the Company; and

(b) subject to Section 2.01, each Securityholder then entitled to vote for the election of the Replacement Nominee as a director of the Company agrees that it will vote its Eligible Securities, or execute a proxy or written consent, as the case may be, in order to ensure that the Replacement Nominee be elected to the Board.

Section 2.04. *Meetings*. The Board shall hold a regularly scheduled meeting at least once every calendar quarter.

Section 2.05. *Action by the Board*. (a) A quorum of the Board shall consist of a majority of the total number of directors, which such majority shall include a majority of the designees of the CVC US Designator and a majority of the designees of the FP Designator, *provided* that the CVC US Designator and the FP Designator together shall have the right at any time to increase the number of directors necessary to constitute such quorum; and *provided further*, that in the event that either of the CVC US Designator or the FP Designator, has the right to designate fewer than three directors pursuant to Section 2.01 hereof, a quorum shall exist if at least one director designated by such Person is present.

(b) All actions of the Board shall require (i) the affirmative vote of at least a majority of the directors present at a duly convened meeting of the Board at which a quorum is present or (ii) the unanimous written consent of the Board, *provided* that, in the event that there is a vacancy on the Board and an individual has been nominated to fill such vacancy, the first order of business shall be to fill such vacancy.

(c) The Board may create executive, compensation, audit and such other committees as it may determine. The Institutional Securityholders together shall be entitled to majority representation on any committee created by the Board, half of which such majority representation shall consist of a director or directors designated by the CVC US Designator and half of which such majority representation shall consist of a director or directors designated by the FP Designator. The CVC Asia Pacific Investors or their Permitted Transferees shall be entitled to minority representation on each committee created by the Board. Each Securityholder entitled to vote for the election of the chairman of any committee (in its capacity as a Securityholder, director of the Board, member of a committee, or otherwise) created by the Board agrees that it will take all necessary action to ensure that the chairman of such committee is a director designated by the CVC US Designator or the FP Designator in accordance with Section 2.01.

(d) No action by the Company (including but not limited to any action by the Board or any committee thereof) shall be taken after the date hereof with respect to any of the following matters without the affirmative approval of the Board and each of the CVC US Securityholder

Representative and the FP Securityholder Representative, in each case, in its capacity as agent for Persons comprising CVC US and FP, in each case, in its capacity as a Securityholder; *provided* that the vote of a director designated by the CVC US Designator or the FP Designator in favor of any action for which approval is required pursuant to this Section 2.05(d) shall constitute the consent of the CVC US Securityholder Representative (in the case of a vote of a director designated by the CVC US Designator) and the FP Securityholder Representative (in the case of a vote of a director designated by the FP Designator) in its capacity as agent for Persons comprising CVC US and FP, in each case, in its capacity as a Securityholder:

(i) (1) any merger or consolidation of the Company with or into any Person, other than a wholly owned Subsidiary, or of any Subsidiary with or into any Person other than the Company or any other wholly owned Subsidiary, or (2) any sale of the Company or any Subsidiary or any significant operations of the Company or any Subsidiary or any joint venture transaction, acquisition or disposition of assets, business, operations or securities by the Company or any Subsidiary (in a single transaction or a series of related transactions) having a value in each case in this clause (2) in excess of $3,000,000,

(ii) the declaration of any dividend on or the making of any distribution with respect to, or the recapitalization, reclassification, redemption, repurchase or other acquisition of, any securities of the Company or any Subsidiary, except as expressly permitted by this Agreement,

(iii) any liquidation, dissolution, commencement of bankruptcy, liquidation or similar proceedings with respect to the Company or any Subsidiary,

(iv) any incurrence, refinancing, alteration of material terms or prepayment by the Company or any Subsidiary of indebtedness for borrowed money in excess of $2,000,000 in the aggregate (or the guaranty by the Company or any Subsidiary of any such indebtedness), or the issuance of any security by the Company or any Subsidiary (not including issuances of such securities in connection with employee or stock option plans previously approved by the Board pursuant to clause (vii) below), in each case other than (a) pursuant to the Loan Agreement, dated as of the Closing Date, among Hynix, Korea Exchange Bank, as Arranger, Agent and Security Agent, and the other banks and financial institutions named as lenders therein, as the same may be amended, modified, refinanced or replaced, and is in effect from time to time, (b) pursuant to the Master Revolving Credit Facility Agreement, dated as of the Closing Date, between Hana Bank and Magnachip Semiconductor, Ltd., as the same may be amended, modified, refinanced or replaced, and is in effect from time to time and (c) as specifically contemplated by this Agreement,

(v) any capital expenditure or capital lease in excess of $1,000,000 which is not specifically contemplated by the annual business plan of the Company or any Subsidiary,

(vi) any entering into, amending or modifying in any material respect of any agreements of the Company or any Subsidiary providing for payments by or to the Company or such Subsidiary in excess of $2,000,000 per annum or $5,000,000 in the aggregate,

(vii) any determination of compensation, benefits, perquisites and other incentives for (a) senior management or (b) any other employee whose annual compensation is or will be as a result of such determination in excess of $100,000 per year, of the Company or its Subsidiaries and the approval or amendment of any plans or contracts in connection therewith, and any approval or amendment to any equity or other compensation or benefit plans for employees of the Company or its Subsidiaries,

(viii) any appointment or dismissal of any of the Chairman of the Board, Chief Executive Officer, President, Chief Financial Officer or Chief Operating Officer or any other executive officer in any similar capacity of the Company or any Subsidiary,

(ix) any change in accounting or tax principles, policies with respect to the financial statements, records or affairs of the Company or any Subsidiary, except as required by generally accepted accounting principles or by law or any other matters that could affect any regulatory status or tax liability of the Company or any Subsidiary, or any Securityholder with respect to the investment by such Securityholder in the Company,

(x) any appointment or removal of the auditors, regular legal counsel, financial advisors, underwriters (except underwriters selected as provided in the first sentence of Section 5.04(f), unless such Demand Registration constitutes a First Public Offering), investment bankers or company-wide insurance providers of the Company or any Subsidiary,

(xi) any amendment to this Agreement, any exercise or waiver of the Company's rights under this Agreement, any amendment to the Operating Agreement or any adoption of or amendment to the certificate of incorporation or bylaws or similar organizational documents of any Subsidiary,

(xii) any approval of the annual business plan, budget and long-term strategic plan of the Company or any Subsidiary,

(xiii) any modification of the long-term business strategy or scope of the business of the Company or any Subsidiary or any material customer relationships thereof,

(xiv) any increase or decrease to the number of directors that comprise the entire Board of the Company or board of directors of any Subsidiary,

(xv) any entry into or modification of any contract with a labor union (including any collective bargaining agreement),

(xvi) any entry into or modification of any contract with, obligation to or transaction or series of transactions between (1) the Company or any Subsidiary and (2) Hynix or any controlled Affiliate of Hynix, or

(xvii) any contract with, obligation to or transaction or series of transactions between, the Company or any Subsidiary and one or more of its securityholders or their Affiliates.

Section 2.06. *Observer Right*. Peninsula (so long as it shall own Common Units) shall have the right to designate one representative of Peninsula to attend, at the Company's expense (including reasonable travel expenses), all meetings of the Board and any committee thereof. In addition, the Company will provide to Peninsula copies of any materials or written information provided to directors of the Company at the times such materials or information are provided to directors of the Company, whether or not Peninsula's representative attends such meetings. The Company will provide Peninsula with notice of all meetings of the Board on the same basis as notice is provided to directors on the Board; *provided* that at any time following the First Public Offering, the Board shall have the right, in its sole discretion, to terminate the rights granted pursuant to this Section 2.06. Notwithstanding the foregoing, (a) the Company shall not be obligated to provide any such materials or information to Peninsula unless Peninsula shall have executed a confidentiality agreement in form and substance satisfactory to the Company; (b) the Company shall have the right to exclude Peninsula's representative from any meetings if (i) the presence of such representative at such meeting would waive any attorney-client privilege or (ii) the matters to be discussed at such meeting include any transaction or potential transaction with Peninsula, its Affiliates or the terms of any agreements or contracts between the Company and Peninsula or its Affiliates (a "**Potential Conflict Matter**"); and (c) the Company shall have the right to withhold from Peninsula any such materials or information provided to directors of the Company if (i) the providing of such materials or information would waive any attorney-client privilege or (ii) the matters addressed in such materials or information include a Potential Conflict Matter.

Section 2.07. *Conflicting Operating Agreement Provisions*. Each Securityholder shall vote its Eligible Securities or execute proxies or written consents, as the case may be, and shall take all other actions necessary, to ensure that the Company's Operating Agreement (i) facilitates, and does not at any time conflict with, any provision of this Agreement and (ii) permits each Securityholder to receive the benefits to which each such Securityholder is entitled under this Agreement.

Section 2.08. *Notice of Meeting*. Each director shall receive notice and the agenda of each meeting of the Board or any committee thereof at least three days prior to such meeting.

Section 2.09. *Subsidiary Governance*. The Company and each Securityholder agree that (i) the board of directors of each Subsidiary of the Company shall be comprised of those

individuals selected by each director who is then serving on the Board in accordance with Section 2.01, with each director entitled to select one director for each Subsidiary (it being understood that more than one director may select the same Subsidiary director) and (ii) the board of directors of any Subsidiary shall be subject to all the provisions of this Article 2. Each Securityholder agrees to vote its Eligible Securities and to cause its representatives on the Board, subject to their fiduciary duties, to vote and take other appropriate action to effectuate the agreements in this Section 2.09 in respect of any Subsidiary of the Company.

Section 2.10. *Conversion to a Delaware Corporation.* Each Securityholder agrees that, at the request of both of the CVC US Securityholder Representative and the FP Securityholder Representative, it will vote its Eligible Securities or execute written consents or tender its Eligible Securities in an exchange offer, as the case may be, and take all other necessary action (at the sole cost and expense of the Company) in order to cause the Company to be converted into a Delaware corporation or to become the wholly-owned subsidiary of a newly-formed Delaware corporation, which Delaware corporation will entitle the Securityholders to substantially the same rights with respect to the securities received in exchange for their Eligible Securities of the Company to which they are entitled under the terms of the Common Units, the Preferred Units and any New Securities of the Company and this Agreement; *provided*, that upon the consummation of such transaction or exchange, all of the holders of each series or class of Eligible Securities will be entitled to receive the same type, class and proportionate number of securities of such Delaware corporation as each other Securityholder of securities of the same class.

## ARTICLE 3

## RESTRICTIONS ON TRANSFER

Section 3.01. *General*. (a) Each Securityholder understands and agrees that its acquisition of the Company Securities have not been, and any acquisition of New Securities may not be, registered under the Securities Act and the Company Securities are, and the New Securities may be, restricted securities under the Securities Act and the rules and regulations promulgated thereunder. Each Securityholder agrees that it will not Transfer any Eligible Securities (or solicit any offers in respect of any Transfer of any Eligible Securities), except in compliance with, or pursuant to, an applicable exemption from the Securities Act, any applicable foreign or state securities or "blue sky" laws, and the terms and conditions of this Agreement.

(b) Any attempt to Transfer any Eligible Securities not in compliance with this Agreement shall be null and void and the Company shall not, and shall cause any transfer agent not to, give any effect in the Company's stock records to such attempted Transfer.

(c) Notwithstanding any provision in this Agreement to the contrary, prior to the time the Company makes an affirmative election to be treated as a corporation for U.S. Federal income tax purposes or the Company is converted to a corporation under Delaware (or other state) law, whether by operation of law, merger, or otherwise, (i) no Securityholder shall transfer any Eligible Securities if, in the sole determination of the Board, such transfer would cause the

Company to be treated as a publicly traded partnership for purposes of Section 7704 of the United States Internal Revenue Code of 1986, as amended and (ii) no application will be made to any recognized investment exchange, a regional or local exchange, or an inter-dealer quotation system that regularly disseminates firm buy or sell quotations by identified brokers or dealers by electronic means or otherwise for any Eligible Securities to be listed or quoted or dealt in. The Board may, in its discretion, waive these restrictions.

Section 3.02. *Legends*. (a) In addition to any other legend that may be required, each certificate for Eligible Securities that is issued to any Securityholder shall bear a legend in substantially the following form:

> "THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY FOREIGN OR STATE SECURITIES LAWS AND MAY NOT BE OFFERED OR SOLD EXCEPT IN COMPLIANCE THEREWITH. THIS SECURITY IS ALSO SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER AS SET FORTH IN THE SECOND AMENDED AND RESTATED SECURITYHOLDERS' AGREEMENT DATED AS OF OCTOBER 6, 2004, COPIES OF WHICH MAY BE OBTAINED UPON REQUEST FROM THE COMPANY OR ANY SUCCESSOR THERETO."

(b) If any Eligible Securities shall cease to be Registrable Securities under clause (i) or clause (ii) of the definition thereof, the Company, upon the written request of the holder thereof, shall issue to such holder a new certificate evidencing such shares without the first sentence of the legend required by Section 3.02(a) endorsed thereon. If any Eligible Securities cease to be subject to any and all restrictions on Transfer set forth in this Agreement, the Company, upon the written request of the holder thereof, shall issue to such holder a new certificate evidencing such Eligible Securities without the second sentence of the legend required by Section 3.02(a) endorsed thereon.

Section 3.03. *Permitted Transferees*. (a) Notwithstanding anything in this Agreement to the contrary, any Securityholder may at any time Transfer any or all of its Eligible Securities to one or more of its Permitted Transferees without the consent of the Board or any other Securityholder or group of Securityholders and without compliance with Sections 3.04, 3.05, 4.01, 4.02 and 4.03 (but, with respect to the Management Investors, in compliance with any additional restrictions imposed on the transfer of such Eligible Securities under any other agreement with, or grant from, the Company and with respect to Peninsula and its Permitted Transferees, in compliance with the restrictions set forth in the definition of "Permitted Transferee") so long as (i) such Permitted Transferee shall have agreed in writing to be bound by the terms of this Agreement in the form of Exhibit A attached hereto (the "**Joinder**") and (ii) the Transfer to such Permitted Transferee is not in violation of applicable federal or state securities laws; *provided* that rather than executing a Joinder, Citicorp N.A. has delivered to the Company, and the Company has accepted, a letter stating that (a) it will release any security interest it has in any Eligible Securities held by CVC Asia II Limited if the Eligible Securities are Transferred pursuant to Section 4.02 of the Agreement and (b) at any time Citicorp N.A. acquires Eligible

Securities from CVC Asia II Limited it shall execute a Joinder; *provided further* that any Transfer of Eligible Securities by Citicorp N.A. to any of its Affiliates in connection with the assignment by Citicorp N.A. of all of its rights and obligations under the CVC Asia Loan Agreement to such Affiliate shall be null and void unless and until such Person executes and delivers to the Company a letter on the same terms as the letter delivered by Citicorp N.A. to the Company on the date of this Agreement, or, at any time after Citicorp N.A. or any its Affiliate has acquired Eligible Securities, such Person has executed and delivered to the Company a Joinder.

(b) Notwithstanding anything in this Agreement to the contrary, any Securityholder which is formed as a limited partnership or similar pooled investment vehicle may at any time Transfer any or all of its Eligible Securities to its limited partners (or other investors, as applicable) upon the dissolution or termination of such Securityholder (such Persons the "**Dissolution Transferees**"); *provided* (i) that such Dissolution Transferee shall have agreed in writing to be bound by the terms of this Agreement in the form of the Joinder and (ii) the Transfer to such Dissolution Transferee is not violation of applicable federal or state securities laws; *provided*, *further*, that any Dissolution Transferee shall not be considered a Permitted Transferee for purposes of any provision of this Agreement whereby the ownership of a Securityholder is determined by aggregating the ownership of such Eligible Securities by such Securityholder with the Eligible Securities owned by his or its Permitted Transferees.

(c) If any Permitted Transferee of any Securityholder to which Eligible Securities have been transferred ceases to be a Permitted Transferee of such Securityholder, such Permitted Transferee shall, and such Securityholder shall cause such Permitted Transferee to, transfer back to such Securityholder (or to another Permitted Transferee of such Securityholder) any Eligible Securities it owns on or prior to the date that such Permitted Transferee ceases to be a Permitted Transferee of such Securityholder. For the avoidance of doubt, Citicorp N.A. and its Affiliates shall be Permitted Transferees of CVC Asia II Limited so long as (i) Citicorp N.A. or one of its Affiliates is acting in its capacity as a secured lender under the CVC Asia Loan Agreement or (ii) Citicorp N.A. or one of its Affiliates holds Eligible Securities previously owned by CVC Asia II Limited as a result of Citicorp N.A. or one of its Affiliates exercising its remedies following an event of default under the CVC Asia Loan Agreement.

Section 3.04. *Restrictions on Transfers by the Institutional Securityholders*. Except as provided in Section 3.03, each Institutional Securityholder may transfer its Eligible Securities only as follows:

(a) in a Transfer made in compliance with Section 4.02,

(b) in a Transfer made in compliance with Section 4.01 or 4.03, *provided* that until the third anniversary of the date of this Agreement, no Institutional Securityholder shall (without the prior written consent of the CVC US Securityholder Representative (in the case of a Transfer by FP) or the FP Securityholder Representative (in the case of a Transfer by CVC US)) be permitted to Transfer any number of shares or units of any series

or class of Eligible Securities if such Transfer would cause such Institutional Securityholder's Aggregate Ownership of such series or class immediately following such Transfer to fall below two-thirds of such Institutional Securityholder's Initial Ownership,

(c) in a Public Offering in connection with the exercise of its rights under Article 5 hereof, or

(d) in a Transfer made at the conclusion of the Applicable Holdback Period following the First Public Offering, in compliance with Rule 144, *provided*, that for purposes of this Section 3.04(d) only, (i) the amount of Eligible Securities Transferred by an Institutional Securityholder shall be aggregated with the amount of Securities sold by its Permitted Transferees during any relevant time period, whether or not such aggregation is required by subparagraph (e) of Rule 144 and (ii) any Transfers made in accordance with the provisions of subparagraph (k) of Rule 144 shall nonetheless be made in accordance with the volume limitations set forth in subparagraph (e) of Rule 144, as modified by clause (i), as if such subparagraph as so modified were applicable thereto.

Section 3.05. *Restrictions on Transfers by the Other Securityholders*. (a) Except as provided in Section 3.03, each Other Securityholder may transfer its Eligible Securities only as follows:

(i) as a Tagging Person in a Transfer made in compliance with Section 4.01,

(ii) in a Transfer made in compliance with Section 4.02,

(iii) in a Public Offering in connection with the exercise of its rights under Article 5 hereof, *provided* that no Other Securityholder shall be permitted to Transfer any number of any class of Eligible Securities if such Transfer would cause such Other Securityholder to hold a smaller percentage of its Initial Ownership of such class immediately following such Transfer than the percentage of the Institutional Securityholders' Initial Ownership that the Institutional Securityholders own at the time of such Transfer, or

(iv) in a Transfer made in compliance with Section 4.03, or

(v) in a Transfer made at the conclusion of the Applicable Holdback Period following the First Public Offering, in compliance with Rule 144, *provided*, that for purposes of this Section 3.05(a)(v) only, (i) the amount of Eligible Securities Transferred by an Other Securityholder shall be aggregated with the amount of Securities sold by its Permitted Transferees during any relevant time period, whether or not such aggregation is required by subparagraph

(e) of Rule 144 and (ii) any Transfers made in accordance with the provisions of subparagraph (k) of Rule 144 shall nonetheless be made in accordance with the volume limitations set forth in subparagraph (e) of Rule 144, as modified by clause (i), as if such subparagraph as so modified were applicable thereto; *provided further* that no Other Securityholder shall be permitted to Transfer any number of shares or units of any class of Eligible Securities if such Transfer would cause such Other Securityholder to hold a smaller percentage of its Initial Ownership of such class immediately following such Transfer than the percentage of the Institutional Securityholders' Initial Ownership that the Institutional Securityholders own at the time of such Transfer.

(b) It is understood and agreed that Hynix shall not transfer the Warrant (prior to the exercise of such Warrant) at any time, under any circumstances, to any Person, other than to its Permitted Transferees.

Section 3.06. *Restrictions on Transfer under a Credit Agreement, Indenture or Other Agreement for Indebtedness*. Notwithstanding the foregoing provisions of this Article 3, if a Transfer otherwise permitted hereunder (other than a Compelled Sale) would trigger, under the terms of any outstanding credit agreement, indenture or any other agreement for indebtedness to which the Company is a party, (i) a change of control requiring repayment or (ii) other adverse consequence to the Company, then such Transfer shall be prohibited without the approval of the Board.

## ARTICLE 4

## TAG-ALONG RIGHTS; DRAG-ALONG RIGHTS; RIGHTS OF FIRST REFUSAL; PREEMPTIVE RIGHTS

Section 4.01. *Rights to Participate in Transfer*. (a) Subject to Sections 3.04, 3.05, 3.06, 4.01(h) and 4.03, if (i) any Institutional Securityholder proposes to Transfer any number of any class or series of Eligible Securities other than to its Permitted Transferees or (ii) any Other Securityholder proposes to sell Eligible Securities to a Third Party pursuant to Section 4.03 (any sale pursuant to clauses (i) and (ii) shall be referred to herein as, the "**Tag-Along Sale**," and any Securityholder proposing to Transfer Eligible Securities pursuant to a Tag-Along Sale shall be referred to herein as, the "**Tag-Along Seller**"), each Securityholder other than the Tag-Along Seller (each, an "**Eligible Securityholder**") may elect, at its option, to exercise its rights under this Section 4.01, *provided* that with respect to any such Transfer that is also governed by Section 4.03 hereof, the Company and the Securityholders having a right of first refusal under such Section shall have first been afforded the opportunity to acquire any Eligible Securities to be sold in a Tag-Along Sale in accordance with the provisions of Section 4.03.

In the event of such a proposed Transfer, the Tag-Along Seller shall, after such Securityholders and the Company have declined, or are deemed to have declined, to exercise their right of first refusal as provided in Section 4.03, provide each Eligible Securityholder written notice of the terms and conditions of such proposed transfer ("**Tag-Along Notice**") and

offer each Eligible Securityholder the opportunity to participate in such sale. The Tag-Along Notice shall identify the number and type of Eligible Securities subject to the offer ("**Tag-Along Offer**"), the cash price at which the Transfer is proposed to be made, and all other material terms and conditions of the Tag-Along Offer, including the form of the proposed agreement, if any.

From the date of the receipt of the Tag-Along Notice, each Eligible Securityholder shall have the right (a "**Tag-Along Right**"), exercisable by written notice ("**Tag-Along Response Notice**") given to the Tag-Along Seller within 15 Business Days of such Eligible Securityholder's receipt of the Tag-Along Notice (the "**Tag-Along Notice Period**"), to request that the Tag-Along Seller include in the proposed Transfer (any such Securityholder so requesting, a "**Tagging Person**") the number and type of Eligible Securities held by such Tagging Person as is specified in such notice, provided that, if the aggregate number of Eligible Securities proposed to be sold by the Tag-Along Seller and all Tagging Persons in such transaction exceeds the number of that series or class of Eligible Securities that can be sold on the terms and conditions set forth in the Tag-Along Notice, then the Tagging Seller and each Tagging Person shall be entitled to include in the Tag-Along Sale only its Tag-Along Portion of such series or class of Eligible Securities and such additional Eligible Securities as permitted by Section 4.01(d). Each Tagging Person that exercises its Tag-Along Rights hereunder shall deliver to the Tag-Along Seller, together with its Tag-Along Response Notice, a limited power-of-attorney authorizing the Tag-Along Seller to Transfer such Eligible Securities on the terms set forth in the Tag-Along Notice and, if the Eligible Securities are certificated, the certificate or certificates representing the Eligible Securities of such Tagging Person to be included in the Transfer. Any such securities so delivered shall be held in trust by the Tag-Along Seller for the benefit of the Tagging Person and shall not be commingled with the assets of the Tag-Along Seller. Delivery of the limited power-of-attorney authorizing the Tag-Along Seller to Transfer such Eligible Securities and, if the Eligible Securities are certificated, such certificate or certificates representing the Eligible Securities to be Transferred, shall constitute an irrevocable acceptance of the Tag-Along Offer by such Tagging Persons. Each Tag-Along Response Notice shall include wire transfer instructions for payment of the purchase price for each class or series of Eligible Securities to be sold in such Tag-Along Sale. The Tagging Persons shall (a) be required (i) to bear their proportionate share of any escrows, holdbacks or adjustments in purchase price and any transaction expenses and (ii) to make such customary representations, warranties and covenants and enter into such agreements as are customary for transactions of the nature of the Tag-Along Offer, in each case on terms no less favorable to the Tagging Persons than those disclosed in the Tag-Along Notice and (b) benefit from all of the same provisions of the definitive agreements as the Tag-Along Seller, it being understood that any liability of any Tagging Person for indemnification or similar post-closing obligations shall not exceed a proportional share of any such liability based on such Tagging Person's share of the aggregate consideration in the Tag-Along Sale.

If at the end of the 90-day period after delivery of the Tag-Along Notice (which 90-day period shall be extended if any of the transactions contemplated by the Tag-Along Offer are subject to regulatory approval until the expiration of five Business Days after all such approvals have been received, but in no event later than 180 days following receipt of the Tag-Along

Response Notice by the Tag-Along Seller), the Tag-Along Seller has not completed the Transfer of all such Eligible Securities on substantially the same terms and conditions set forth in the Tag-Along Notice, the Tag-Along Seller shall (i) return to each Tagging Person the limited power-of-attorney (and all copies thereof) together with all certificates representing the Eligible Securities that such Tagging Person delivered for Transfer pursuant to this Section 4.01(a) and (ii) not conduct any Transfer of Eligible Securities without again complying with this Section.

(b) Concurrently with the consummation of the Tag-Along Sale, the Tag-Along Seller shall notify the Tagging Persons thereof, shall remit to the Tagging Persons the total consideration (by wire transfer of immediately available funds or, if so requested by the Tagging Person, bank or certified check) then payable for the Eligible Securities of the Tagging Persons transferred pursuant thereto, less such Tagging Person's proportionate share of any escrows, holdbacks or adjustments in purchase price, and any transaction expenses, and shall, promptly after the consummation of such Tag-Along Sale, furnish such other evidence of the completion and time of completion of such transfer and the terms thereof as may be reasonably requested by any Tagging Person. The Tag-Along Seller shall promptly remit to all Tagging Persons any additional consideration payable upon the release of any escrows or holdbacks or the payment of any adjustments.

(c) If at the termination of the Tag-Along Notice Period any Eligible Securityholder shall not have elected to participate in the Tag-Along Sale, such Eligible Securityholder will be deemed to have waived its rights under Section 4.01(a) with respect to the Transfer of its securities pursuant to such Tag-Along Sale.

(d) If any Tagging Person elects to exercise its Tag-Along Rights with respect to less than such Tagging Person's Tag-Along Portion, the Tag-Along Seller and each other Tagging Person shall be entitled to Transfer, pursuant to the Tag-Along Offer, a number of Eligible Securities held by it equal to its Tag-Along Portion of such Tagging Person's Tag-Along Portion with respect to which Tag-Along Rights were not exercised.

(e) The Tag-Along Seller may Transfer, on behalf of itself and any Tagging Person who exercises the Tag-Along Rights pursuant to this Section 4.01(a), the Eligible Securities subject to the Tag-Along Offer and elected to be Transferred on the terms and conditions set forth in the Tag-Along Notice within 90 days after delivery of the Tag-Along Notice (or such longer period as extended under Section 4.01(a)) of the date on which all Tag-Along Rights shall have been waived, exercised or expire provided that, if such Tag-Along Sale is subject to regulatory approval, such 90-day period shall be extended until the expiration of five Business Days after all such approvals have been received, but in no event later than 180 days following receipt of the Tag-Along Response Notice by the Tag-Along Seller.

(f) Notwithstanding the requirements of this Section 4.01, a Tag-Along Seller may Transfer Eligible Securities at any time without complying with the requirements of paragraphs (a) and (b) of Section 4.01 so long as such Transfer is solely for cash and the Tag-Along Seller deposits into escrow with an independent third party at the time of Transfer that amount of the consideration received in the sale equal to the "Tag-Along Escrow Amount." The "**Tag-Along**

**Escrow Amount**" shall equal that amount of consideration that all the Eligible Securityholders would have been entitled to receive if each of the Eligible Securityholders had the opportunity to participate in the Transfer as a Tagging Person to the extent of its Tag-Along Portion, determined as if each such Eligible Securityholder (i) delivered a Tag-Along Response Notice to the Tag-Along Seller in the time period set forth in Section 4.01(a) and (ii) proposed to include all of its Eligible Securities which it would have been entitled to include in the Transfer.

No later than the date of the Transfer, the Tag-Along Seller shall notify the Company in writing of the proposed Transfer. Such notice (the "**Tag-Along Escrow Notice**") shall set forth the information required in the Tag-Along Notice, and in addition, such notice shall state the name of the escrow agent and the account number of the escrow account. The Company shall promptly, and in any event within ten days of the date the Company delivered or caused to be delivered, the Tag-Along Escrow Notice, deliver or cause to be delivered the Tag-Along Escrow Notice to each Eligible Securityholder.

An Eligible Securityholder may exercise the tag-along right described in this clause (f) by delivery to the Tag-Along Seller, within 15 days of the date the Company delivered or caused to be delivered the Tag-Along Escrow Notice, of (i) a written notice specifying the number of Eligible Securities it proposes to sell (which such number shall not exceed such Eligible Securityholder's Tag-Along Portion determined as provided in the first paragraph of this Section 4.01(f)), and (ii) the certificates representing such securities, with transfer powers duly endorsed in blank.

Promptly after the expiration of the 15th day after the Company has delivered or caused to be delivered the Tag-Along Escrow Notice, (i) the Tag-Along Seller shall purchase that number of Eligible Securities as the Tag-Along Seller would have been required to include in the sale had the Tag-Along Seller complied with the provisions of Section 4.01(a), (ii) the Company shall cause to be released from the escrow to the Eligible Securityholder from whom the Tag-Along Seller purchases Eligible Securities pursuant to clause (i) of this paragraph the applicable amount of consideration due to such Eligible Securityholder together with any interest thereon, and (iii) all remaining funds and other consideration held in escrow shall be released to the Tag-Along Seller.

(g) Notwithstanding anything contained in this Section 4.01, there shall be no liability on the part of the Tag-Along Seller to the Tagging Persons (other than the obligation to return any limited powers-of-attorney (and all copies thereof) together with all certificates (if any) evidencing Eligible Securities, as the case may be, received by the Tag-Along Seller) if the Transfer of Eligible Securities pursuant to Section 4.01 is not consummated for whatever reason. Whether to effect a Transfer of Eligible Securities pursuant to this Section 4.01 by the Tag-Along Seller is in the sole and absolute discretion of the Tag-Along Seller.

(h) The provisions of this Section 4.01 shall not apply to any proposed Transfer of any class of Eligible Securities by the Tag-Along Seller (A) in a Public Offering or pursuant to Rule 144 or (B) pursuant to Section 4.02.

(i) With regard to each class and series of Eligible Securities, this Section 4.01 shall terminate as to each class and series of Eligible Securities immediately following the date on which the Aggregate Ownership of the Institutional Securityholders falls below 35% of the aggregate Initial Ownership of such Institutional Securityholders for such class or series of Eligible Securities; *provided*, that any transactions or series of transactions that would cause any Institutional Securityholder to hold less than 35% of its Initial Ownership for such class or series of Eligible Securities shall be subject to this Section 4.01.

Section 4.02. *Right to Compel Participation in Certain Transfers*. (a) If the Institutional Securityholders together propose (i) to Transfer not less than 50% of each of their respective Initial Ownership of any class or series of Eligible Securities to a Third Party in a bona fide sale or (ii) a Transfer in which the Eligible Securities to be Transferred by the Institutional Securityholders, plus the Eligible Securities to be Transferred by the Other Securityholders pursuant to this Section 4.02(a), constitute more than 50% of the outstanding Eligible Securities in a particular class or series to a Third Party pursuant to a bona fide sale, or (iii) a sale of all or substantially all of the assets of the Company to a Third Party pursuant to a bona fide sale (any of (i), (ii) or (iii), a "**Compelled Sale**"), the Institutional Securityholders together may at their option require all Other Securityholders to vote all securities of the Company then held by such Other Securityholders in favor of such Compelled Sale and to Transfer the Drag-Along Portion of such class or series of Eligible Securities ("**Drag-Along Rights**") then held by every Other Securityholder, and in the case of a Compelled Sale involving Common Units (but subject to and at the closing of the Compelled Sale) to exercise such number of options or warrants (including the Warrant and including, at the option of Hynix, pursuant to Section 2(c) thereof) for Common Units held by every Other Securityholder as is required in order that a sufficient number of Common Units are available to Transfer the relevant Drag-Along Portion of each such Other Securityholder, for the same consideration per unit of the relevant class of Eligible Security and otherwise on the same terms and conditions as the Institutional Securityholders, provided that any Other Securityholder who holds options or warrants (including the Warrant) the exercise price per share of which is greater than the per share price at which the Common Units are to be Transferred to the Third Party may, if required by the Institutional Securityholders to exercise such options or warrants (including the Warrant), in place of such exercise, submit to irrevocable cancellation thereof without any liability for payment of any exercise price with respect thereto. If the Compelled Sale is not consummated with respect to any Common Units acquired upon exercise of such options or warrants (including the Warrant), or the Compelled Sale is not consummated, such options or warrants (including the Warrant) shall be deemed not to have been exercised or canceled, as applicable. The CVC US Securityholder Representative and the FP Securityholder Representative, on behalf of the Institutional Securityholders, shall provide written notice of such Compelled Sale to the Other Securityholders (a "**Compelled Sale Notice**") not later than the 15th day prior to the proposed Compelled Sale. The Compelled Sale Notice shall identify the transferee, in the case of a Compelled Sale pursuant to clauses (i) or (ii) of this Section 4.02(a), the number of Eligible Securities subject to the Compelled Sale, the consideration for which either a Transfer or a sale of all or substantially all of the assets of the Company, as appropriate, is proposed to be made (the "**Compelled Sale Price**") and all other material terms and conditions of the Compelled Sale.

The number of Eligible Securities to be sold by each Other Securityholder will be the Drag-Along Portion of the class of Eligible Securities that such Other Securityholder owns. Each Other Securityholder shall be required to participate in the Compelled Sale on the terms and conditions set forth in the Compelled Sale Notice and to tender all its Eligible Securities as set forth below. The price payable in such Transfer shall be the Compelled Sale Price. Not later than the tenth day following the date of the Compelled Sale Notice (the "**Compelled Sale Notice Period**"), each of the Other Securityholders shall deliver to a representative of the Institutional Securityholders designated in the Compelled Sale Notice certificates (to the extent the Eligible Securities are certificated), and in the case of options or warrants (including the Warrant), the applicable instrument, representing all Eligible Securities comprising the Drag-Along Portion held by such Other Securityholder, duly endorsed, together with all other documents required to be executed in connection with such Compelled Sale or, if such delivery is not permitted by applicable law, an unconditional agreement to deliver such Eligible Securities pursuant to this Section 4.02(a) at the closing for such Compelled Sale against delivery to such Other Securityholder of the consideration therefor. If an Other Securityholder should fail to deliver such certificates to the Institutional Securityholders, the Company (subject to reversal under Section 4.02(b)) shall cause the books and records of the Company to show that such Eligible Securities are bound by the provisions of this Section 4.02(a) and that such Eligible Securities shall be Transferred to the Third Party immediately upon surrender for Transfer by the holder thereof. The Other Securityholders shall (a) be required (i) to bear their proportionate share of any escrows, holdbacks or adjustments in purchase price and any transaction expenses, (ii) to make such representations, warranties and covenants and enter into such agreements as are customary for transactions of the nature of the Compelled Sale, in each case under the terms of any definitive agreements relating to such Compelled Sale, (b) benefit from all of the same provisions of the definitive agreements as the Institutional Securityholders, (c) with respect to each class of Eligible Securities to be Transferred in such Compelled Sale, have the right to receive the same form of consideration and same amount of consideration as each other holder of such class, and (d) if any holders of a class of Eligible Securities are given an option as to the form and amount of consideration received, each holder of such class of Eligible Securities shall be given the same option, it being understood that any liability of any Other Securityholder for indemnification or similar post-closing obligations shall not exceed the consideration such Other Securityholder receives in the Compelled Sale and shall be a proportional share of any such liability based on such Other Securityholder's share of the aggregate consideration in the Compelled Sale.

(b) The Institutional Securityholders shall have a period of 90 days from the date of receipt of the Compelled Sale Notice to consummate the Compelled Sale on the terms and conditions set forth in such Compelled Sale Notice, *provided* that, if such Compelled Sale is subject to regulatory approval, such 90-day period shall be extended until the expiration of five Business Days after all such approvals have been received, but in no event later than 180 days following the receipt of the Compelled Sale Notice by the Other Securityholders. If the Compelled Sale shall not have been consummated during such period, the Institutional Securityholders shall return to each of the Other Securityholders all certificates or other applicable instruments (including the Warrant) representing Eligible Securities that such Other

Securityholders delivered for Transfer pursuant hereto, together with any documents in the possession of the Institutional Securityholders executed by the Other Securityholders in connection with such proposed Transfer, and all the restrictions on Transfer contained in this Agreement or otherwise applicable at such time with respect to such Eligible Securities owned by the Other Securityholders shall again be in effect.

(c) Concurrently with the consummation of the Transfer of Eligible Securities pursuant to this Section 4.02, the CVC US Securityholder Representative and the FP Securityholder Representative, on behalf of the Institutional Securityholders, shall give notice thereof to the Other Securityholders, shall remit to each of the Other Securityholders who have surrendered their certificates or other applicable instruments the total consideration (the cash portion of which is to be paid by wire transfer of immediately available funds, or if requested by the Other Securityholders, bank or certified check) for the Eligible Securities Transferred pursuant hereto, less such Other Securityholder's proportionate share of any escrows, holdbacks or adjustments in purchase price, and any transaction expenses and shall furnish such other evidence of the completion and time of completion of such Transfer and the terms thereof as may be reasonably requested by such Other Securityholders. The Institutional Securityholders shall promptly remit any additional consideration payable upon the release of any escrows or holdbacks or the payment of any adjustments.

(d) Notwithstanding anything contained in this Section 4.02, there shall be no liability on the part of the Institutional Securityholders to the Other Securityholders (other than the obligation to return any certificates or other applicable instruments representing Eligible Securities received by the Institutional Securityholders) if the Transfer of Eligible Securities pursuant to this Section 4.02 is not consummated for whatever reason, regardless of whether the Institutional Securityholders have delivered a Compelled Sale Notice. Whether to effect a Transfer of Eligible Securities pursuant to this Section 4.02 by the Institutional Securityholders is in the sole and absolute discretion of the Institutional Securityholders.

(e) This Section 4.02 shall terminate upon the third anniversary of the First Public Offering.

Section 4.03. *Right of First Refusal.* (a) Subject to Sections 3.04, 3.05 and 3.06, if any of the Securityholders receives from or otherwise negotiates with a Third Party in a private transaction an offer to purchase for cash any or all of the Eligible Securities owned or held by such Securityholder (an "**Offer**") and such Securityholder (a "**Seller**") intends to pursue such Transfer of such Eligible Securities to such Third Party, such Seller shall provide the Institutional Securityholders (the "**Non-Selling Securityholders**"), and the Company written notice of such Offer (an "**Offer Notice**"). The Offer Notice shall identify the number and class of Eligible Securities subject to the Offer (the "**Offered Securities**"), the cash price per share at which a sale is proposed to be made (the "**Offer Price**") and all other material terms and conditions of the Offer.

(b) The receipt of an Offer Notice by the Company and the Non-Selling Securityholders from any Seller shall constitute an offer by such Seller to Transfer, to the

Company and such Non-Selling Securityholders, for cash in whole and not in part, with the Company having priority with respect to the acceptance of the Offer, all of the Offered Securities at the Offer Price. If the Company does not accept the offer, in whole and not in part, in accordance herewith, then such offer may be accepted at the Offer Price by each of the Non-Selling Securityholders on a pro rata basis based on each such Non-Selling Securityholder's Offer Pro Rata Portion unless the Non-Selling Securityholders shall agree to another allocation resulting in acceptance of the Offer with respect to all Offered Securities. Such offer shall be irrevocable for 15 days after receipt of such Offer Notice by the Company and each Non-Selling Securityholder. During such 15-day period, subject to the Company's priority right of exercise as set forth above, each Non-Selling Securityholder shall have the right to accept such offer (as provided above) within such period. The offer may be accepted by giving a written irrevocable notice of acceptance to such Seller prior to the expiration of such 15-day period.

If every Non-Selling Securityholder receiving the Offer Notice does not elect to purchase Offered Securities, the Seller shall not be required to sell any Offered Securities accepted pursuant to the offer, but shall, within five days of the expiration of the initial 15-day period, provide written notice to all Non-Selling Securityholders that did accept the initial offer, informing them that they have the right to increase the number of Offered Securities that they accepted pursuant to the initial offer. Each such Non-Selling Securityholder will then have a five-day period in which to accept such second offer, by giving written notice of acceptance to the Seller prior to the expiration of such five-day period, as to all of such Securityholder's portion of the Offered Securities not accepted pursuant to the initial offer (on the basis of such Securityholder's Offer Pro Rata Portion compared to the Offer Pro Rata Portion of all other Non-Selling Securityholders participating in the second offer).

If any Non-Selling Securityholder fails to notify the Seller prior to the expiration of the initial 15-day period or the second five-day period, as applicable, referred to above, it will be deemed to have declined the initial offer or second offer, as applicable.

For purposes of this Section 4.03 only, "**Offer Pro Rata Portion**" means the fraction that results from dividing (i) the Aggregate Ownership of the same class of Eligible Securities as the Offered Securities by such Non-Selling Securityholder by (ii) the Aggregate Ownership of such class of Eligible Securities by all Non-Selling Securityholders.

(c) If the Company and/or the Non-Selling Securityholders elect to purchase all the Offered Securities, the Company and/or the Non-Selling Securityholders, as the case may be, exercising their rights of first refusal as to the Offered Securities shall purchase and pay, by wire transfer of in immediately available funds, at the Offer Price for all Offered Securities within a 10-day period of the date on which all Offered Securities have been accepted, *provided* that, if the purchase and sale of such Offered Securities is subject to any prior regulatory approval, subject to Section 4.03(d)(iii), the time period during which such purchase and sale may be consummated shall be extended until the expiration of five Business Days after all such approvals shall have been received, but in no event shall such period be extended for more than an additional 90 days without the consent of the Company.

(d) Upon the earlier to occur of (i) full rejection of the offer by the Company and the Non-Selling Securityholders, (ii) the expiration of the initial 15-day period and the second five-day period without Non-Selling Securityholders electing to purchase all of the Offered Securities or (iii) the failure to obtain any required consent or regulatory approval for the purchase of all of the Offered Securities by the Company or the Non-Selling Securityholders within 90 days of full acceptance of the offer, Seller shall have a 90-day period during which to effect a Transfer to the Third Party making the Offer of any or all of the Offered Securities on substantially the same or more favorable (as to the Seller) terms and conditions as were set forth in the Offer Notice at a price in cash not less than the Offer Price, *provided* that (i) such Third Party shall have agreed in writing to be bound by the terms of this Agreement in the form of the Joinder, and to have such rights and obligations pursuant to this Agreement as those of an "Other Securityholder," (ii) the Transfer to such Third Party shall have been approved by the CVC US Securityholder Representative and the FP Securityholder Representative, such approval not to be unreasonably withheld or delayed and (iii) the Transfer to such Third Party is not in violation of applicable federal or state or foreign securities laws, and *provided*, *further*, that, if the Transfer is subject to regulatory approval, such 90-day period shall be extended until the expiration of five Business Days after all such approvals shall have been received, but in no event shall such period be extended for more than an additional 90 days without the consent of the Company. If the Seller does not consummate the Transfer of the Offered Securities in accordance with the foregoing time limitations, then the right of the Seller to Transfer such Offered Securities, and the rights of the Company and the Non-Selling Securityholders to purchase them pursuant to this Section 4.03, shall terminate and the Seller shall again comply with the procedures set forth in this Section 4.03 with respect to any proposed Transfer in accordance with Section 3.04, 3.05 and 3.06.

(e) The provisions of this Section 4.03 shall not apply to any Transfer (i) pursuant to a Public Offering, (ii) pursuant to Section 4.02, or (iii) to the Company.

(f) This Section 4.03 shall terminate upon the earlier to occur of (i) the First Public Offering and (ii) a Change of Control.

Section 4.04. *Preemptive Rights*. (a) The Company shall provide each Securityholder with a written notice (an "**Issuance Notice**") of any proposed issuance by the Company of any class or series of Eligible Securities to any then existing Institutional Securityholder or any of its Affiliates (the "**Purchasing Securityholder**") at least 20 days prior to the proposed issuance date. Such notice shall specify the price at which such class or series of Eligible Securities are to be issued, the class of such securities and the other material terms of the issuance. Subject to Section 4.04(e) below, if the Purchasing Securityholder proposes to purchase any such Eligible Securities from the Company, each Securityholder (other than the Purchasing Securityholder, the "**Preemptive Securityholders**") shall be entitled to purchase, at the price and on the terms at which the Purchasing Securityholder proposes to purchase such Eligible Securities and specified in such Issuance Notice, such Preemptive Securityholder's Issuance Pro Rata Portion (as hereinafter defined) of the class or series of Eligible Securities proposed to be issued. For the sake of clarity, it is understood and agreed that each Institutional Securityholder shall be entitled

to be a Preemptive Securityholder with respect to any issuance to the other Institutional Securityholder or its Affiliates pursuant to this Section 4.04 in accordance with the terms of this Section 4.04.

"**Issuance Pro Rata Portion**" means, with respect to any Preemptive Securityholder and any class or series of Company Securities proposed to be issued by the Company with respect to which Preemptive Securityholders shall be entitled to exercise their rights under this Section 4.04, the fraction that results from dividing (x) such Preemptive Securityholder's Aggregate Ownership of such class by (y) the Aggregate Ownership of such class of all Securityholders. To the extent that the class or series of Eligible Securities proposed to be issued are New Securities, "**Issuance Pro Rata Portion**" shall mean, the fraction that results from dividing (x) such Preemptive Securityholder's Aggregate Ownership of Common Units by (y) the Aggregate Ownership of Common Units of all Securityholders.

(b) A Preemptive Securityholder may exercise its rights under this Section 4.04 by delivering written notice of its election to purchase such Eligible Securities to the Company within 15 days of receipt of the Issuance Notice. A delivery of such a written notice (which notice shall specify the number (or amount) of Eligible Securities to be purchased by the Preemptive Securityholder submitting such notice) by such Preemptive Securityholder shall constitute a binding agreement of such Preemptive Securityholder to purchase, at the price and on the terms specified in the Issuance Notice, the number of shares (or amount) of Eligible Securities specified in such Preemptive Securityholder's written notice upon the consummation of the issuance of Eligible Securities to the Purchasing Securityholder. If at the termination of such 15-day period, any Preemptive Securityholder shall not have exercised its rights to purchase any of such Preemptive Securityholder's Issuance Pro Rata Portion of such Eligible Securities, such Preemptive Securityholder will be deemed to have waived any and all of its rights under this Section 4.04 with respect to the purchase of such Eligible Securities that were the subject of the Issuance Notice.

(c) If any Preemptive Securityholder receiving an Issuance Notice does not elect to purchase the securities offered thereunder, the Company shall, within five days prior to the proposed issuance, provide written notice to all participating Preemptive Securityholders that did elect to participate in such Issuance, informing them that they have the right to increase the number of securities that they elected to purchase pursuant to the Issuance Notice. Each such participating Preemptive Securityholder will then have a five day period in which to elect to participate in such second offer, by giving written notice of acceptance to the Company prior to the expiration of such five day period, as to all of such Preemptive Securityholder's portion of securities not accepted pursuant to the initial offer (on the basis of such Preemptive Securityholder's Issuance Pro Rata Portion compared to the Issuance Pro Rata Portion of all other Preemptive Securityholders accepting the second offer).

If any Preemptive Securityholder fails to notify the Company prior to the expiration of the initial 15-day period or the second five-day period, as applicable, referred to above, it will be deemed to have declined the initial offer or second offer, as applicable.

(d) The Company shall have 90 days from the date of the Issuance Notice to consummate the proposed issuance of any or all of such Eligible Securities that the Purchasing Securityholder and the Preemptive Securityholders have elected to purchase at the price and upon terms that are not materially less favorable to the Company than those specified in the Issuance Notice, *provided* that, if such issuance is subject to regulatory approval, such 90-day period shall be extended until the expiration of five Business Days after all such approvals have been received, but in no event later than 180 days from the date of the Issuance Notice. At the consummation of such issuance, the Company shall issue certificates representing the Eligible Securities to be purchased by each Purchasing Securityholder and each Preemptive Securityholder registered in the name of such Securityholder, against payment by such Securityholder of the purchase price for such Eligible Securities. If the Company proposes to issue any class or series of Eligible Securities to any Securityholder after such 90-day period, it shall again comply with the procedures set forth in this Section.

(e) Notwithstanding the foregoing, no Securityholder shall be entitled to purchase Eligible Securities as contemplated by this Section 4.04 to the extent Eligible Securities are issued (i) to officers, directors or employees of the Company or any Subsidiary pursuant to stock option plans or other equity incentive compensation plans or arrangements, on terms approved by the Board, (ii) to financing sources of the Company in connection with the issuance of debt or restructuring or recapitalization of existing debt, on terms approved by the Board, (iii) as a ratable dividend or distribution on Eligible Securities or any other class of capital stock of the Company then outstanding, or in connection with any ratable stock splits, reclassifications, recapitalizations, consolidations or similar events affecting the Eligible Securities or in any transaction in respect of a security that is available to all holders of such security on a pro rata basis, (iv) in connection with a business acquisition of the Company by a Third Party pursuant to a bona fide sale, whether by merger, consolidation, sale of assets or sale or exchange of capital stock or otherwise, to the extent approved by the Board, (v) in connection with or after the First Public Offering, (vi) to landlords, financial institutions or lessors in connection with commercial credit arrangements, commercial property transactions, leases, equipment financings or similar transactions, in each case in the ordinary course of business, on terms approved by the Board or (vii) upon conversion or exchange of any class of securities which were issued in compliance with the provisions of this Section 4.04. In addition to the foregoing, the preemptive rights set forth in this Section 4.04 shall not be applicable to any Securityholder if, at the time of such subsequent securities issuance, such Securityholder is not an "accredited investor," as that term in then defined in Rule 501(a) under the Securities Act or applicable state securities laws. The Company shall not be under any obligation to consummate any proposed issuance of Eligible Securities, nor shall there be any liability on the part of the Company to any Securityholder if the Company has not consummated any proposed issuance of Eligible Securities pursuant to this Section 4.04 for whatever reason, regardless of whether it shall have delivered an Issuance Notice in respect of such proposed issuance.

(f) The provisions of this Section 4.04 shall terminate upon the consummation of the First Public Offering. The rights of any Preemptive Securityholder with respect to any class or series of Eligible Securities under this Section 4.04 shall terminate at such time as such

Preemptive Securityholder's Aggregate Ownership of Common Units divided by its Initial Ownership of Common Units is less than 25%.

(g) Notwithstanding the requirements of this Section 4.04, the Company may issue Eligible Securities at any time without complying with the requirements of Section 4.04(a) through (d) (an "**Exempt Issuance**") so long as the Company reserves at the time of sale a portion of the Eligible Securities equal to the "Preemptive Escrow Amount." The "**Preemptive Escrow Amount**" shall equal that amount of Eligible Securities which the Preemptive Securityholders would have been entitled to receive if they had the opportunity to participate in the Exempt Issuance on a pro rata basis in accordance with Section 4.04(a), determined as if each Preemptive Securityholder (i) delivered written notice of its election to purchase to the Company in the time period set forth in Section 4.04(b) and (ii) proposed to purchase all of the Eligible Securities to which such Preemptive Securityholder would have been entitled to purchase pursuant to Section 4.04(a) had the Company given such Preemptive Securityholder an Issuance Notice.

Within 10 days after the date of the Exempt Issuance, the Company shall notify the Preemptive Securityholders in writing of the Exempt Issuance. Such notice (the "**Preemptive Escrow Notice**") shall set forth the terms and conditions upon which the Preemptive Securityholders may purchase Eligible Securities and the Issuance Pro Rata Portion that such Preemptive Securityholder is entitled to receive.

A Preemptive Securityholder may exercise the preemptive right by delivery to the Company, within 30 days of the date the Company mailed or caused to be mailed the Preemptive Escrow Notice, of a written notice specifying the number (or amount) of Eligible Securities it proposes to purchase of its Issuance Pro Rata Portion (the "**Preemptive Election**").

Promptly after the expiration of the 30th day after the Company has mailed or caused to be mailed the Preemptive Escrow Notice, (i) the Company shall sell to each Preemptive Securityholder that number (or amount) of Eligible Securities that each such Preemptive Securityholder proposed to purchase pursuant to its Preemptive Election and (ii) all remaining Preemptive Escrow Amount so reserved may be sold to the Institutional Securityholders upon the terms and conditions set forth in the Preemptive Escrow Notice.

Section 4.05. *Right to Compel the First Public Offering*.

(a) Notwithstanding anything to the contrary contained in this Agreement or otherwise, the securityholders of the Company can compel the Company to commence a First Public Offering by the affirmative vote of both the CVC US Designator and the FP Designator.

(b) The Institutional Securityholders agree, at the request of one of the Institutional Securityholders, to vote in favor of a First Public Offering if such offering can be completed on a basis such that the Total Equity Value (calculated as provided below based upon the IPO Valuation) is greater than or equal to the Threshold Price. The "**IPO Valuation**" means a valuation prepared in good faith by a nationally recognized independent investment banking firm

(which may be a proposed underwriter for such offering) reasonably acceptable to both the CVC Securityholder Representative and the FP Securityholder Representative, and establishing to the reasonable satisfaction of both the CVC Securityholder Representative and the FP Securityholder Representative that there is a reasonable certainty that the First Public Offering would be completed at a price per share implying a valuation of the Company that is at or above the Threshold Price. "**Threshold Price**" means $345,650,000 reduced by (i) any cash actually received by the Institutional Securityholders with respect to their Initial Ownership of Eligible Securities during the period from the Closing Date through the date of such IPO Valuation, (ii) any cash that the investment banking firm shows in its IPO Valuation is to be actually received by the Institutional Securityholders with respect to their Initial Ownership of Company Securities in connection with the First Public Offering and (iii) the liquidation preference of any Preferred Stock that is part of the Institutional Securityholders' Initial Ownership and that the investment banking firm shows in its IPO Valuation will remain outstanding after the First Public Offering. "**Total Equity Value**" means the value (based upon the IPO Valuation) of the Initial Ownership of Common Units of all Institutional Securityholders (excluding unexercised options and warrants and the Warrant, but including all Common Units that are to be acquired by the Institutional Securityholders upon the conversion of any of their Initial Ownership of Eligible Securities in connection with the First Public Offering).

ARTICLE 5

REGISTRATION RIGHTS

Section 5.01. *Demand Registration*. (a) If, at any time after the conclusion of the Applicable Holdback Period with respect to the First Public Offering, the Company shall receive a written request from (1) both the CVC US Securityholder Representative (on behalf of one or more of the entities comprising CVC US or their Permitted Transferees) and the FP Securityholder Representative (on behalf of one or more of the entities comprising FP or their Permitted Transferees) or (2) after the first anniversary of the First Public Offering, (A) either the CVC US Securityholder Representative (on behalf of one or more of the entities comprising CVC US or their Permitted Transferees) or the FP Securityholder Representative (on behalf of one or more of the entities comprising FP or their Permitted Transferees) or (B) the CVC Asia Pacific Securityholder Representative (on behalf of one or more of the CVC Asia Pacific Investors or their Permitted Transferees) (either of the foregoing, a "**Demand Registration**") that the Company effect the registration under the Securities Act of all or a portion of such Requesting Securityholder's Registrable Securities, and specifying the intended method of disposition thereof, then the Company shall promptly give written notice of such requested registration at least 15 days prior to the anticipated filing date of the registration statement relating to such Demand Registration to each Non-Requesting Securityholder. Upon the Company's giving notice of a requested registration, the Company will use its best efforts to effect, as expeditiously as possible, the registration under the Securities Act of:

(i) the Registrable Securities that the Company has been so requested to register by the Requesting Securityholders and, if they are not Requesting

Securityholders, any Institutional Securityholder, CVC Asia Pacific Investors, Peninsula, Hynix, and each of their respective Permitted Transferees participating in such registration, then held by the Requesting Securityholders and such participating Institutional Securityholder, and

(ii) subject to the restrictions set forth in Section 5.02, all other Registrable Securities of the same class or series as that requested to be registered by the Requesting Securityholders that are held by a Securityholder not covered by Section 5.01(a)(i) entitled to request the Company to effect an Incidental Registration pursuant to Section 5.02 (all such Securityholders, together with the Requesting Securityholders, the "**Holders**") have requested the Company to register by written request received by the Company within 15 days after the receipt by such Holders of such written notice given by the Company,

all to the extent necessary to permit the disposition (in accordance with the intended methods thereof as aforesaid) of the Registrable Securities so to be registered, *provided* that the Company shall not be obligated to effect a Demand Registration unless the gross aggregate proceeds expected to be received from the sale of the Common Units requested to be included in such Demand Registration equal or exceed $25,000,000 or, in the case of a Shortform Registration, $5,000,000. In no event will the Company be required to effect more than one Demand Registration hereunder within any six-month period and the CVC Asia Pacific Securityholder Representative shall not be entitled to make more than two requests for Demand Registrations.

"**Requesting Securityholder**" means the Securityholder or Securityholders exercising such Demand or on whose behalf such Demand is being exercised. "**Non-Requesting Securityholder**" means each Securityholder with respect to a Demand Registration that is not a Requesting Securityholder.

"**Shortform Registration**" means a registration with the SEC on Form S-3 or any successor form then in effect.

(b) Promptly after the expiration of the 15-day period referred to in Section 5.01(a)(ii) hereof, the Company will notify all the Holders to be included in the Demand Registration of the other Holders and the number of shares of Registrable Securities requested to be included therein. At any time prior to the effective date of the registration statement relating to such registration, the Requesting Securityholder(s) may revoke such request, without liability to any of the other Holders, by providing a written notice from the party authorized to initiate the Demand Registration on behalf of such Requesting Securityholder(s) pursuant to Section 5.01(a) to the Company revoking such request. A request, so revoked, shall be considered to be a Demand Registration unless (i) such revocation arose out of the fault of the Company (in which case the Company shall be obligated to pay all Registration Expenses in connection with such revoked request), or (ii) the Requesting Securityholders reimburse the Company for all Registration Expenses of such revoked request.

(c) The Company will be liable for and pay all Registration Expenses in connection with any Demand Registration, regardless of whether it is effected, except as provided in (b)(ii) above.

(d) A Demand Registration shall not be deemed to have occurred:

(i) unless the registration statement relating thereto (A) has become effective under the Securities Act and (B) has remained effective for a period of at least 120 days (or such shorter period in which all Registrable Securities of the Holders included in such registration have actually been sold thereunder), *provided* that such registration statement shall not be considered a Demand Registration if, after any registration statement requested pursuant to this Section 5.01 becomes effective, (x) such registration statement is interfered with by any stop order, injunction or other order or requirement of the SEC or other governmental agency or court and (y) less than 75% of the Registrable Securities included in such registration statement have been sold thereunder, or

(ii) if the Maximum Offering Size (as defined below) is reduced in accordance with Section 5.01(e) such that less than 75% of the Registrable Securities of the Requesting Securityholders sought to be included in such registration are included.

(e) If a Demand Registration involves an underwritten Public Offering and the managing underwriter shall advise the Company and the Requesting Securityholders that, in its view, the number of shares of Registrable Securities requested to be included in such registration (including any securities that the Company proposes to be included that are not Registrable Securities) exceeds the largest number of shares that can be sold without having an adverse effect on such offering, including the price at which such shares can be sold (the "**Maximum Offering Size**"), the Company will include in such registration, in the priority listed below, up to the Maximum Offering Size:

(A) first, all Registrable Securities requested to be registered by the Requesting Securityholders and, if they are not Requesting Securityholders, the Institutional Securityholders, the CVC Asia Pacific Investors, Peninsula, Hynix, and each of their respective Permitted Transferees (allocated, if necessary for the offering not to exceed the Maximum Offering Size, pro rata among such entities on the basis of the relative number of shares of Registrable Securities so requested to be registered), and

(B) second, any securities proposed to be registered for the account of any other Persons (including the Company), with such priorities among them as the Company shall determine.

(f) Upon written notice to each Requesting Securityholder, the Company may postpone effecting a registration pursuant to this Section 5.01 on one occasion during any period of 12 consecutive months for a reasonable time specified in the notice but not exceeding 90 days (which period may not be extended or renewed), if (1) an investment banking firm of recognized national standing shall advise the Company and the Requesting Securityholders in writing that effecting the registration would materially and adversely effect an offering of securities of such Company the preparation of which had then been commenced, (2) the Company is in possession of material non-public information the disclosure of which during the period specified in such notice the Company believes would not be in the best interests of the Company or (3) when the Requesting Securityholder is the CVC Asia Pacific Securityholder Representative, the Board determines that effecting such Demand Request would be inadvisable due to a pending or contemplated issuance of debt or equity securities by the Company; provided, that the Company may not defer a Demand Registration pursuant to clause (3) of Section 5.01(f) more than one time.

Section 5.02. *Incidental Registration*. (a) If, at any time after the First Public Offering, the Company proposes to register any Company Securities under the Securities Act (other than a registration on Form S-8 or S-4, or any successor or similar forms, relating to Common Units issuable upon exercise of employee stock options or in connection with any employee benefit or similar plan of the Company or in connection with a direct or indirect acquisition by the Company of another Person), whether or not for sale for its own account, it will each such time, subject to the provisions of Section 5.02(b), give prompt written notice at least 15 days prior to the anticipated effective date of the registration statement relating to such registration to each Securityholder, which notice shall set forth such Securityholder's rights under this Section 5.02 and shall offer such Securityholder the opportunity to include in such registration statement the number of Registrable Securities of the same class or series as those proposed to be registered as each such Securityholder may request (an "**Incidental Registration**"), subject to the provisions of 5.02(b). Upon the written request of any such Securityholder made within five days after the receipt of notice from the Company (which request shall specify the number of Registrable Securities intended to be disposed of by such Securityholder), the Company will use all reasonable efforts (subject to Section 5.02(b)) to effect the registration under the Securities Act of all Registrable Securities that the Company has been so requested to register by all such Securityholders, to the extent required to permit the disposition of the Registrable Securities so to be registered, provided that (i) if such registration involves an underwritten Public Offering, all such Securityholders requesting to be included in the Company's registration must sell their Registrable Securities to the underwriters selected as provided in Section 5.04(f) on the same economic terms and conditions as apply to the Company or the Requesting Securityholder, as applicable, and (ii) if, at any time after giving written notice pursuant to this Section 5.02(a) of its intention to register any securities for its own account but not in connection with any Demand Registration (except as set forth in Section 5.01) and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason not to register such securities, the Company shall give written notice to all such Securityholders and, thereupon, shall be relieved of its obligation to register any Registrable Securities in connection with such registration. No registration effected under this Section 5.02 shall relieve

the Company of its obligations to effect a Demand Registration to the extent required by Section 5.01. The Company shall pay all Registration Expenses in connection with each registration of Registrable Securities requested pursuant to this Section 5.02.

(b) If a registration pursuant to this Section 5.02 involves an underwritten Public Offering (other than any Demand Registration, in which case the provisions with respect to priority of inclusion in such offering set forth in Section 5.01(e) shall apply) and the managing underwriter advises the Company that, in its view, the number of Registrable Securities that the Company and such Securityholders intend to include in such registration exceeds the Maximum Offering Size, the Company will include in such registration, in the following priority, up to the Maximum Offering Size:

(i) first, so much of the securities proposed to be registered for the account of the Company as would not cause the offering to exceed the Maximum Offering Size,

(ii) second, all Registrable Securities requested to be included in such registration by the Institutional Securityholders, CVC Asia Pacific Investors, Peninsula, Hynix, and each of their Permitted Transferees (allocated, if necessary for the offering not to exceed the Maximum Offering Size, pro rata among such entities or persons on the basis of the relative number of shares of Registrable Securities so requested to be included in such registration),

(iii) third, any securities proposed to be registered for the account of any other Persons with such priorities among them as the Company shall determine.

Section 5.03. *Holdback Agreements*. If any registration of Registrable Securities shall be in connection with a Public Offering, each Securityholder and the Company agree not to effect any public sale or distribution, including any sale pursuant to Rule 144 or Rule 144A under the Securities Act, or any successor provisions, of any Registrable Securities, and not to effect any such public sale or distribution of any other security of the Company or of any stock convertible into or exchangeable or exercisable for any Common Stock (in each case, other than as part of such Public Offering) during the 14 days prior to the effective date of the applicable registration statement (except as part of such registration) or during the period after such effective date equal to the lesser of (i) such period of time as the Company and the lead managing underwriter shall agree, which period of time shall be the holdback period applicable to all Securityholders, and (ii) 180 days (such lesser period, the "**Applicable Holdback Period**").

Section 5.04. *Registration Procedures*. Whenever Securityholders request that any Registrable Securities be registered pursuant to Section 5.01 or 5.02 hereof, subject to the provisions of such Sections, the Company will use its best efforts to effect the registration and the sale of such Registrable Securities in accordance with the intended method of disposition thereof as quickly as practicable, and in connection with any such request:

(a) The Company will as expeditiously as possible prepare and file with the SEC a registration statement on any form reasonably acceptable to the Requesting Securityholders for which the Company then qualifies or that counsel for the Company shall deem appropriate and which form shall be available for the sale of the Registrable Securities to be registered thereunder in accordance with the intended method of distribution thereof, and use its best efforts to cause such filed registration statement to become and remain effective for a period of not less than 180 days, or in the case of a shelf registration statement, one year (or such shorter period in which all of the Registrable Securities of the Holders included in such registration statement shall have actually been sold thereunder).

(b) Prior to filing a registration statement or prospectus or any amendment or supplement thereto, the Company will, if requested, furnish to each participating Securityholder and each underwriter, if any, of the Registrable Securities covered by such registration statement copies of such registration statement as proposed to be filed, and thereafter the Company will furnish to such Securityholder and underwriter, if any, such number of copies of such registration statement, each amendment and supplement thereto (in each case including all exhibits thereto and documents incorporated by reference therein), the prospectus included in such registration statement (including each preliminary prospectus and any summary prospectus) and any other prospectus filed under Rule 424 or Rule 430A under the Securities Act and such other documents as such Securityholder or underwriter may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Securityholder. Each of the CVC US Securityholder Representative, the FP Securityholder Representative and the CVC Asia Pacific Securityholder Representative shall have the right to request that the Company modify any information contained in such registration statement, amendment and supplement thereto pertaining to such Institutional Securityholder or any of the CVC Asia Pacific Investors or their Permitted Transferees, as the case may be, and the Company shall use all reasonable efforts to comply with such request, provided, however, that the Company shall not have any obligation so to modify any information if so doing would cause the prospectus to contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

(c) After the filing of the registration statement, the Company will (i) cause the related prospectus to be supplemented by any required prospectus supplement, and, as so supplemented, to be filed pursuant to Rule 424 under the Securities Act, (ii) to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities covered by such registration statement during the applicable period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement or supplement to such prospectus and (iii) promptly notify each Securityholder holding Registrable Securities covered by such registration statement of any stop order issued or threatened by the SEC or any state securities commission under state blue sky laws and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered.

(d) The Company will use all reasonable efforts to (i) register or qualify the Registrable Securities covered by such registration statement under such other securities or blue

sky laws of such jurisdictions in the United States as any Securityholder holding such Registrable Securities reasonably (in light of such Securityholder's intended plan of distribution) requests and (ii) cause such Registrable Securities to be registered with or approved by such other governmental agencies or authorities as may be necessary by virtue of the business and operations of the Company and do any and all other acts and things that may be reasonably necessary or advisable to enable such Securityholder to consummate the disposition of the Registrable Securities owned by such Securityholder, *provided* that the Company will not be required to (A) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this paragraph (d), (B) subject itself to taxation in any such jurisdiction or (C) consent to general service of process in any such jurisdiction.

(e) The Company will immediately notify each Securityholder holding such Registrable Securities covered by such registration statement, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the occurrence of an event requiring the preparation of a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading and promptly prepare and make available to each such Securityholder and file with the SEC any such supplement or amendment.

(f) (i) (A) The CVC US Securityholder Representative and the FP Securityholder Representative, together, in the case of a Demand Registration made pursuant to clause (1) of Section 5.01(a), or (B) either the CVC US Securityholder Representative, the FP Securityholder Representative or CVC Asia Pacific Securityholder Representative, in the case of a Demand Registration made pursuant to clause (2) of Section 5.01(a) by such Institutional Securityholder or the CVC Asia Pacific Securityholder Representative, as applicable, will have the right, in their sole discretion, to select an underwriter or underwriters in connection with any Public Offering resulting from the exercise of a Demand Registration by such Securityholders, which underwriter or underwriters may include any Affiliate of any Institutional Securityholder, and (ii) the Company will select an underwriter or underwriters in connection with any other Public Offering. In connection with any Public Offering, the Company will enter into customary agreements (including an underwriting agreement in customary form) and take such other actions as are reasonably required in order to expedite or facilitate the disposition of such Registrable Securities in any such Public Offering, including the engagement of a "qualified independent underwriter" in connection with the qualification of the underwriting arrangements with the NASD.

(g) Upon execution of confidentiality agreements in form and substance reasonably satisfactory to the Company, the Company will make available for inspection by any Securityholder and any underwriter participating in any disposition pursuant to a registration statement being filed by the Company pursuant to this Section 5.04 and any attorney, accountant or other professional retained by any such Securityholder or underwriter (collectively, the "**Inspectors**"), all financial and other records, pertinent corporate documents and properties of the Company (collectively, the "**Records**") as shall be reasonably necessary or desirable to

enable them to exercise their due diligence responsibility, and cause the Company's officers, directors and employees to supply all information reasonably requested by any Inspectors in connection with such registration statement. Records that the Company determines, in good faith, to be confidential and that it notifies the Inspectors are confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in such registration statement or (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction. Each Securityholder agrees that information obtained by it as a result of such inspections shall be deemed confidential and shall not be used by it or its Affiliates as the basis for any market transactions in the Company Securities unless and until such is made generally available to the public. Each Securityholder further agrees that, upon learning that disclosure of such Records is sought in a court of competent jurisdiction, it will give notice to the Company and allow the Company, at its own expense, to undertake appropriate action to prevent disclosure of the Records deemed confidential.

(h) The Company will furnish to each such Securityholder and to each such underwriter, if any, a signed counterpart, addressed to such Securityholder or underwriter, of (i) an opinion or opinions of counsel to the Company and (ii) a comfort letter or comfort letters from the Company's independent public accountants, each in customary form and covering such matters of the kind customarily covered by opinions or comfort letters, as the case may be, as a majority of such Securityholders (determined by Aggregate Ownership of Common Units) or the managing underwriter therefor reasonably requests.

(i) The Company will otherwise use its best efforts to comply with all applicable rules and regulations of the SEC, and make available to its securityholders, as soon as reasonably practicable, an earnings statement or such other document covering a period of 12 months, beginning within three months after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder.

(j) The Company may require each such Securityholder promptly to furnish in writing to the Company such information regarding the distribution of the Registrable Securities as the Company may from time to time reasonably request and such other information as may be legally required in connection with such registration.

(k) Each such Securityholder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 5.04(e) hereof, such Securityholder will forthwith discontinue disposition of Registrable Securities pursuant to the registration statement covering such Registrable Securities until such Securityholder's receipt of the copies of the supplemented or amended prospectus contemplated by Section 5.04(e) hereof, and, if so directed by the Company, such Securityholder will deliver to the Company all copies, other than any permanent file copies then in such Securityholder's possession, of the most recent prospectus covering such Registrable Securities at the time of receipt of such notice. In the event that the Company shall give such notice, the Company shall extend the period during which such

registration statement shall be maintained effective (including the period referred to in Section 5.04(a) hereof) by the number of days during the period from and including the date of the giving of notice pursuant to Section 5.04(e) hereof to the date when the Company shall make available to such Securityholder a prospectus supplemented or amended to conform with the requirements of Section 5.04(e) hereof.

(l) The Company will use its best efforts to list all Registrable Securities covered by such registration statement on any securities exchange or quotation system on which any of the Registrable Securities are then listed or traded.

(m) The Company will provide and cause to be maintained a transfer agent and registrar for all Registrable Securities covered by such registration statement from and after a date not later than the effective date of such registration statement.

Section 5.05. *Indemnification by the Company*. The Company agrees to indemnify and hold harmless each Securityholder holding Registrable Securities covered by a registration statement, its officers, directors, employees, partners and agents, and each Person, if any, who controls such Securityholder within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages and liabilities caused by any untrue statement or alleged untrue statement of a material fact contained in any registration statement or prospectus relating to the Registrable Securities (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto) or any preliminary prospectus, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission so made based upon information furnished in writing to the Company by such Securityholder or on such Securityholder's behalf expressly for use therein, provided that, with respect to any untrue statement or omission or alleged untrue statement or omission made in any preliminary prospectus, or in any prospectus, as the case may be, the indemnity agreement contained in this paragraph shall not apply to the extent that any such loss, claim, damage, liability or expense results from the fact that a current copy of the prospectus (or such amended or supplemented prospectus, as the case may be) was not sent or given to the Person asserting any such loss, claim, damage, liability or expense at or prior to the written confirmation of the sale of the Registrable Securities concerned to such Person if it is determined that the Company has provided such prospectus to such Securityholder and it was the responsibility of such Securityholder to provide such Person with a current copy of the prospectus (or such amended or supplemented prospectus, as the case may be) and such current copy of the prospectus (or such amended or supplemented prospectus, as the case may be) would have cured the defect giving rise to such loss, claim, damage, liability or expense. The Company also agrees to indemnify any underwriters of the Registrable Securities, their officers and directors and each person who controls such underwriters on substantially the same basis as that of the indemnification of the Securityholders provided in this Section 5.05.

Section 5.06. *Indemnification by Participating Securityholders*. Each Securityholder holding Registrable Securities included in any registration statement agrees, severally but not jointly, to indemnify and hold harmless the Company, its officers, directors and agents and each Person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to such Securityholder, but only (i) with respect to information furnished in writing by such Securityholder or on such Securityholder's behalf expressly for use in any registration statement or prospectus relating to the Registrable Securities, or any amendment or supplement thereto, or any preliminary prospectus or (ii) to the extent that any loss, claim, damage, liability or expense described in Section 5.05 results from the fact that a current copy of the prospectus (or such amended or supplemented prospectus, as the case may be) was not sent or given to the Person asserting any such loss, claim, damage, liability or expense at or prior to the written confirmation of the sale of the Registrable Securities concerned to such Person if it is determined that it was the responsibility of such Securityholder to provide such Person with a current copy of the prospectus (or such amended or supplemented prospectus, as the case may be) and such current copy of the prospectus (or such amended or supplemented prospectus, as the case may be) would have cured the defect giving rise to such loss, claim, damage, liability or expense. Each such Securityholder also agrees to indemnify and hold harmless underwriters of the Registrable Securities, their officers and directors and each Person who controls such underwriters on substantially the same basis as that of the indemnification of the Company provided in this Section 5.06. As a condition to including Registrable Securities in any registration statement filed in accordance with Article 5 hereof, the Company may require that it shall have received an undertaking reasonably satisfactory to it from any underwriter to indemnify and hold it harmless to the extent customarily provided by underwriters with respect to similar securities. No Securityholder shall be liable under this Section 5.06 for any loss, claim, damage, liability or expense in excess of the net proceeds realized by such Securityholder in the sale of Registrable Securities of such Securityholder to which such loss, claim, damage, liability or expense relates.

Section 5.07. *Conduct of Indemnification Proceedings*. In case any proceeding (including any governmental investigation) shall be instituted involving any Person in respect of which indemnity may be sought pursuant to this Article 5, such Person (an "**Indemnified Party**") shall promptly notify the Person against whom such indemnity may be sought (the "**Indemnifying Party**") in writing and the Indemnifying Party shall assume the defense thereof, including the employment of counsel reasonably satisfactory to such Indemnified Party, and shall assume the payment of all fees and expenses, *provided* that the failure of any Indemnified Party so to notify the Indemnifying Party shall not relieve the Indemnifying Party of its obligations hereunder except to the extent that the Indemnifying Party is materially prejudiced by such failure to notify. In any such proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such counsel or (ii) in the reasonable judgment of such Indemnified Party representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that, in connection with

any proceeding or related proceedings in the same jurisdiction, the Indemnifying Party shall not be liable for the reasonable fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) at any time for all such Indemnified Parties, and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such separate firm for the Indemnified Parties, such firm shall be designated in writing by the Indemnified Parties. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent, or if there be a final judgment for the plaintiff the Indemnifying Party shall indemnify and hold harmless such Indemnified Parties from and against any loss or liability (to the extent stated above) by reason of such settlement or judgment. Without the prior written consent of the Indemnified Party, no Indemnifying Party shall effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such settlement includes an unconditional release of such Indemnified Party from all liability arising out of such proceeding.

Section 5.08. *Contribution*. If the indemnification provided for in this Article 5 is unavailable to the Indemnified Parties in respect of any losses, claims, damages or liabilities referred to herein, then each such Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities (i) as between the Company and the Securityholders holding Registrable Securities covered by a registration statement, in such proportion as is appropriate to reflect the relative benefits received by the Company and such Securityholders from the offering of the Registrable Securities, or if such allocation is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits but also the relative fault of the Company and such Securityholders in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations and (ii) as between the Company on the one hand and each such Securityholder on the other, in such proportion as is appropriate to reflect the relative fault of the Company and of each such Securityholder in connection with such statements or omissions, as well as any other relevant equitable considerations. The relative benefits received by the Company and such Securityholders shall be deemed to be in the same proportion as the relative proceeds from the offering (net of underwriting discounts and commissions and expenses) received by the Company and such Securityholders. The relative fault of the Company on the one hand and of each such Securityholder on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and the Securityholders agree that it would not be just and equitable if contribution pursuant to this Section 5.08 were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages or liabilities referred to in the immediately preceding

paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 5.08, no Securityholder shall be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities of such Securityholder were offered to the public exceeds the amount of any damages that such Securityholder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. Each Securityholder's obligation to contribute pursuant to this Section 5.08 is several in the proportion that the proceeds of the offering received by such Securityholder bears to the total proceeds of the offering received by all such Securityholders and not joint.

Section 5.09. *Participation in Public Offering*. No Person may participate in any Public Offering hereunder unless such Person (a) agrees to sell such Person's securities on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements and the provisions of this Agreement in respect of registration rights.

Section 5.10. *Other Indemnification*. Indemnification similar to that specified herein (with appropriate modifications) shall be given by the Company and each Securityholder participating therein with respect to any required registration or other qualification of securities under any federal or state law or regulation or governmental authority other than the Securities Act.

Section 5.11. *Cooperation by the Company*. If any Securityholder shall transfer any Registrable Securities pursuant to Rule 144 or Rule 144A under the Securities Act, the Company shall cooperate, to the extent commercially reasonable, with such Securityholder and shall provide to such Securityholder such information as such Securityholder shall reasonably request.

Section 5.12. *No Transfer of Registration Rights*. None of the rights of Securityholders under this Article 5 shall be assignable by any Securityholder to any Person acquiring Securities in any Public Offering or pursuant to Rule 144 or Rule 144A of the Securities Act.

## ARTICLE 6

## CERTAIN COVENANTS AND AGREEMENTS

Section 6.01. *Confidentiality*. (a) Each Securityholder agrees that Confidential Information (as defined below) furnished and to be furnished to it was and will be made available in connection with such Securityholder's investment in the Company. Each Securityholder agrees that it will use, and that it will cause any Person to whom Confidential Information is disclosed pursuant to clause (i) below to use, the Confidential Information only in

connection with its investment in the Company and not for any other purpose (including, without limitation, to disadvantage competitively the Company or any other Securityholder). Each Securityholder further acknowledges and agrees that it will not disclose any Confidential Information to any Person, *provided* that Confidential Information may be disclosed (i) to such Securityholder's Representatives (as defined below) in the normal course of the performance of their duties or to any financial institution providing credit to such Securityholder, (ii) to the extent required by applicable law, rule or regulation (including complying with any oral or written questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process to which a Securityholder is subject, provided that such Securityholder gives the Company prompt notice of such request(s), to the extent practicable, so that the Company may seek, at its expense, an appropriate protective order or similar relief (and the Securityholder shall cooperate with such efforts by the Company, and shall in any event make only the minimum disclosure required by such law, rule or regulation)), (iii) to any Person to whom such Securityholder is contemplating a Transfer of its Eligible Securities (provided that such Transfer would not be in violation of the provisions of this Agreement and as long as such potential transferee is advised of the confidential nature of such information and agrees to be bound by a confidentiality agreement in form and substance satisfactory to the Company and consistent with the provisions hereof), (iv) to any regulatory authority or rating agency to which the Securityholder or any of its affiliates is subject or with which it has regular dealings, as long as such authority or agency is advised of the confidential nature of such information or (v) if the prior written consent of the Board shall have been obtained. Nothing contained herein shall prevent the use (subject, to the extent possible, to a protective order) of Confidential Information in connection with the assertion or defense of any claim by or against the Company or any Securityholder.

(b) "**Confidential Information**" means any information concerning the Company and Persons that are or become its Subsidiaries or the financial condition, business, operations or prospects of the Company and Persons that are or become its Subsidiaries in the possession of or furnished to any Securityholder (including, without limitation by virtue of its present or former right to designate a director of the Company), provided that the term "Confidential Information" does not include information that (i) is or becomes generally available to the public other than as a result of a disclosure by a Securityholder or its partners, directors, officers, employees, agents, counsel, investment advisers or representatives (all such persons being collectively referred to as "**Representatives**") in violation of this Agreement, (ii) is or was available to such Securityholder on a non-confidential basis prior to its disclosure to such Securityholder or its Representatives by the Company or (iii) was or becomes available to such Securityholder on a non-confidential basis from a source other than the Company, provided that such source is or was (at the time of receipt of the relevant information) not, to the best of such Securityholder's knowledge, bound by a confidentiality agreement with (or other confidentiality obligation to) the Company or another Person.

(c) Neither the Company nor any other Securityholder will disclose, or permit any of their members, shareholders, employees, agents, representatives or Affiliates to disclose, the name of Peninsula or any of its Affiliates as a direct or indirect investor in the Company, except

for (i) confidential conversations with existing and prospective (if an appropriate non-disclosure agreement has been executed by such prospective party) securityholders of the Company and (ii) as required by applicable law.

Section 6.02. *Information*. So long as any Eligible Securities remain outstanding, the Company shall deliver to (i) each Five Percent Securityholder, (ii) each of the entities comprising the CVC Asia Pacific Investors, so long as such entity shall own any Securities, (iii) Peninsula, so long as such entity shall own any Securities, (iv) CVC Equity Fund, so long as such entity shall own any Securities and (v) FP LP, so long as such entity shall own any Securities:

(a) As soon as practicable and in any event within 30 days after the end of the first three fiscal quarters, consolidated balance sheets of the Company and its Subsidiaries as at the end of such period and the related consolidated statements of income, stockholders' equity and cash flow of the Company and its Subsidiaries for such fiscal quarter, setting forth in each case in comparative form the consolidated figures for the corresponding periods of the previous fiscal year, all in reasonable detail and certified by the Company's Chief Financial Officer that they fairly present the financial condition of the Company and its Subsidiaries as at the dates indicated and the results of their operations and changes in their financial position for the periods indicated, subject to normal year-end adjustments;

(b) As soon as practicable and in any event within 90 days after the end of each fiscal year of the Company commencing with the fiscal year ending December 31, 2004, consolidated balance sheets of the Company and its Subsidiaries as at the end of such year and the related consolidated statements of income, stockholders' equity and cash flow of the Company and its Subsidiaries for such fiscal year, setting forth in each case, in comparative form, the consolidated figures for the previous year, all in reasonable detail and accompanied by a report thereon of independent certified public accountants of recognized national standing selected by the Company, which report shall state that such consolidated financial statements present fairly the financial position of the Company and its Subsidiaries as at the dates indicated and the results of their operations and changes in their financial position for the periods indicated in conformity with generally accepted accounting principles applied on a basis consistent with prior years (except as otherwise stated therein) and that the examination by such accountants in connection with such consolidated financial statements has been made in accordance with generally accepted auditing standards;

(c) Promptly upon their becoming available, copies of all financial statements, reports, notices and proxy statements sent or made available generally by the Company to its securityholders or by any Subsidiary of the Company to its securityholders other than the Company or another Subsidiary, of all regular and periodic reports and all registration statements and prospectuses, if any, filed by the Company or any of its Subsidiaries with any securities exchange or with the SEC or any governmental authority succeeding to any of its functions, and of all press releases and other written statements made available generally by the Company or

any Subsidiary to the public concerning material developments in the business of the Company and its Subsidiaries; and

(d) From time to time such additional information regarding the financial position or business of the Company and its Subsidiaries as a Securityholder may reasonably request.

Section 6.03. *Reports*. In lieu of the information provided in Section 6.02 (a) and (b), the Company may furnish the Securityholders with the quarterly and annual financial reports that the Company is required to file with the SEC pursuant to Section 13 or Section 15(d) of the Exchange Act.

Section 6.04. *Appointment of Securityholder Representative*. (a) Each of CVC Asia II Limited, CVC Asia II LP, CVC Asia LP and CVC Asia Investors and, to the extent that any Permitted Transferee of CVC Asia II Limited, CVC Asia LP, CVC Asia II LP or CVC Asia Investors shall have become a Securityholder, such Securityholder irrevocably appoints the CVC Asia Pacific Securityholder Representative its agent and true and lawful attorney-in-fact, with full power of substitution, to take the actions, receive notices and exercise the powers delegated to the CVC Asia Pacific Securityholder Representative under this Agreement in the name of each such Securityholder, together with such actions and powers as are reasonably incidental thereto. Notwithstanding the foregoing, the CVC Asia Pacific Securityholder Representative shall not take any action or exercise any power to the extent that the holders of the majority of the Eligible Securities held by CVC Asia II Limited, CVC Asia LP, CVC Asia II LP and CVC Asia Investors and their Permitted Transferees shall have voted to prevent the CVC Asia Pacific Securityholder Representative from taking such action or exercising such power. "**CVC Asia Pacific Securityholder Representative**" means CVC Asia II Limited, as agent for CVC Asia II Limited, CVC Asia LP, CVC Asia II LP, CVC Asia Investors and their Permitted Transferees that are Securityholders. The entity appointed as the CVC Asia Pacific Securityholder Representative may be replaced at any time and from time to time by the vote of a majority of the Eligible Securities held by CVC Asia II Limited, CVC Asia LP, CVC Asia II LP and CVC Asia Investors and their Permitted Transferees. Either of CVC Asia II Limited or the new CVC Asia Pacific Securityholder Representative shall notify the Company of such appointment as promptly as practicable after such appointment.

(b) Each of CVC Employee Fund, CVC Equity Fund and CVC Executive Fund, each CVC Co-Investor and, to the extent that any Permitted Transferee of CVC Employee Fund, CVC Equity Fund, CVC Executive Fund and any CVC Co-Investor shall have become a Securityholder, such Securityholder irrevocably appoints the CVC US Securityholder Representative its agent and true and lawful attorney-in-fact, with full power of substitution, to take the actions, receive notices and exercise the powers delegated to the CVC US Securityholder Representative under this Agreement in the name of each such Securityholder, together with such actions and powers as are reasonably incidental thereto. Notwithstanding the foregoing, the CVC US Securityholder Representative shall not take any action or exercise any power to the extent that the holders of the majority of the Eligible Securities held by CVC Employee Fund, CVC Equity Fund, CVC Executive Fund, the CVC Co-Investors, and their

Permitted Transferees shall have voted to prevent the CVC US Securityholder Representative from taking such action or exercising such power. "**CVC US Securityholder Representative**" means CVC Equity Fund as agent for CVC Employee Fund, CVC Equity Fund, CVC Executive Fund, CVC Co-Investors, and their Permitted Transferees that are Securityholders. The entity appointed as the CVC US Securityholder Representative may be replaced at any time and from time to time by the vote of a majority of the Eligible Securities held by CVC Employee Fund, CVC Equity Fund and CVC Executive Fund, CVC Co-Investors, and their Permitted Transferees. Either of CVC Equity Fund or the new CVC US Securityholder Representative shall notify the Company of such appointment as promptly as practicable after such appointment.

(c) Each of FP LP and FP Fund A and, to the extent that any Permitted Transferee of FP LP and FP Fund A shall have become a Securityholder, such Securityholder irrevocably appoints the FP Securityholder Representative its agent and true and lawful attorney-in-fact, with full power of substitution, to take the actions, receive notices and exercise the powers delegated to the FP Securityholder Representative under this Agreement in the name of each such Securityholder, together with such actions and powers as are reasonably incidental thereto. Notwithstanding the foregoing, the FP Securityholder Representative shall not take any action or exercise any power to the extent that the holders of the majority of the Eligible Securities held by FP LP and FP Fund A and their Permitted Transferees shall have voted to prevent the FP Securityholder Representative from taking such action or exercising such power. "**FP Securityholder Representative**" means FP LP as agent for FP LP and FP Fund A and their Permitted Transferees that are Securityholders. The entity appointed as the FP Securityholder Representative may be replaced at any time and from time to time by the vote of a majority of the Eligible Securities held by FP LP and FP Fund A and their Permitted Transferees. Either of FP LP or the new FP Securityholder Representative shall notify the Company of such appointment as promptly as practicable after such appointment.

(d) Each of Peninsula and, to the extent that any Permitted Transferee of Peninsula shall have become a Securityholder, such Securityholder irrevocably appoints the Peninsula Securityholder Representative its agent and true and lawful attorney-in-fact, with full power of substitution, to take the actions, receive notices and exercise the powers delegated to the Peninsula Securityholder Representative under this Agreement in the name of each such Securityholder, together with such actions and powers as are reasonably incidental thereto. Notwithstanding the foregoing, the Peninsula Securityholder Representative shall not take any action or exercise any power to the extent that the holders of the majority of the Eligible Securities held by Peninsula and its Permitted Transferees shall have voted to prevent the Peninsula Securityholder Representative from taking such action or exercising such power. "**Peninsula Securityholder Representative**" means Peninsula as agent for Peninsula and its Permitted Transferees that are Securityholders. The entity appointed as the Peninsula Securityholder Representative may be replaced at any time and from time to time by the vote of a majority of the Eligible Securities held by Peninsula and its Permitted Transferees. Either of Peninsula or the new Peninsula Securityholder Representative shall notify the Company of such appointment as promptly as practicable after such appointment.

Section 6.05. *Affiliate Transactions.*

(a) So long as the Company has not consummated a Public Offering, the Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, enter into or permit to exist any transaction or series of related transactions with, or for the benefit of, any of its Affiliates or the Affiliates of any of the Company's directors, officers, employees or Five Percent Securityholder ("**Affiliate Transactions**") without the approval of a majority of the Company's disinterested directors other than Affiliate Transactions permitted under Section 6.05(b) below.

(b) The restrictions set forth in Section 6.05(a) shall not apply to:

(i) reasonable fees and compensation paid to and indemnity provided on behalf of officers, directors or employees of the Company or any Subsidiary of the Company as determined by the Company's board of directors or senior management;

(ii) any employment agreement entered into by the Company or any of its Subsidiaries in the ordinary course of business;

(iii) the grant of stock options, restricted stock or similar rights with respect to the Securities of the Company to any of its, or its Subsidiaries', employees, directors or officers pursuant to plans approved by the Company's directors;

(iv) loans or advances to employees in the ordinary course of business, consistent with past practices;

(v) fees and expenses described in the Advisory Agreement, dated as of the Closing Date, by and between the Company, MagnaChip Semiconductor, Ltd. and CVC Management LLC;

(vi) fees and expenses described in the Advisory Agreement, dated as of the Closing Date, by and between the Company, MagnaChip Semiconductor, Ltd. and Francisco Partners GP, LLC;

(vii) fees and expenses described in the Advisory Agreement, dated as of the Closing Date, by and between the Company, MagnaChip Semiconductor, Ltd. and CVC Asia II Limited; and

(viii) transactions exclusively between or among the Company and (A) any of its Subsidiaries or exclusively between or among such subsidiaries in the ordinary course of business or (B) portfolio companies of any Securityholder.

ARTICLE 7

MISCELLANEOUS

Section 7.01. *Entire Agreement*. This Agreement and the Operating Agreement constitute the entire agreement among the parties hereto and supersede all prior and contemporaneous agreements and understandings, both oral and written, among the parties hereto with respect to the subject matter hereof and thereof.

Section 7.02. *Binding Effect; Benefit*. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, successors, legal representatives and permitted assigns. Nothing in this Agreement, expressed or implied, is intended to confer on any Person other than the parties hereto, and their respective heirs, successors, legal representatives and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

Section 7.03. *Assignability*. Neither this Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable by any party hereto pursuant to any Transfer of Eligible Securities or otherwise, except that any Permitted Transferee acquiring Eligible Securities and any Person acquiring Eligible Securities who is required by the terms of this Agreement or any employment agreement or stock purchase, option, stock option or other compensation plan of the Company or any Subsidiary to become a party hereto shall (unless already bound hereby) execute and deliver to the Company an agreement to be bound by this Agreement in the form of the Joinder and shall thenceforth be a "Securityholder." Any Securityholder who ceases to own beneficially any Eligible Securities shall cease to be bound by the terms hereof (other than (i) the provisions of Sections 5.05, 5.06, 5.07, 5.08 and 5.10 applicable to such Securityholder with respect to any offering of Registrable Securities completed before the date such Securityholder ceased to own any Company Securities and (ii) Section 6.01 and Article VII).

Section 7.04. *Waiver; Amendment; Termination*. No provision of this Agreement may be waived except by an instrument in writing executed by the party against whom the waiver is to be effective. No provision of this Agreement may be amended or otherwise modified except by an instrument in writing executed by the Company with approval of the Board and Securityholders (including both Institutional Securityholders) holding at least 50% of the outstanding Common Units held by the parties hereto at the time of such proposed amendment or modification, provided that no such amendment shall disproportionately adversely affect any Securityholder without such Securityholder's express consent; *provided*, that any such modification or amendment or waiver that affects one Securityholder in a way that is materially adverse to such Securityholder relative to all other similarly situated Securityholders cannot be effected without the written consent of such Securityholder.

Section 7.05. *Notices*. All notices, requests and other communications to any party shall be in writing (including facsimile transmissions) and shall be given,

if to the Company to:

MagnaChip Semiconductor LLC
c/o MagnaChip Semiconductor Ltd.
Hyangjeong-dong
Heungduk-gu
Cheongju City
Chung Cheong Bok-do
Korea
Attn: Chief Financial Officer
Fax: +82-43-270-2134

with copies (which shall not constitute notice) to:

Citigroup Venture Capital Equity Partners, L.P.
c/o Citigroup Venture Capital
399 Park Avenue, 14th Floor
New York, NY 10043
USA
Attn: Paul C. Schorr IV
Fax: (212) 888-2940

Francisco Partners
2882 Sand Hill Road
Suite 280
Menlo Park, CA 94025
Attn: Dipanjan Deb
Fax: (650) 233-2999

and

Dechert LLP
4000 Bell Atlantic Tower
1717 Arch Street
Philadelphia, PA 19103
USA
Attn: Geraldine A. Sinatra
Fax: (215) 994-2222

if to CVC Asia II Limited, as Asia Pacific Securityholder Representative for CVC Asia Pacific Investors:

CVC Capital Partners Asia II Ltd.
18 Grenville Street,
St.Helier, Jersey JE4 8PX,
Channel Islands
Attn: Brian Scholfield
Fax: +44 1534-609-333

with copies (which shall not constitute notice) to:

CVC Asia Pacific Limited
17th Floor, Hungkuk Life Insurance
Building 226, Shinmoonro 1-ga,
Chongro-Ku, Seoul
Korea 110-061
Attn: Mr. Roy Kuan
Fax: (813) 5462 5150

and

Kirkland & Ellis
153 E. 53rd Street, 39th Floor
New York, New York 10022
USA
Attn: Geoffrey W. Levin
Fax: (212) 446-6460

if to CVC Equity Fund, as CVC US Securityholder Representative for CVC US to:

Citigroup Venture Capital Equity Partners, L.P.
c/o Citigroup Venture Capital
399 Park Avenue, 14th Floor
New York, NY 10043
USA
Attn: Paul C. Schorr IV
Fax: (212) 888-2940

with a copy (which shall not constitute notice) to:

Dechert LLP
4000 Bell Atlantic Tower
1717 Arch Street
Philadelphia, PA 19103
USA
Attn: Geraldine A. Sinatra
Fax: (215) 994-2222

if to FP, to:

Francisco Partners
2882 Sand Hill Road
Suite 280
Menlo Park, CA 94025
Attn: Dipanjan Deb
Fax: (650) 233-2999

with a copy (which shall not constitute notice) to:

Davis Polk & Wardwell
1600 El Camino Real
Menlo Park, CA 94025
Attn: William M. Kelly
Fax: (650) 752-2111

if to Peninsula, to:

Peninsula Investment Pte Ltd
c/o Government of Singapore Investment Corporation
255 Shoreline Dr.
Suite 600
Redwood City, CA 94065
USA
Attn: Andrew Kwee
Fax: (650) 802-1212

with a copy to:

HellerEhrman
333 Bush Street
San Francisco, CA 94104-2878
USA
Attn:Randall B. Schai
Fax: (415)772.6268

if to Hynix, to:

Hynix Semiconductor Inc.
Hynix Youngdong Bldg 891
Daechi-dong
Kangnam-gu, Seoul 135-738
Korea
Attn: Mr. O.C. Kwon
Fax: +82 2 3459 3647

with a copy (which shall not constitute notice) to:

Bae, Kim & Lee
647-15 Yoksam-dong
Kangnam-gu, Seoul 135-723
Korea
Attn: Gun-Chul Do, Esq.
Fax: +82 2 3404 0803

and

Sullivan & Cromwell LLP
1888 Century Park East
Los Angeles, CA 90067
USA
Attn: Alison S. Ressler, Esq.
Fax: (310) 712-8800

if to any Management Investor or CVC Co-Investor, at the address for such Management Investors or CVC Co-Investors as appears in the books and records of the Company.

All notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5:00 p.m. in the place of receipt and such day is a Business Day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed not to have been received until the next succeeding Business Day in the place of receipt.

Any Person who becomes a Securityholder shall provide its address and fax number to the Company, which shall promptly provide such information to each other Securityholder.

Section 7.06. *Fees and Expenses*. The Company shall pay all out-of-pocket costs and expenses of the Institutional Securityholders, the CVC Asia Pacific Investors and Peninsula, including the fees and expenses of counsel, incurred in connection with the preparation of this Agreement, or any amendment or waiver hereof, and the transactions contemplated hereby and all matters related hereto; *provided*, that in the case of Peninsula and the CVC Asia Pacific Investors, such expenses shall be paid only following delivery to the Company of reasonable documentation therefor and shall not exceed $50,000 in the aggregate (for each of Peninsula, on the one hand, and the CVC Asia Pacific Investors, on the other).

Section 7.07. *Headings*. The headings contained in this Agreement are for convenience only and shall not affect the meaning or interpretation of this Agreement.

Section 7.08. *Counterparts*. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

Section 7.09. *Applicable Law*. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to the conflicts of laws rules of such state.

Section 7.10. *Waiver of Jury Trial*. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 7.11. *Specific Enforcement*. Each party hereto acknowledges that the remedies at law of the other parties for a breach or threatened breach of this Agreement would be inadequate and, in recognition of this fact, any party to this Agreement, without posting any bond, and in addition to all other remedies that may be available, shall be entitled to obtain equitable relief in the form of specific performance, a temporary restraining order, a temporary or permanent injunction or any other equitable remedy that may then be available.

Section 7.12. *Consent to Jurisdiction*. The parties hereby agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought in the United States District Court for the District of Delaware or any Delaware State court sitting in Delaware, so long as one of such courts shall have subject matter jurisdiction over such suit, action or proceeding, and that any cause of action arising out of this Agreement shall be deemed to have arisen from a transaction of business in the State of Delaware, and each of the parties hereby irrevocably consents to the exclusive jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding which is brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on any party anywhere in the

world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of process on such party as provided in Section 7.05 shall be deemed effective service of process on such party.

Section 7.13. *Severability.* If one or more provisions of this Agreement are held to be unenforceable to any extent under applicable law, such provision shall be interpreted as if it were written so as to be enforceable to the maximum possible extent so as to effectuate the parties' intent to the maximum possible extent, and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms to the maximum extent permitted by law.

Section 7.14. *Recapitalization*. If any capital stock or other securities are issued in respect of, in exchange for, or in substitution of, any Eligible Securities by reason of any reorganization, recapitalization, reclassification, merger, consolidation, spin-off, partial or complete liquidation, stock dividend, split-up, sale of assets, distribution to stockholders or combination of the Eligible Securities or any other change in capital structure of the Company, appropriate adjustments shall be made with respect to the relevant provisions of this Agreement so as fairly and equitably to preserve, as far as practicable, the original rights and obligations of the parties hereto under this Agreement.

Section 7.15. *No Inconsistent Agreements*. The Company will not hereafter enter into any agreement with respect to its securities that is inconsistent with, or grants rights superior to the rights granted to the Securityholders pursuant to, this Agreement. The Company represents and warrants to each Securityholder that it has not previously entered into any agreement with respect to any of its securities granting any registration rights to any Person.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

MAGNACHIP SEMICONDUCTOR LLC

By: _____
Name:
Title:

CVC CAPITAL PARTNERS ASIA PACIFIC LP

By: CVC Capital Partners Asia Limited, its general partner

By: _____
Name:
Title:

ASIA INVESTORS LLC

By: Citicorp Securities Asia Pacific Limited, its managing member

By: _____
Name:
Title:

CVC CAPITAL PARTNERS ASIA II LIMITED

By: _____
Name:
Title:

CITIGROUP VENTURE CAPITAL EQUITY PARTNERS, L.P.

By: CVC Partners LLC, as general partner

By: Citigroup Venture Capital GP Holdings, Ltd., as managing member

By: _____
Name:
Title:

CVC EXECUTIVE FUND LLC

By: Citigroup Venture Capital GP Holdings, Ltd., as managing member

By: _____
Name:
Title:

CVC/SSB EMPLOYEE FUND, L.P.

By: CVC Partners LLC, as general partner

By: Citigroup Venture Capital GP Holdings, Ltd., as managing member

By: _____
Name:
Title:

FRANCISCO PARTNERS, L.P.

By: Francisco Partners GP, LLC
Its: General Partner

By: _____
Name:
Title: **Managing Member**

FRANCISCO PARTNERS FUND A, L.P.

By: Francisco Partners GP, LLC
Its General Partner

By: _____
Name:
Title: **Managing Member**

PENINSULA INVESTMENT PTE. LTD.

By: _____
Name:
Title:

HYNIX SEMICONDUCTOR INC.

By: _____
Name:
Title:

CVC CO-INVESTORS:

_____
**Clayton M. Albertson**

_____
**Christopher Bloise**

_____
**John Civantos**

FLATBUSH AVENUE INVESTMENT PARTNERS, LLC

By: _____
Name:
Title:

**Michael A. Delaney**

**Markus Ehrler**

**Scott Elkins**

**Michael S. Gollner**

**Ian D. Highet**

**Richard E. Mayberry, Jr.**

ALCHEMY, L.P.

By: _____
Name: **Thomas McWilliams**
Title: **General Partner**

**Harris Newman**

BG PARTNERS LP

By: _____
Name:
Title:

By: _____
Name:
Title:

_____
**Joseph M. Silvestri**

SILVESTRI 2002 TRUST

By: _____
Name:
Title:

_____
**David F. Thomas**

THE NATASHA FOUNDATION

By: _____
Name:
Title:

_____
**Jeffrey F. Vogel**

ABG INVESTMENT MANAGEMENT, LLC

By: _____
Name:
Title:

_____
**Maxim Kushner**

_____
**Andrew S. Gesell**

COURT SQUARE CAPITAL LIMITED

By: _____
Name:
Title:

MANAGEMENT INVESTORS:

**Jerry Baker**

**Dr. Youm Huh**

**Robert Krakauer**

**EXHIBIT A**

JOINDER TO SECURITYHOLDERS' AGREEMENT

This Joinder Agreement (this "**Joinder Agreement**") is made as of the date written below by the undersigned (the "**Joining Party**") in accordance with the Second Amended and Restated Securityholders' Agreement dated as of October 6, 2004 by and among, MagnaChip Semiconductor LLC, CVC Capital Partners Asia Pacific LP, Asia Investors LLC, CVC Capital Partners Asia II Limited, Citigroup Venture Capital Equity Partners, L.P., CVC Executive Fund LLC, CVC/SSB Employee Fund, L.P., CVC Co-Investors (as defined therein), Francisco Partners, L.P., Francisco Partners Fund A, L.P., Peninsula Investment Pte. Ltd., Hynix Semiconductor Inc. and Management Investors (as defined therein) (the "**Securityholders' Agreement**"), as the same may be amended from time to time. Capitalized terms used, but not defined, herein shall have the meaning ascribed to such terms in the Securityholders' Agreement.

The Joining Party hereby acknowledges, agrees and confirms that, by its execution of this Joinder Agreement, the Joining Party shall be deemed to be a party to the Securityholders' Agreement as of the date hereof and shall have all of the rights and obligations of a "Securityholder" thereunder as if it had executed the Securityholders' Agreement. The Joining Party hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the Securityholders' Agreement.

IN WITNESS WHEREOF, the undersigned has executed this Joinder Agreement as of the date written below.

Date:_____ __,____

[NAME OF JOINING PARTY]

By: _____
Name:
Title:

Address for Notices:

Schedule I

CVC Co-Investors

Clayton M. Albertson
Christopher Bloise
John Civantos
Flatbush Avenue Investment Partners, LLC
Michael A. Delaney
Markus Ehrler
Scott Elkins
Michael S. Gollner
Ian D. Highet
Richard E. Mayberry, Jr.
Alchemy, L.P.
Harris Newman
BG Partners LP
BG/CVC-1
Joseph M. Silvestri
Silvestri 2002 Trust
David F. Thomas
The Natasha Foundation
Jeffrey F. Vogel
ABG Investment Management, LLC
Maxim Kushner
Andrew S. Gesell
Court Square Capital Limited

Schedule II

Management Investors

Jerry Baker
Dr. Youm Huh
Robert Krakauer
Victoria Nam

**Exhibit 10.6**

*Execution Copy*

**MAGNACHIP SEMICONDUCTOR LLC**

**WARRANT FOR THE PURCHASE OF SECURITIES OF MAGNACHIP SEMICONDUCTOR LLC**

**No. W-1**

**Warrant to Purchase 5,079,254 Common Equity Interests**

**THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED OR SOLD EXCEPT IN COMPLIANCE THEREWITH. THIS SECURITY IS ALSO SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER, VOTING AND OTHER MATTERS AS SET FORTH IN THE SECURITYHOLDERS' AGREEMENT (AS HEREIN DEFINED), COPIES OF WHICH MAY BE OBTAINED UPON REQUEST FROM THE COMPANY.**

**FOR VALUE RECEIVED, MAGNACHIP SEMICONDUCTOR LLC,** a Delaware limited liability company (the "**Company**"), hereby certifies that Hynix Semiconductor Inc., its successor or permitted assigns (the "**Holder**"), is entitled, subject to the provisions of this Warrant, to purchase from the Company, at the times specified herein, 5,079,254 fully paid and non-assessable Common Equity Interests (as hereinafter defined) in the Company at a purchase price per interest equal to the Exercise Price (as hereinafter defined). The number of Common Equity Interests to be received upon the exercise of this Warrant and the price to be paid for a Common Equity Interest are subject to adjustment from time to time as hereinafter set forth.

1. *Definitions.* Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Business Transfer Agreement. The following terms, as used herein, have the following meanings:

"**Affiliate**" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with such Person, *provided* that no securityholder of the Company shall be deemed an Affiliate of any other securityholder solely by reason of any investment in the Company. For the

purpose of this definition, the term "**control**" (including with correlative meanings, the terms "**controlling**", "**controlled by**" and "**under common control with**"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"**Business Day**" means any day except a Saturday, Sunday or other day on which commercial banks in New York City are authorized by law to close.

"**Business Transfer Agreement**" means the Business Transfer Agreement dated as of June 12, 2004, between MagnaChip Semiconductor, Ltd. and Hynix Semiconductor Inc., as amended, providing for the issuance of this Warrant.

"**Common Equity Interests**" means Common Units of the Company as described in the Company's limited liability company agreement as in effect from time to time.

"**Duly Endorsed**" means duly endorsed in blank by the Person or Persons in whose name a certificate representing an interest is registered or accompanied by a duly executed assignment separate from the certificate with the signature(s) thereon guaranteed by a commercial bank or trust company or a member of a national securities exchange or of the National Association of Securities Dealers, Inc.

"**Exercise Price**" means $1.00 per Warrant Interest, such Exercise Price to be adjusted from time to time as provided herein.

"**Expiration Date**" means 5:00 p.m. New York City time on the earlier to occur of October 6, 2006 and the date which is 45 days after the Company provides written notice to the Holder that the Company is filing a registration statement providing for a First Public Offering.

"**First Public Offering**" means the first Public Offering of Common Equity Interests after the date hereof.

"**Institutional Securityholder**" means (i) Citigroup Venture Capital Equity Partners, L.P.; (ii) CVC/SSB Employee Fund, L.P.; (iii) CVC Executive Fund LLC; (iv) Francisco Partners, L.P.; (v) Francisco Partners Fund A, L.P.; or any of their respective Permitted Transferees, as defined in Section 1.01 of the Securityholders' Agreement.

"**Person**" means an individual, corporation, limited liability company, partnership, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"**Public Offering**" means an underwritten public offering of Registrable Securities (as defined in the Securityholders' Agreement) of the Company pursuant to an effective registration statement under the Securities Act other than pursuant to a registration statement on Form S-4 or Form S-8 or any similar or successor form, *provided* that the proceeds of such public offering amounts to $30,000,000 gross proceeds to the Company.

"**Securityholders**" means the Securityholders listed on the signature pages to the Securityholders' Agreement.

"**Securityholders' Agreement**" means the Amended and Restated Securityholders' Agreement dated as of the date hereof among the Company and the holders listed on the signature pages thereto.

"**Subsidiary**" means, with respect to any Person, any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person.

"**Warrant Interests**" means the Common Equity Interests deliverable upon exercise of this Warrant, as adjusted from time to time.

2. *Exercise of Warrant*.

(a) The Holder shall be entitled to exercise this Warrant in whole or in part at any time during the period commencing on the date hereof and terminating on the Expiration Date or, if such day is not a Business Day, then on the next succeeding day that shall be a Business Day the ("**Exercise Period**"). Notwithstanding the foregoing sentence, the Holder shall exercise all or a portion of this Warrant, in any manner provided herein, if the Institutional Securityholders so require such exercise pursuant to Section 4.02 of the Securityholders' Agreement. To exercise this Warrant, the Holder shall execute and deliver to the Company a Warrant Exercise Notice substantially in the form annexed hereto. No earlier than ten days after delivery of the Warrant Exercise Notice, the Holder shall deliver to the Company this Warrant Certificate, including the Warrant Exercise Subscription Form forming a part hereof duly executed by the Holder, together with payment of the applicable Exercise Price or notification that the Holder elects to make a net exercise as set forth in Section 2(c) hereof. Upon such delivery and payment, if applicable, the

Holder shall be deemed to be the holder of record of the Warrant Interests subject to such exercise, notwithstanding that the transfer books of the Company shall then be closed or that certificates, if any, representing such Warrant Interests shall not then be actually delivered to the Holder.

(b) The Exercise Price may be paid in cash or by certified or official bank check or bank cashier's check payable to the order of the Company or by any combination of such cash or check. The Company shall pay any and all documentary, stamp or similar issue or transfer taxes payable in respect of the issue or delivery of the Warrant Interests.

(c) In lieu of exercising this Warrant as specified above, the Holder may, from time to time, convert this Warrant, in whole or in part, into a number of Warrant Interests determined by dividing, with respect to the Warrant Interests for each class or series of equity interests for which this Warrant is being exercised, (x) the aggregate Current Market Price per Warrant Interest (as defined in paragraph 5(b)) of the Warrant Interests of such class or series (or the proportionate amount of other securities or property otherwise issuable upon exercise of this Warrant) minus the aggregate Exercise Price of such Warrant Interests by (y) the Current Market Price per Warrant Interest of one Warrant Interest of such class or series. The fair market value of the Warrant Interests or any other securities or property shall be reasonably promptly determined upon any request therefor by the Holder in connection with a contemplated exercise hereof.

(d) If the Holder exercises this Warrant in part, this Warrant Certificate shall be surrendered by the Holder to the Company and a new Warrant Certificate of the same tenor and for the unexercised number of Warrant Interests shall be executed by the Company. The Company shall register the new Warrant Certificate in the name of the Holder or in such name or names of its transferee pursuant to paragraph 6 hereof as may be directed in writing by the Holder and deliver the new Warrant Certificate to the Person or Persons entitled to receive the same.

(e) Upon surrender of this Warrant Certificate in conformity with the foregoing provisions, the Company shall transfer to the Holder of this Warrant Certificate appropriate evidence of ownership of the Common Equity Interests or other securities or property (including any money) to which the Holder is entitled, registered or otherwise placed in, or payable to the order of, the name or names of the Holder or such transferee as may be directed in writing by the Holder, and shall deliver such evidence of ownership and any other securities or property (including any money) to the

Person or Persons entitled to receive the same, together with an amount in cash in lieu of any fraction of an interest as provided in paragraph 5 below.

3. *Restrictive Legend.* Certificates representing Common Equity Interests issued pursuant to this Warrant shall bear a legend substantially in the form of the legend set forth on the first page of this Warrant Certificate to the extent that and for so long as such legend is required pursuant to the Securityholders' Agreement.

4. *Reservation of Interests.* The Company hereby agrees that at all times there shall be reserved for issuance and delivery upon exercise of this Warrant sufficient Common Equity Interests or other securities of the Company from time to time issuable upon exercise of this Warrant as will be sufficient to permit the exercise in full of this Warrant. All such interests shall be duly authorized and, when issued upon such exercise, shall be validly issued, fully paid and non-assessable, free and clear of all liens, security interests, charges and other encumbrances or restrictions on sale and free and clear of all preemptive rights, except to the extent set forth in the Securityholders' Agreement.

5. *Fractional Interests.*

(a) No fractional interests or scrip representing fractional interests shall be issued upon the exercise of this Warrant and in lieu of delivery of any such fractional interest upon any exercise hereof, the Company shall pay to the Holder an amount in cash equal to such fraction multiplied by the Current Market Price Per Common Interest (as defined in paragraph 5(b) below) at the date of such exercise.

(b) For the purpose of any computation under paragraph 5(a), on any determination date (i) on or prior to the Company's First Public Offering, the Current Market Price Per Common Interest shall, subject to the penultimate sentence of this paragraph 5(b), be the fair market value per Common Equity Interest as reasonably determined in good faith by the Board of Directors of the Company, and (ii) after the Company's First Public Offering, the Current Market Price Per Common Interest shall be deemed to be the average (weighted by daily trading volume) of the Daily Prices (as defined below) per interest of the applicable class of Common Equity Interest for the 20 consecutive trading days immediately prior to such date. "**Daily Price**" means (A) if the Common Equity Interests then are listed and traded on the New York Stock Exchange, Inc. ("**NYSE**"), the closing price on such day as reported on the NYSE Composite Transactions Tape; (B) if the Common Equity Interests then are not listed and traded on the NYSE, the closing price on such day as reported by the principal national securities exchange on which the interests are listed and traded; (C)

if the Common Equity Interests then are not listed and traded on any such securities exchange, the last reported sale price on such day on the National Market of the National Association of Securities Dealers, Inc. Automated Quotation System ("**NASDAQ**"); or (D) if the Common Equity Interests then are not traded on the NASDAQ National Market, the average of the highest reported bid and lowest reported asked price on such day as reported by NASDAQ. If on any determination date the Common Equity Interests are not quoted by any such organization, the Current Market Price Per Common Interest shall be the fair market value of such interests on such determination date as reasonably determined in good faith by the Board of Directors. For purposes of any computation under this paragraph 5(b), the number of Common Equity Interests outstanding at any given time shall not include interests owned or held by or for the account of the Company.

6. *Exchange, Transfer or Assignment of Warrant.* This Warrant Certificate, the Common Equity Interests received upon exercise hereof and all rights hereunder are not transferable except in accordance with the terms of the Securityholders Agreement. Each holder of this Warrant Certificate by holding the same, consents and agrees that the registered holder hereof may be treated by the Company and all other persons dealing with this Warrant Certificate as the absolute owner hereof for any purpose and as the person entitled to exercise the rights represented hereby.

7. *Loss or Destruction of Warrant.* Upon receipt by the Company of evidence satisfactory to it (in the exercise of its reasonable discretion) of the loss, theft, destruction or mutilation of this Warrant Certificate, and (in the case of loss, theft or destruction) of reasonably satisfactory indemnification, and upon surrender and cancellation of this Warrant Certificate, if mutilated, the Company shall execute and deliver a new Warrant Certificate of like tenor and date.

8. *Anti-dilution Provisions.*

(a) Reorganization, Reclassification or Recapitalization of the Company. In case of (a) a capital reorganization, reclassification or recapitalization of the Company's capital interests (other than in the cases referred to in paragraph 8(b) hereof), (b) the Company's consolidation or merger with or into another entity in which the Company is not the surviving entity, or a reverse triangular merger in which the Company is the surviving entity but the Company's capital interests outstanding immediately prior to the merger are converted, by virtue of the merger, into other property, whether in the form of securities, cash or otherwise, or (c) the sale or transfer of the Company's property as an entirety or substantially as an entirety, then, as part of such reorganization, reclassification,

recapitalization, merger, consolidation, sale or transfer, lawful provision shall be made so that there shall thereafter be deliverable upon the exercise of this Warrant or any portion thereof (in lieu of or in addition to the number of Common Equity Interests theretofore deliverable, as appropriate), and without payment of any additional consideration, the number of shares of stock or other securities or property to which the holder of the number of Common Equity Interests which would otherwise have been deliverable upon the exercise of this Warrant or any portion thereof at the time of such reorganization, reclassification, recapitalization, merger, consolidation, sale or transfer would have been entitled to receive in such reorganization, reclassification, recapitalization, merger, consolidation, sale or transfer. This paragraph 8(a) shall apply to successive reorganizations, reclassifications, recapitalizations, mergers, consolidations, sales and transfers and to the stock or securities of any corporation or other entity that are at the time receivable upon the exercise of this Warrant.

(b) Reclassifications. If the Company changes any of the securities as to which purchase rights under this Warrant exist into the same or a different number of securities of any other class or classes, this Warrant shall thereafter represent the right to acquire such number and kind of securities as would have been issuable as the result of such change with respect to the securities that were subject to the purchase rights under this Warrant immediately prior to such reclassification or other change and the Exercise Price therefor shall be appropriately adjusted. This paragraph 8(b) shall apply to successive reclassifications.

(c) Splits and Combinations. If the Company at any time subdivides any of its outstanding Common Equity Interests into a greater number of interests, the Exercise Price in effect immediately prior to such subdivision shall be proportionately reduced, and, conversely, if the outstanding Common Equity Interests are combined into a smaller number of interests, the Exercise Price in effect immediately prior to such combination shall be proportionately increased.

(d) Dividends and Distributions. If the Company declares a dividend or other distribution on the Common Equity Interests (other than a cash dividend or distribution), then, as part of such dividend or distribution, lawful provision shall be made so that there shall thereafter be deliverable upon the exercise of this Warrant or any portion thereof in addition to the number of Common Equity Interests receivable thereupon and without payment of any additional consideration, the amount of the dividend or other distribution to which the holder of the number of Common Equity Interests obtained upon exercise hereof would have been entitled to receive

had the exercise occurred as of the record date for such dividend or distribution.

(e) Liquidation; Dissolution. If the Company shall dissolve, liquidate or wind up its affairs, the Holder shall have the right, but not the obligation, to exercise this Warrant effective as of the date of such dissolution, liquidation or winding up. If any such dissolution, liquidation or winding up results in any cash distribution to the Holder in excess of the aggregate Exercise Price for the Common Equity Interests for which this Warrant is exercised, then the Holder may, at its option, exercise this Warrant without making payment of such aggregate Exercise Price and, in such case, the Company shall, upon distribution to the Holder, consider such aggregate Exercise Price to have been paid in full, and in making such settlement to the Holder, shall deduct an amount equal to such aggregate Exercise Price from the amount payable to the Holder.

(f) No adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least one percent in such price; *provided* that any adjustments which by reason of this paragraph 8(f) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this paragraph 8 shall be made to the nearest one tenth of a cent or to the nearest ten thousandth of an interest, as the case may be.

(g) In the event that, at any time as a result of the provisions of this paragraph 8, the holder of this Warrant upon subsequent exercise shall become entitled to receive any capital interests in the Company other than Common Equity Interests, the number of such other interests so receivable upon exercise of this Warrant shall thereafter be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions contained herein.

(h) Upon each adjustment of the Exercise Price as a result of the calculations made in paragraphs 8(b) or 8(c) hereof the number of interests for which this Warrant is exercisable immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Exercise Price, that number of Common Equity Interests obtained by (i) multiplying the number of interests covered by this Warrant immediately prior to this adjustment of the number of interests by the Exercise Price in effect immediately prior to such adjustment of the Exercise Price and (ii) dividing the product so obtained by the Exercise Price in effect immediately after such adjustment of the Exercise Price.

9. *Notices.* Any notice, demand or delivery authorized by this Warrant Certificate shall be in writing and shall be given to the Holder or the Company, as the case may be, at its address (or facsimile number) set forth below, or such other address (or facsimile number) as shall have been furnished to the party giving or making such notice, demand or delivery:

If to the Company:

MagnaChip Semiconductor LLC
c/o MagnaChip Semiconductor, Ltd.
Hyangjeong-dong
Heungduk-gu Cheongju City
Chung Cheong Bok-do
Korea
Attn: Chief Financial Officer
Fax: +82-43-270-2134

with copies (which shall not constitute notice) to:

Citigroup Venture Capital Equity Partners, L.P.
c/o Citigroup Venture Capital
399 Park Avenue, 14th Floor
New York, NY 10043
USA
Attn: Paul C. Schorr IV
Fax: (212) 888-2940

Francisco Partners
2882 Sand Hill Road
Suite 280
Menlo Park, CA 94025
Attn: Dipanjan Deb
Fax: (650) 233-2999

and

Dechert LLP
4000 Bell Atlantic Tower
1717 Arch Street
Philadelphia, PA 19103
USA
Attn: Geraldine A. Sinatra
Fax: (215) 994-2222

If to the Holder:

Hynix Semiconductor Inc.
Hynix Youngdong Building
891 Daechi-dong, Gangnam-gu
Seoul 135-738, Korea
Attention: Mr. O.C. Kwon
Telephone: 82-2-3459-3006
Facsimile: 82-2-3459-5955

with a copy to:

Bae, Kim & Lee
647-15 Yoksam-dong
Kangnam-gu, Seoul 135-723
Korea
Fax: +82 2 3404 0803
Attention: Gun-Chul Do, Esq.

and

Sullivan & Cromwell LLP
1888 Century Park East
Los Angeles, CA 90067
USA
Fax: (310) 712-8800
Attention: Alison S. Ressler, Esq.

Each such notice, demand or delivery shall be effective (i) if given by facsimile, when such facsimile is transmitted to the facsimile number specified herein and the intended recipient confirms the receipt of such facsimile or (ii) if given by any other means, when received at the address specified herein.

10. *Rights of the Holder.* Prior to the exercise of any Warrant, the Holder shall not, by virtue hereof be entitled to any rights of an interestholder of the Company, including, without limitation, the right to vote, to receive dividends or other distributions, to exercise any preemptive right or to receive any notice of meetings of members or interestholders or any notice of any proceedings of the Company except as may be specifically provided for herein.

11. *GOVERNING LAW.* THIS WARRANT CERTIFICATE AND ALL RIGHTS ARISING HEREUNDER SHALL BE CONSTRUED AND

DETERMINED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF DELAWARE, AND THE PERFORMANCE THEREOF SHALL BE GOVERNED AND ENFORCED IN ACCORDANCE WITH SUCH LAWS.

12. *Amendments; Waivers.* Any provision of this Warrant Certificate may be amended or waived if, and only if such amendment or waiver is in writing and signed, in the case of an amendment, by the Holder and the Company, or in the case of a waiver, by the party against whom the waiver is to be effective. No failure or delay by either party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

13. *No Impairment.* Without in any way altering the terms of this Warrant, the Company shall not by any action, including, without limitation, amending its charter documents or through any reorganization, reclassification, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other similar voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of the Holder against impairment. Without limiting the generality of the foregoing, the Company shall take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Common Equity Interests upon the exercise of this Warrant, free and clear of all Liens, and shall use its reasonable best efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof as may be necessary to enable the Company to perform its obligations under this Warrant. The effectiveness of this Section 13 shall terminate upon the exercise or cancellation of the Warrant.

14. *Representations of the Company.* The Company hereby represents and warrants as follows:

(a) As of the date hereof, the issued and outstanding equity interests of the Company consist of 49,713,285.6893 Common Units, 49,727.2032 Series A Preferred Units and 447,419.5533 Series B Preferred Units. Other than the Warrant, there are no outstanding interests convertible into or exchangeable or exercisable for any equity interest in the Company.

(b) The Company has the requisite power and requisite authority to execute, deliver and perform this Warrant. The execution,

delivery and performance of the Warrant by the Company has been duly authorized by all necessary limited liability company action on the part of the Company. The Warrant has been duly executed and delivered by the Company, and, assuming due and valid authorization, execution and delivery hereof by the Holder, constitutes a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except to the extent that such enforceability may be subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors rights generally and by general equitable principles. The execution, delivery and performance of the Warrant will not (a) contravene any provision of the organizational documents of the Company; (b) result in a breach of, or constitute a default (or an event which would reasonably be expected to, with the passage of time or the giving of notice, or both, constitute a default) under, or result in (whether after the giving of notice or lapse of time or both) the termination, modification, acceleration, or cancellation of, or result in the creating of any Lien of any nature whatsoever upon any assets of the Company, any indenture, mortgage, loan or credit agreement, license, instrument, lease, contract, plan, permit, or other agreement to which the Company is a party; or (c) violate any judgment, injunction, writ, award, decree, ruling or order of any competent Authority, domestic or foreign, or any Law applicable to the Company or its assets or business. No consent, approval or authorization of, or registration or filing with, any Authority or other Person is required in connection with the execution, delivery and performance of this Warrant by the Company.

(c) Purchaser will elect to be treated as a disregarded entity for US federal income tax purposes as of the Closing Date. Purchaser is wholly owned by MagnaChip Semiconductor B.V., a company organized under the laws of the Netherlands ("**Dutchco**"), that will elect to be treated as a disregarded entity for US federal income tax purposes as of the Closing Date. Dutchco is wholly owned by MagnaChip Semiconductor S.à r.l, a company organized under the laws of Luxembourg ("Luxco"), which will elect to be treated as a corporation for US federal income tax purposes as of the Closing Date. Luxco is wholly owned by the Company, a US limited liability company, organized under the laws of Delaware, which will be treated as a partnership for US federal tax purposes as of the Closing Date.

IN WITNESS WHEREOF, the Company has duly caused this Warrant Certificate to be signed by its duly authorized officer and to be dated as of October __, 2004.

MAGNACHIP SEMICONDUCTOR LLC

By: _____
Name:
Title:

Acknowledged and Agreed:

Hynix Semiconductor Inc.

By: _____
Name:
Title:

**WARRANT EXERCISE NOTICE**

(To be delivered prior to exercise of the Warrant
by execution of the Warrant Exercise Subscription Form)

To: MAGNACHIP SEMICONDUCTOR LLC

The undersigned hereby notifies you of its intention to exercise the Warrant to purchase Common Equity Interest of MagnaChip Semiconductor LLC. The undersigned intends to exercise the Warrant to purchase _____ Common Equity Interest at $_____ per interest (the Exercise Price currently in effect pursuant to the Warrant). The undersigned intends to [pay the aggregate Exercise Price for the Common Equity Interests in cash, certified or official bank or bank cashier's check (or a combination of cash and check)][effect a net exercise pursuant to paragraph 2(c) of the Warrant] as indicated below.

Date: _____

Hynix Semiconductor Inc.

By: _____
Name:
Title:

_____
(Street Address)

_____
(City) (State) (Zip Code)

Payment: $_____ cash

$_____ check

Net Exercise: _____

Securities and/or check to be issued to: _____

Please insert social security or identifying number: _____

Name: _____

Street Address: _____

City, State and Zip Code: _____

Any unexercised portion of the Warrant evidenced by the within Warrant Certificate to be issued to:

Please insert social security or identifying number: _____

Name: _____

Street Address: _____

City, State and Zip Code: _____

**WARRANT ASSIGNMENT FORM**

Dated _____ __, ____

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers unto _____ (the "**Assignee**"), (please type or print in block letters)

_____

(insert address)

its right to purchase up to ____ Common Equity Interests represented by this Warrant and does hereby irrevocably constitute and appoint _____ Attorney, to transfer the same on the books of the Company, with full power of substitution in the premises.

Signature:_____

**Exhibit 10.7**

Execution Copy

**Intellectual Property License Agreement**

This Intellectual Property License Agreement (this "Agreement") is made and entered into this 6 day of October, 2004, by and between MagnaChip Semiconductor, Ltd., a company organized and existing under the Laws of the Republic of Korea ("Korea"), with offices at 1, Hyangjeong-dong, Heungduk-gu, Cheongju-si, Chungcheongbuk-do, Korea ("Purchaser"), and Hynix Semiconductor Inc., a corporation organized under the Laws of Korea, with offices at San 136-1, Ami-Ri, Bubal-Eub, Ichon-Si. Kyoungki-Do, Korea ("Hynix"). Either Purchaser or Hynix may be referred to herein as a "Party" or together as the "Parties," as the case may require.

RECITALS

WHEREAS, Purchaser and Hynix have entered into a certain Business Transfer Agreement, dated as of June 12, 2004, as amended (the "Business Transfer Agreement") pursuant to which Purchaser will acquire all of the Acquired Assets and assume all of the Assumed Liabilities upon the terms and conditions set forth in the Business Transfer Agreement;

WHEREAS, the Parties wish to license to each other certain Intellectual Property in accordance with the terms and conditions contained in this Agreement; and

WHEREAS, the execution and delivery of this Agreement is required by the Business Transfer Agreement and is a condition to closing of the transactions contemplated thereunder.

NOW, THEREFORE, in consideration of the promises and the mutual covenants and undertakings contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties, intending to be legally bound hereby, do agree as follows:

1. DEFINITIONS

Capitalized terms used herein shall have the meanings ascribed to such terms in the Business Transfer Agreement unless otherwise defined herein or as set forth below.

1.1. "Confidential Information" means (i) all information and proprietary materials of Hynix which is not publicly known and is in the possession of, or disclosed by Hynix to, Purchaser or a representative of Purchaser and relating to Hynix's business (after giving effect to the transactions contemplated by the Business Transfer Agreement), including but not limited to Hynix's Intellectual Property and proprietary business information and (ii) all information and proprietary materials of Purchaser (after giving effect to the transactions contemplated by the Business Transfer Agreement) which is not publicly known and is in the possession of, or disclosed by Purchaser to, Hynix or a representative of Hynix and relating to Purchaser's business, including but not limited to Purchaser's Intellectual Property and proprietary business information.

1.2. "Hynix Licensed Intellectual Property" means any Intellectual Property (other than Purchaser Licensed Intellectual Property (as defined below)) of Hynix and/or

any Subsidiaries of Hynix, as such Intellectual Property existed as of the Closing Date; provided however that Hynix shall have the right to delete, from time to time, from the definition of Hynix Licensed Intellectual Property, any Patents (as defined below) which Hynix chooses in its sole discretion to abandon. In the case that Hynix abandons any Patent(s) as permitted pursuant to the foregoing sentence, notwithstanding any other provision to the contrary, the license granted under this Agreement for such Patent shall immediately terminate.

1.3. "Intellectual Property" means patents, patent applications, utility models, utility model applications and industrial design registrations and applications, together with any continuations, continuations-in-part or divisional applications thereof, and all patents issued or issuing thereon and unfiled invention disclosures (the "Patents"), as well as other technology, know-how, trade secrets, processes, formulae, technical information, designs, data, documentation, drawings, plans, specifications, formulations, methods, procedures and reports, and other general and specific knowledge, experience, techniques and information, in written or machine-readable form and otherwise (collectively, the "Know-How"), the mask work rights/chip layout (regardless of registration) ("Mask Works"), and software and copyrights (including without limitation computer programs and computer program registrations and applications) ("Copyrights"), but expressly excluding for purposes of this definition, trademarks, service marks, trade names, logotypes, slogans, and trade dress associated therewith and/or product or part identification codes ("Trademarks") and applications for Trademarks.

1.4. "Purchaser '022 Patents'" means U.S. Patent No. 5,438,022 and its foreign counterparts that are part of the Acquired Assets which have been transferred to Purchaser under the Business Transfer Agreement.

1.5. "Purchaser Licensed Intellectual Property" means those of the Acquired Assets which are Intellectual Property, as such Intellectual Property existed as of the Closing Date; provided however that Purchaser shall have the right to delete, from time to time, from the definition of Purchaser Licensed Intellectual Property, any Patents which Purchaser chooses in its sole discretion to abandon. In the case that Purchaser abandons any Patent(s) as permitted pursuant to the foregoing sentence, notwithstanding any other provisions to the contrary, the license granted under this Agreement for such Patent shall immediately terminate.

2. LICENSE GRANT TO PURCHASER

2.1. LICENSED INTELLECTUAL PROPERTY

(a) As of the Closing Date and subject to the terms and conditions of this Agreement, Hynix hereby grants to Purchaser and its Subsidiaries a perpetual, worldwide, paid-up, royalty-free, non-exclusive, non-transferable (except as permitted under Section 7.13 of this Agreement) right and personal license under and to the Hynix Licensed Intellectual Property to (i) with respect to the Hynix Licensed Intellectual Property which are Patents related or directed to semiconductor products or their method of manufacture ("Product Patents"), design, develop, manufacture, have

manufactured, make, have made, use, lease, offer for sale, sell, export and import, package, modify or otherwise dispose of (A) any semiconductor product(s) other than Memory Products, and/or (B) Memory Products which Purchaser manufactures for Hynix and/or any Subsidiary(ies) of Hynix, (ii) copy, have copied, use or have used any other manufacturing technology included in the Hynix Licensed Intellectual Property to design, develop, manufacture, have manufactured, make or have made, package or modify (A) any semiconductor product(s) other than Memory Products, and/or (B) Memory Products which Purchaser manufactures for Hynix and/or any Subsidiary(ies) of Hynix; and (iii) with respect to Hynix Licensed Intellectual Property which are not Products Patents or other manufacturing technology, to copy and use such Hynix Licensed Intellectual Property, and to create derivative works thereof and copy and use such derivative works, in the conduct of its business; provided, however, that with respect to softwares which are Hynix Licensed Intellectual Property, the license granted hereunder shall be limited to such softwares existing as of the Closing Date and which are used or have been used in the Business on or prior to the Closing Date. For the avoidance of doubt and without limiting the foregoing sentence, the Parties agree that the license granted hereunder shall include the following softwares: ADMS, IP Web, Legal System and EGGS (Employee/Officer General Supporting System). In addition, for the avoidance of doubt, and notwithstanding the foregoing or any other provision to the contrary, Purchaser shall have the right to create any improvements, developments, enhancements, modifications, and/or derivative works to the Hynix Licensed Intellectual Property.

(b) Notwithstanding the foregoing or any other provision of this Agreement to the contrary, nothing in this Section 2.1 shall be interpreted to allow Purchaser or any Subsidiary of Purchaser to, directly or indirectly, take any action that would violate the covenant not to compete in Section 6.4 of the Business Transfer Agreement.

2.2. SOFTWARE

As of the Closing Date and subject to the terms and conditions of this Agreement, Hynix hereby agrees to transfer to Purchaser, with respect to each commercial and custom software application, (a) with respect to the software applications on Schedule 2.2, that number of software licenses (that is, individual installations or usage rights) as is listed on Schedule 2.2 and (b) with respect to all other software applications, a number of software licenses equal to the number used by the Business as of the Closing Date; provided, however, that the on-going costs and expenses related to such software applications accrued after the Closing Date will be borne solely by Purchaser.

2.3. HYNIX REGISTERED USER REQUIREMENTS

Hynix may, on behalf of both Parties and at its expense, take such action, in its sole discretion, that it deems necessary or desirable with respect to compliance with registered user or similar filing requirements of, or to otherwise cause the license granted by Hynix under this Agreement to be registered with, the appropriate authorities of the government of any jurisdiction. In addition, Hynix shall, on behalf of both Parties, take such other requested action with respect to compliance with registered user or similar filing requirements of, or to otherwise cause the license granted by Hynix under this Agreement to be registered with, the appropriate authorities of the government of any jurisdiction upon, the reasonable request of Purchaser and at Purchaser's expense.

2.4. HYNIX OBLIGATIONS REGARDING PROSECUTION AND MAINTENANCE OF PATENTS AND ABANDONMENT

Hynix shall have no obligation to Purchaser with respect to the prosecution or injunction of any infringement, violation, misappropriation and/or interference by third parties with respect to the Hynix Licensed Intellectual Property or any associated intellectual property rights. For Patents that are abandoned as permitted in Section 1.2, Hynix shall have no further obligation to Purchaser with respect to such Patents after the abandonment of such Patents.

3. LICENSE GRANT TO HYNIX

3.1. LICENSE GRANT

(a) As of the Closing Date and subject to the terms and conditions of this Agreement, Purchaser hereby grants to Hynix and its Subsidiaries a perpetual, worldwide, paid-up, royalty-free, non-exclusive, non-transferable (except as permitted under Section 7.13 of this Agreement) right and personal license under and to the Purchaser Licensed Intellectual Property to (i) with respect to the Purchaser Licensed Intellectual Property which are Product Patents, design, develop, manufacture, have manufactured, make, have made, use, lease, offer for sale, sell, export and import, package, modify or otherwise dispose of any semiconductor product(s), (ii) copy, have copied, use or have used any other manufacturing technology included in the Purchaser Licensed Intellectual Property to design, develop, manufacture, have manufactured, make or have made, package or modify any semiconductor product(s), and (iii) with respect to Purchaser Licensed Intellectual Property which are not Product Patents or other manufacturing technology; to copy and use such Purchaser Licensed Intellectual Property, and to create derivative works thereof and copy and use such derivative works, in the conduct of its business. For the avoidance of doubt, and notwithstanding the foregoing or any other provision to the contrary, Hynix shall have the right to create any improvements, developments, enhancements, modifications, and/or derivative works to the Purchaser Licensed Intellectual Property.

(b) Notwithstanding the foregoing, nothing in this Agreement shall be interpreted to allow Hynix and/or any Hynix Subsidiary(ies) to directly or indirectly, take any action that would violate the covenant not to compete in Section 6.4 of the Business Transfer Agreement.

(c) Purchaser agrees that its and its Subsidiaries' rights to the Purchaser '022 Patents' will be subject to all licenses Hynix has granted to third parties which were in effect as of June 12, 2004. In addition, in connection with claims against Hynix with respect to the infringement, violation or misappropriation of and/or interference with the intellectual property rights of a third party, Hynix shall have the right to sub-license to such third party its rights with respect to the Purchaser '022 Patents' under this Agreement.

3.2. PURCHASER REGISTERED USER REQUIREMENTS

Purchaser may, on behalf of both Parties and at its expense, take such action, in its sole discretion, that it deems necessary or desirable with respect to compliance with registered user or similar filing requirements of, or to otherwise cause the license granted by Purchaser under this Agreement to be registered with, the appropriate authorities of the government of any jurisdiction. In addition, Purchaser shall, on behalf of both Parties, take such other requested action with respect to compliance with registered user or similar filing requirements of, or to otherwise cause the license granted by Purchaser under this Agreement to be registered with, the appropriate authorities of the government of any jurisdiction, upon the reasonable request of Hynix and at Hynix's expense.

3.3. PURCHASER OBLIGATIONS REGARDING PROSECUTION AND MAINTENANCE OF PATENTS

Purchaser shall have no obligation to Seller with respect to the prosecution or injunction of any infringement, violation, misappropriation and/or interference by third parties with respect to the Purchaser Licensed Intellectual Property or any associated intellectual property rights. For Patents that are abandoned as permitted in Section 1.5, Purchaser shall have no further obligation to Hynix with respect to such Patents after the abandonment of such Patents.

4. RIGHT TO SUBLICENSE; NO IMPLIED LICENSES; INTELLECTUAL PROPERTY RIGHTS NOTICES

4.1. Notwithstanding any provision to the contrary, subject to Section 6.4 of the Business Transfer Agreement, each Party shall have the right to sublicense the license rights granted to it under this Agreement, for the sole purpose of having, in the case of Hynix, its Subsidiaries, or its agents and contractors, exercise its rights hereunder solely on its behalf to make, manufacture, design, develop or package any semiconductor products for Hynix; or in the case of Purchaser, Warrant Issuer's Subsidiaries, or its agents and contractors exercise its rights hereunder solely on its behalf to make, manufacture, design, develop or package any semiconductor products (other than Memory Products) for Purchaser or any

Memory Products for Hynix and/or any Subsidiary(ies) of Hynix. Notwithstanding the forgoing, neither Party shall sublicense the license rights granted to it under this Agreement to any direct or indirect Subsidiary of Warrant Issuer or Hynix, as the case may be, which at the time such Subsidiary became a direct or indirect Subsidiary of Warrant Issuer or Hynix, as the case may be, was actively operating a technology business (including a semiconductor business). In no event shall Hynix's Subsidiaries, or its agents and/or contractors, or the Warrant Issuer's Subsidiaries, or Purchaser's agents and/or contractors, make, manufacture, design, develop or package any products under this sublicense for, and/or sell any products made under this sublicense to, any party other than Hynix and/or any Subsidiary of Hynix or Purchaser and/or any Subsidiary(ies) of the Warrant Issuer, as the case may be.

4.2. NO IMPLIED LICENSE

Except for the licenses expressly granted in this Agreement, neither Party grants to the other Party by implication, estoppel or otherwise any license or other right to any of its Intellectual Property. In addition, neither Party grants any license, release or other right expressly, by implication, by estoppel or otherwise to any third party.

4.3. INTELLECTUAL PROPERTY RIGHTS NOTICES

Each Party agrees that, unless otherwise agreed by the Parties in writing, it will not obfuscate, remove or alter any of the trademarks, trade names, logos, patent, mask work or copyright notices, confidential or other proprietary legends or notices on or in the materials to which it is granted a license, and all such markings shall be included in all copies made by such Party of any portion of the materials to which it is granted a license hereunder.

5. CONFIDENTIALITY

Each Party shall protect the other's Confidential Information from unauthorized dissemination and use with the same degree of care that such Party uses to protect its own like information, but not less than reasonable care. Neither Party will use the other's Confidential Information except as permitted by the licenses hereunder or for purposes other than those necessary to directly further the purposes of this Agreement. Notwithstanding the foregoing or any other provision of this Agreement to the contrary, each Party shall only have the right to sublicense the Intellectual Property to which it is granted a license hereunder, subject to Section 4.1 and pursuant to the following: (i) with respect to a sublicense to a Subsidiary, to a Subsidiary which, prior to accessing any of the licensed Intellectual Property, is legally bound to the terms of an appropriate confidentiality agreement containing limitations no less restrictive than those set forth in Sections 2.1 and/or 3.1, as applicable, 4.3 and 5 of this Agreement and otherwise adequately protects the intellectual property rights of licensor in the Intellectual Property and who uses the Intellectual Property solely in accordance with the terms and conditions of this Agreement; and/or (ii) with respect to any third party agent and/or contractor, to a

third party agent and/or contractor with a need to know who is hired by the party to whom a license to the applicable Intellectual Property has been granted hereunder, who uses the applicable Intellectual Property solely for the benefit of the applicable licensee hereunder, and who, prior to accessing any of the licensed Intellectual Property, has signed an appropriate confidentiality agreement, which agreement contains provisions no less restrictive than those set forth in Sections 2.1 and/or 3.1, as applicable, 4.3 and 5 of this Agreement and otherwise adequately protects the intellectual property rights of licensor in the Intellectual Property and who uses the Intellectual Property solely in accordance with the terms and conditions of this Agreement. Except as permitted by the licenses hereunder or as required by law or order of any governmental authority (provided that such disclosure will be done under reasonable steps to protect confidentiality, such as a protective order), neither Party will disclose to any third parties the other's Confidential Information without the prior written consent of the other Party. Except as expressly provided in this Agreement, no ownership or license right is granted in any Confidential Information. The Parties' obligations of confidentiality under this Agreement shall not be construed to limit either Party's right to independently develop or acquire products without use of, or reference to, the other Party's Confidential Information. The confidentiality obligations of the Parties under this Agreement shall terminate with respect to any specific Confidential Information five (5) years from the date of receipt thereof.

Each Party agrees not to disclose the content or nature of this Agreement to any third party without the prior written consent of the other Party; provided, however, that this obligation shall not apply to a Party (i) to the extent such Party is required by law or order of any governmental authority (provided that such Party takes reasonable steps to protect the confidentiality of such information, such as a protective order) to disclose this Agreement, but only to the extent necessary to comply with such law or order; (ii) to the extent necessary for such Party to enforce or exercise its rights under this Agreement, (iii) to the extent reasonably necessary and on a confidential basis, to its accountants, attorneys, financial advisers and potential investors in or acquirers of such Party or (iv) with respect to such Party's disclosure and public filing of this Agreement (and its terms and conditions) in connection with a public offering of securities by such Party or its Affiliates.

6. DISCLAIMERS

EXCEPT AS EXPRESSLY PROVIDED IN THE BUSINESS TRANSFER AGREEMENT, THE HYNIX LICENSED INTELLECTUAL PROPERTY IS PROVIDED "AS IS" WITHOUT ANY REPRESENTATION OR WARRANTY AND HYNIX MAKES NO, AND EXPRESSLY DISCLAIMS ANY AND ALL OTHER REPRESENTATIONS AND WARRANTIES, WHETHER EXPRESS OR IMPLIED OR STATUTORY, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT, WITH RESPECT TO THE SUBJECT MATTER OF THIS AGREEMENT. EXCEPT AS EXPRESSLY PROVIDED IN THE BUSINESS TRANSFER AGREEMENT, THE PURCHASER LICENSED INTELLECTUAL PROPERTY IS PROVIDED "AS IS" WITHOUT ANY REPRESENTATION OR

WARRANTY AND PURCHASER MAKES NO, AND EXPRESSLY DISCLAIMS ANY AND ALL REPRESENTATIONS AND WARRANTIES, WHETHER EXPRESS OR IMPLIED OR STATUTORY, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT, WITH RESPECT TO THE SUBJECT MATTER OF THIS AGREEMENT.

7. GENERAL

7.1. TERM AND TERMINATION

The term of this Agreement shall become effective as of the Closing Date and shall continue to be effective until terminated by mutual agreement of the Parties, provided that this Agreement and all licenses hereunder may be earlier terminated by either Party if the other Party materially breaches any of the terms and conditions of this Agreement and fails to remedy such breach within 60 days after written notice thereof.

7.2. RELATIONSHIP OF THE PARTIES

This Agreement does not create a fiduciary or agency relationship between Hynix and Purchaser, each of which shall be and at all times remain independent companies for all purposes hereunder. Nothing in this Agreement is intended to make either Party a general or special agent, joint venturer, partner or employee of the other for any purpose.

7.3. COUNTERPARTS

This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Party.

7.4. GOVERNING LAW; CONSENT TO JURISDICTION

This Agreement shall be governed by and construed in accordance with the Laws of the Korea without giving effect to the rules of conflict of laws of the Korea that would require application of any other Law. Purchaser and Hynix each consent to and hereby submit to the non-exclusive jurisdiction of the Seoul Central District Court located in the Korea in connection with any action, suit or proceeding arising out of or relating to this Agreement, and each of the Parties irrevocably waives, to the fullest extent permitted by Law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

7.5. ENTIRE AGREEMENT

This Agreement and the Business Transfer Agreement constitute the entire agreement between the Parties with respect to the subject matter hereof, and supersede any prior agreements, understandings or other communications, written or oral, between the Parties with respect to the subject matter hereof, and there are no agreements, understandings, representations or warranties between the Parties with respect to the subject matter hereof other than those set forth herein or the Business Transfer Agreement.

7.6. NO THIRD-PARTY BENEFICIARIES

Nothing in this Agreement, express or implied, is intended to or shall confer on any Person other than the Parties and their respective successors or permitted assigns any rights (including third party beneficiary rights), remedies, obligations or liabilities under or by reason of this Agreement. This Agreement shall not provide third parties with any remedy, claim, liability, reimbursement, cause of action or other right in excess of those existing without reference to the terms of this Agreement.

7.7. INTERPRETATION; ABSENCE OF PRESUMPTION

(a) For the purposes hereof, (i) words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other gender as the context requires, (ii) the terms “hereof,” “herein,” and “herewith” and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and Article, Section and paragraph references are to the Articles, Sections and paragraphs to this Agreement unless otherwise specified, (iii) the word “including” and words of similar import when used in this Agreement means “including, without limitation,” unless the context otherwise requires or unless otherwise specified, (iv) the word “or” shall not be exclusive, (v) provisions shall apply, when appropriate, to successive events and transactions, and (vi) all references to any period of days shall be deemed to be to the relevant number of calendar days.

(b) This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the Party drafting or causing any instrument to be drafted.

7.8. FORCE MAJEURE

A Party shall not be liable for a failure or delay in the performance of any of its obligations under this Agreement where such failure or delay is the result of conditions beyond the control of said Party, such as fire, flood, or other natural disaster, act of God, war, embargo, riot, labor dispute, or the intervention of any government authority, providing that the Party failing in or delaying its performance immediately notifies the other Party of its inability to perform and states the reason for such inability.

7.9. PUBLICITY

Neither Party shall, without the approval of the other Party, make any press release or other public announcement concerning the terms of the transactions contemplated by this Agreement, except as allowed under Section 5.

7.10. FURTHER ASSURANCES

Each Party shall cooperate and take such action as may be reasonably requested by the other Party in order to carry out the provisions and purposes of this Agreement and the transactions contemplated hereby.

7.11. EXPORT CONTROL

The Parties shall comply with any and all export regulations and rules now in effect or as may be issued from time to time by the Office of Export Administration of the United States Department of Commerce, Korean governmental authority, or any other governmental authority which has jurisdiction relating to the export of technology.

7.12. NOTICES

Any notice, request, demand, waiver, consent, approval or other communication which is required or permitted to be given to any Party hereunder shall be in writing and shall be deemed duly given only upon delivery to the Party personally (including by reputable overnight courier service), when telecopied (with confirmation of transmission having been received) during normal business hours or three days after being mailed by registered or certified mail (return receipt requested), with postage and registration or certification fees thereon prepaid, addressed to the Party at its address set forth below (or at such other address for a Party as shall be specified by such Party by like notice):

If to Purchaser:

MagnaChip Semiconductor, Ltd.
Hyangjeong-dong
Heungduk-gu
Cheongju City
Chung Cheong Bok-do
Korea
Fax: +82-43-270-2134
Attention: Dr. Youm Huh

with a copy to:

Dechert LLP
4000 Bell Atlantic Tower
1717 Arch Street
Philadelphia, PA 19103
Fax: 215-994-2222
Attention: Geraldine A. Sinatra, Esq.

and

Dechert LLP
30 Rockefeller Plaza
New York, NY 10112
Fax: (212) 698-3599
Attention: Sang H. Park, Esq.

If to Hynix:

Hynix Semiconductor Inc.
Hynix Youngdong Bldg 891
Daechi-dong
Kangnam-gu, Seoul 135-738
Korea
Fax: 82-2-3459-3555
Attention: Mr. Dong Soo Chung

with a copy to:

Bae, Kim & Lee
647-15 Yoksam-dong
Kangnam-gu, Seoul 135-738
Korea
Fax: +82 2 3404 0803
Attention: Gun Chul Do, Esq.

with a copy to:

Sullivan & Cromwell LLP
1888 Century Park East
Los Angeles, CA 90067
Fax: (310) 712-8800
Attention: Alison S. Ressler, Esq.

7.13. ASSIGNMENT

This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns; provided, however, that no Party may assign its rights or delegate its obligations under this Agreement (including by operation of law and provided that a change in control with respect to Hynix or Purchaser shall be deemed an assignment for purposes of this Agreement) without the express prior written consent of each other Party, except that (i) Purchaser may assign its rights hereunder as collateral security to any entity providing financing of indebtedness for borrowed money to Purchaser and/or any of its Subsidiaries and any such financial institutions may assign such rights in connection with a sale of Purchaser, (ii) Hynix and Purchaser each may, upon written notice to the other party (but without the obligation to obtain the consent of such other party), assign this Agreement or any of its rights and obligations under this Agreement to any person, entity or organization that acquires all or substantially all of its assets and liabilities or all or substantially all of the assets and liabilities of the portion of the Party's business to which the subject of this Agreement relates or of a division of such Party as a result of a change in control (provided that upon any such assignment or change in control the applicable license granted hereunder shall not extend to the business or products of the assignee or acquiring entity as conducted as of the date of such assignment or acquisition), if such person or entity agrees in writing to assume and be bound by all of the relevant obligations of such party under this Agreement; and (iii) Purchaser may, upon written notice to Hynix (but without the obligation to obtain the consent of Hynix), assign this Agreement or any of its rights and obligations under this Agreement to one or more direct or indirect Subsidiaries of Warrant Issuer, provided that at the time such Subsidiary became a direct or indirect Subsidiary of Warrant Issuer it was not actively operating a technology business (including a semiconductor business).

7.14. HEADINGS; DEFINITIONS

The section and article headings contained in this Agreement are inserted for convenience of reference only and will not affect the meaning or interpretation of this Agreement.

7.15. AMENDMENT

This Agreement may not be amended, modified, superseded, canceled, renewed or extended except by a written instrument signed by the Party to be charged therewith.

7.16. WAIVER; EFFECT OF WAIVER

No provision of this Agreement may be waived except by a written instrument signed by the Party waiving compliance. No waiver by any Party of any of the requirements hereof or of any of such Party's rights hereunder shall release the other Parties from full performance of their remaining obligations stated herein. No failure to exercise or delay in exercising on the part of any Party hereto any

right, power or privilege of such Party shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege by such Party.

7.17. SPECIFIC PERFORMANCE; INJUNCTIVE RELIEF

The Parties each acknowledge that, in view of the uniqueness of the subject matter hereof, the Parties would not have an adequate remedy at law for money damages in the event that this Agreement were not performed in accordance with its terms, and therefore agree that the Parties shall have the right to a claim for injunctive relief and be entitled to specific enforcement of the terms hereof in addition to any other remedy to which the Parties may be entitled at law or in equity.

7.18. SURVIVAL

The respective rights and obligations of the Parties under Sections 5, 6, 7, and other Sections which by their nature are intended to extend beyond termination, shall survive the termination of this Agreement.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed on their behalf as of the date first written above.

HYNIX SEMICONDUCTOR INC.

By _____

Name:
Title:

MAGNACHIP SEMICONDUCTOR, LTD.

By _____

Name:
Title:

**Exhibit 10.8**

**Execution Copy**

**Trademark License Agreement**

This Trademark License Agreement ("Agreement") is made and entered into this 6 day of October, 2004, by and among MagnaChip Semiconductor, Ltd., a company organized and existing under the Laws of the Republic of Korea ("Korea"), with offices at 1, Hyangjeong-dong, Heungduk-gu, Cheongju-si, Chungcheongbuk-do, Korea ("Purchaser"), and Hynix Semiconductor Inc., a corporation organized under the Laws of the Republic of Korea, with offices at San 136-1, Ami-Ri, Bubal-Eub, Ichon-Si. Kyoungki-Do, Korea ("Hynix"). Either Purchaser or Hynix may be referred to herein as a "Party" or together as the "Parties," as the case may require.

RECITALS

WHEREAS, Purchaser and Hynix have entered into a certain Business Transfer Agreement, dated as of June 12, 2004, as amended (the "Business Transfer Agreement") pursuant to which Purchaser will acquire all of the Acquired Assets and assume all of the Assumed Liabilities upon the terms and conditions set forth in the Business Transfer Agreement;

WHEREAS, pursuant to the Business Transfer Agreement, Hynix has agreed to grant to Purchaser a license for the use of the Hynix Trademarks; and

WHEREAS, the execution and delivery of this Agreement is required by the Business Transfer Agreement and is a condition to the closing of the transactions contemplated thereunder.

NOW, THEREFORE, in consideration of the promises and the mutual covenants and undertakings contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties, intending to be legally bound hereby, do agree as follows:

1. DEFINITIONS

Capitalized terms used herein shall have the meanings ascribed to such terms in the Business Transfer Agreement unless otherwise defined herein or as set forth below.

1.1. "Business Products" means Solution Products, Specialty Products and/or derivatives of the foregoing.

1.2. "Business Product Codes" means those of the product or part identification codes adopted by Hynix for any Business Product, Die, and/or Device, as applicable, as of the Closing Date prior to giving effect to the transactions contemplated under the Business Transfer Agreement, the ownership of which were not transferred to Purchaser pursuant to the terms of the Business Transfer Agreement.

1.3. "Device" means one or more Dies that are either (i) incorporated into a Package or (ii) packaged together but not placed into a Package.

1.4. "Die" means a Business Product prior to its incorporation into a Package or Device.

1.5. "Hynix Trademark" means any trademarks, service marks, trade names, logotypes, slogans, and trade dress associated therewith, and applications for the foregoing, owned or controlled by Hynix, a Subsidiary of Hynix and/or any third party (to the extent permitted under the license from such third party) and used with or embedded on Masks, Business Products, Dies, Devices, Packages, Printed Materials, and/or Packaging, as of the Closing Date, including without limitation, "Hynix", "HEI", and "Hyundai".

1.6. "Masks" means the masks used by the Business in the manufacture of Dies which include Hynix Trademarks. The Masks, when used to manufacture Dies, will form an image of Hynix Trademarks in various layers that form the semiconductor circuits in Dies.

1.7. "Package" means a specific type of an enclosure for encompassing one or more Die(s), including electrical contacts thereto.

1.8. "Packaging" means containers, boxes, tubes, and the like used to ship the Business Products.

1.9. "Printed Material" means brochures, manuals, data books and other sales and marketing information used in the sale or for marketing of the Business Products.

2. LICENSE

Subject to the terms and conditions of this Agreement:

2.1. HYNIX TRADEMARKS

As of the Closing Date and subject to the terms of this Agreement, Hynix hereby grants to Purchaser a worldwide, paid-up, royalty-free, non-exclusive, non-transferable (except as permitted under Section 7.11 of this Agreement) right and personal license under and to the Hynix Trademarks to use the Hynix Trademarks (a) to manufacture Business Products, Dies and/or Devices by using the Masks and/or Packages existing as of the Closing Date; and/or (b) to the extent Hynix Trademarks are used or embedded in any Business Products, Dies, Devices, Packages, Printed Materials and/or Packaging, and with respect to any inventory of the Business as of the Closing Date using the Hynix Trademarks, to market and sell Business Products, Dies and/or Devices manufactured pursuant to subitem (a) of this sentence or in the inventory of the Business as of the Closing Date, with such right and license to continue for a period of three years from the Closing Date (the "License Term"); provided that Hynix will permit

Purchaser to continue to use the Hynix Trademarks used or embedded in any Business Products, Dies, Devices, Packages, Printed Materials and/or Packaging that were manufactured by using the Masks and/or Packages existing as of the Closing Date or were in the inventory of the Business as of the Closing Date if and during such time as Purchaser can demonstrate a need for such extension of the License Term. The license above shall also apply to the use of replacement Masks so long as (i) Purchaser demonstrates with documentary evidence that it is required to requalify the applicable Business Product, Die and/or Device with any customer who previously qualified such Business Product, Die and/or Device if such license did not apply to replacement Masks and (ii) Purchaser uses commercially reasonable efforts to avoid requalification of the applicable Business Product, Die and/or Device with any customer who previously qualified such Business Product, Die and/or Device if such license did not apply to replacement Masks; provided, further, that Purchaser agrees to discontinue the use of Hynix Trademarks on the Masks and to replace them with Purchaser's own trademarks and/or identification thereon with respect to any Business Product, Die and/or Device, at such time as the applicable Business Product, Die and/or Device has been requalified with all customers who previously qualified such Business Product, Die and/or Device.

2.2. BUSINESS PRODUCT CODES

As of the Closing Date and subject to the terms of this Agreement, Hynix hereby grants to Purchaser a perpetual, worldwide, paid-up, royalty-free, non-exclusive, non-transferable (except as permitted under Section 7.11 of this Agreement) right and personal license under and to the Business Product Codes to use such Business Product Codes (a) in relation to the manufacture, marketing and sale of the Masks, Business Products, Dies, Devices and/or Packages and/or (b) to create Masks, Packages and/or Packaging for the Business Products, Dies and/or Devices.

2.3. INVENTORY

It is understood that in the event the Hynix Trademarks and/or Business Product Codes are included on finished Business Products, Dies, Devices, Packages and/or Packaging in the inventory of the Business as of the Closing Date, such completed Business Products, Dies and/or Devices may be resold by Purchaser (and such Packages and Packaging used in connection with Business Products, Dies and/or Devices) with such Hynix Trademarks and/or Business Product Codes, as applicable, thereon for the License Term.

2.4. PRINTED MATERIALS

It is understood that, as of the Closing Date and subject to the terms of this Agreement, as to Printed Materials which exist as of the Closing Date, in the event the Hynix Trademarks and/or Business Product Codes are included on such Printed Materials, Hynix hereby grants to Purchaser a worldwide, paid-up, royalty-free, non-transferable (except as permitted under Section 7.11 of this Agreement), right and personal license to use such

Hynix Trademarks and/or Business Product Codes in connection with the depletion of such Printed Materials, with the Hynix Trademarks and/or Business Product Codes on them, in connection with Purchaser's marketing and sales activities for the Business Products, Dies and/or Devices in the inventory of the Business as of the Closing Date, for the License Term. As soon as commercially reasonable, but in any event within twelve months after the Closing Date, Purchaser shall cease using the Hynix Trademarks on any and all Printed Materials that are used for such marketing and sales activities of Purchaser.

2.5. MANUFACTURER IDENTIFICATION

Notwithstanding anything to the contrary in this Agreement, Purchaser shall take reasonable measures to assure and implement, through date coding or some other methods mutually agreed by the Parties, identification on the Business Products, Dies, Devices, Packages, Packaging and Printed Materials to avoid confusion by any third parties in determining whether such Business Products, Dies and/or Devices, as applicable, were made by Purchaser or Hynix when using Hynix Trademarks. As soon as commercially reasonable, but in any event within twelve months after the Closing Date, Purchaser shall cause the Purchaser's name as manufacturer or supplier to appear on the Printed Materials and the Packaging of all Business Products, Dies and/or Devices in a manner that clearly identifies Purchaser as such.

2.6. RIGHT TO SUBLICENSE

Notwithstanding any provision to the contrary, subject to Section 6.4 of the Business Transfer Agreement, Purchaser shall have the right to sublicense the license and other rights of use granted under this Agreement for the sole purpose of having Warrant Issuer's Subsidiaries, and/or Purchaser's agents and/or contractors, exercise its rights hereunder solely on its behalf to make, manufacture, design, develop or package any semiconductor products (other than Memory Products) for Purchaser or any Memory Products for Hynix and/or any Subsidiary(ies) of Hynix. In no event shall Warrant Issuer's Subsidiaries, or Purchaser's agents or contractors, make, manufacture, design, develop or package any products under this sublicense for, and/or sell any products made under this sublicense to, any party other than Purchaser and/or any Subsidiary(ies) of Warrant Issuer.

2.7. NO OTHER LICENSE

Except for the license for the use of, and other rights of use of, the Hynix Trademarks and Business Product Codes expressly granted in Sections 2.1, 2.2, 2.3, 2.4 and 2.6 above, no license right whatsoever is granted to Purchaser or any of its Subsidiaries directly or indirectly pursuant to this Agreement, including any license to use the trade name of Hynix.

2.8. REGISTERED USER REQUIREMENTS

Hynix may, on behalf of both Parties and at its expense, take such action, in its sole discretion, that it deems necessary or desirable with respect to compliance with registered user or similar filing requirements of, or to otherwise cause the license and other rights of use granted under this Agreement to be registered with, the appropriate authorities of the government of any jurisdiction. In addition, Hynix shall, on behalf of both Parties, take such other requested action with respect to compliance with registered user or similar filing requirements of, or to otherwise cause the license and other rights of use granted under this Agreement to be registered with, the appropriate authorities of the government of any jurisdiction upon the reasonable request of Purchaser and at Purchaser's expense.

2.9. MAINTENANCE OF MARKS

Hynix shall have no obligation to Purchaser with respect to the prosecution or injunction of any infringement, violation, and/or interference by third parties with respect to the Hynix Trademarks.

3. OWNERSHIP AND COMPLIANCE

3.1. Purchaser acknowledges Hynix's claim that the Hynix Trademarks and the Business Product Codes are the exclusive and sole property of Hynix, that Hynix will retain full ownership of the Hynix Trademarks and the Business Product Codes, and all rights appurtenant thereto except for the rights granted hereunder, and that all use of the Hynix Trademarks and the Business Product Codes by Purchaser shall inure to the sole benefit of Hynix.

3.2. Purchaser agrees not to adopt or use any other mark, logo or identification that is confusingly similar to the Hynix Trademarks.

3.3. Purchaser agrees that it shall use its reasonable efforts to avoid endangering the validity of Hynix Trademarks including complying with all laws and regulations of all countries where its products are sold. Should Purchaser become aware that the compliance with the laws or regulations of the country result in the potential dilution or loss of trade name or trademarks of Hynix in the Hynix Trademarks, Purchaser shall promptly notify Hynix of the same and Purchaser shall take such actions as may be reasonably requested by Hynix from time to time to preserve the validity of the Hynix Trademarks.

3.4. Purchaser agrees that it shall comply with commercially reasonable trademark usage guidelines of Hynix provided to Purchaser from time to time, provided that such guidelines are in writing and are applicable to all third-party users of Hynix's trademarks.

3.5. Purchaser shall use its commercially reasonable efforts to destroy, or alter to remove or obscure from view any Hynix Trademark on, any and all remaining Business Products, Dies and/or Devices, Inventory or Printed Materials, which make use of any Hynix Trademarks, promptly after the License Term and any other period during which Purchaser is entitled to use the Hynix Trademarks pursuant to the terms of this Agreement and shall provide a certificate confirming such destruction or alteration executed by a duly authorized representative of Purchaser.

3.6. Purchaser shall not, in using any of the Hynix Trademarks, Business Product Codes and Printed Materials hereunder, carry out any business activities in the name of Hynix or in any manner that by law would be deemed to mislead or deceive others to believe that such is the case.

3.7. Purchaser shall not apply for registration of the Hynix Trademarks in whole or in part or other trademarks that are confusingly similar thereto, or cause such application for registration to be made, in any country with respect to the Business Products, Dies and/or Devices, Packages, Printed Materials and/or Packaging.

4. QUALITY CONTROL

To protect the value of Hynix Trademarks, Hynix reserves the right to inspect the quality of the Business Products sold or disposed of by Purchaser under the Hynix Trademarks for the purpose, among others, of ensuring that the quality of such Business Products is substantially at least equivalent to the Business Products being manufactured by Hynix as of the Closing Date and for the purpose of maintaining in full force and effect Hynix's rights to and in Hynix Trademarks under the applicable trademark laws. From time to time during normal business hours (but in no event more than one time per year) and in such manner so as not to unreasonably disrupt Purchaser's business, Hynix may send representatives to the plants of Purchaser to inspect and advise Purchaser with respect to Purchaser's quality control of the Business Products.

5. DISCLAIMERS; INDEMNIFICATION

5.1. DISCLAIMER

EXCEPT AS EXPRESSLY PROVIDED IN THE BUSINESS TRANSFER AGREEMENT, HYNIX MAKES NO, AND EXPRESSLY DISCLAIMS ANY AND ALL, OTHER REPRESENTATIONS AND WARRANTIES, WHETHER EXPRESS OR IMPLIED OR STATUTORY, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE SUBJECT MATTER OF

THIS AGREEMENT. EXCEPT AS EXPRESSLY PROVIDED IN THE BUSINESS TRANSFER AGREEMENT, PURCHASER MAKES NO, AND EXPRESSLY DISCLAIMS ANY AND ALL, REPRESENTATIONS AND WARRANTIES, WHETHER EXPRESS OR IMPLIED OR STATUTORY, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE SUBJECT MATTER OF THIS AGREEMENT.

5.2. INDEMNIFICATION

Purchaser agrees to indemnify, defend, and hold harmless Hynix and its directors and officers (the "Hynix Indemnified Parties") with respect to any claims, charges, or litigation by third parties against one or more Hynix Indemnified Party(ies) based upon (i) any breach of a covenant or agreement made by Purchaser under this Agreement; (ii) Purchaser's use of the Hynix Trademarks containing Hynix's tradenames (including "Hynix", "HEI" and "Hyundai"); (iii) the quality, safety, reliability, performance, or marketability of any of the Business Products manufactured by Purchaser and which display and are marketed by Purchaser using Hynix Trademarks; or (iv) any injury to persons or property caused by the use of such Business Products to the extent such claims, charges or litigation against any Hynix Indemnified Parties result from or are based on the use by Purchaser of the Hynix Trademarks. Notwithstanding the foregoing, Purchaser shall not be liable for any claims, charges, or litigation by third parties against one or more Hynix Indemnified Party(ies) based upon Hynix Trademarks' infringement on the rights of any third party.

6. TERM AND TERMINATION

This Agreement shall terminate upon the expiration of the last to expire of any of the individual licenses hereunder, provided that this Agreement and all licenses hereunder may be earlier terminated by Hynix if Purchaser materially breaches any of the terms and conditions of this Agreement and fails to remedy such breach within 60 days after written notice thereof.

7. GENERAL

7.1. RELATIONSHIP OF THE PARTIES

This Agreement does not create a fiduciary or agency relationship between Hynix and Purchaser, each of which shall be and at all times remain independent companies for all purposes hereunder. Nothing in this Agreement is intended to make either Party a general or special agent, joint venturer, partner or employee of the other for any purpose.

7.2. COUNTERPARTS

This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Party.

7.3. GOVERNING LAW; CONSENT TO JURISDICTION

This Agreement shall be governed by and construed in accordance with the Laws of the Korea without giving effect to the rules of conflict of laws of the Korea that would require application of any other law. Purchaser and Hynix each consent to and hereby submit to the non-exclusive jurisdiction of the Seoul Central District Court located in the Korea in connection with any action, suit or proceeding arising out of or relating to this Agreement, and each of the Parties irrevocably waives, to the fullest extent permitted by Law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

7.4. ENTIRE AGREEMENT

This Agreement and the Business Transfer Agreement constitute the entire agreement between the Parties with respect to the subject matter hereof, and supersede any prior agreements, understandings or other communications, written or oral, between the Parties with respect to the subject matter hereof, and there are no agreements, understandings, representations or warranties between the Parties with respect to the subject matter hereof other than those set forth herein or the Business Transfer Agreement.

7.5. NO THIRD-PARTY BENEFICIARIES

Nothing in this Agreement, express or implied, is intended to or shall confer on any Person other than the Parties hereto and their respective successors or permitted assigns any rights (including third-party beneficiary rights), remedies, obligations or liabilities under or by reason of this Agreement. This Agreement shall not provide third parties with any remedy, claim, liability, reimbursement, cause of action or other right in excess of those existing without reference to the terms of this Agreement.

7.6. INTERPRETATION; ABSENCE OF PRESUMPTION

(a) For the purposes hereof, (i) words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other gender as the context requires, (ii) the terms “hereof,” “herein,” and “herewith” and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a

whole and not to any particular provision of this Agreement, and Article, Section and paragraph references are to the Articles, Sections and paragraphs to this Agreement unless otherwise specified, (iii) the word "including" and words of similar import when used in this Agreement means "including, without limitation," unless the context otherwise requires or unless otherwise specified, (iv) the word "or" shall not be exclusive, (v) provisions shall apply, when appropriate, to successive events and transactions, and (vi) all references to any period of days shall be deemed to be to the relevant number of calendar days.

(b) This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the Party drafting or causing any instrument to be drafted.

7.7. FORCE MAJEURE

A Party shall not be liable for a failure or delay in the performance of any of its obligations under this Agreement where such failure or delay is the result of conditions beyond the control of said Party, such as fire, flood, or other natural disaster, act of God, war, embargo, riot, labor dispute, or the intervention of any government authority, providing that the Party failing in or delaying its performance immediately notifies the other Party of its inability to perform and states the reason for such inability.

7.8. PUBLICITY

Neither Party shall, without the approval of the other Party, make any press release or other public announcement concerning the terms of the transactions contemplated by this Agreement, except as and to the extent that any such Party shall be so obligated by Law or listing standards or pursuant to a lawful request of a government agency.

7.9. FURTHER ASSURANCES

Each Party shall cooperate and take such action as may be reasonably requested by another Party in order to carry out the provisions and purposes of this Agreement and the transactions contemplated hereby.

7.10. NOTICES

Any notice, request, demand, waiver, consent, approval or other communication which is required or permitted to be given to any Party hereunder shall be in writing and shall be deemed duly given only upon delivery to the Party personally (including by reputable overnight courier service), when telecopied (with confirmation of transmission having been received) during normal business hours

or three days after being mailed by registered or certified mail (return receipt requested), with postage and registration or certification fees thereon prepaid, addressed to the Party at its address set forth below (or at such other address for a Party as shall be specified by such Party by like notice):

If to Purchaser:

MagnaChip Semiconductor, Ltd.
Hyangjeong-dong
Heungduk-gu
Cheongju City
Chung Cheong Bok-do
Korea
Fax: +82-43-270-2134
Attention: Dr. Youm Huh

with a copy to:

Dechert LLP
4000 Bell Atlantic Tower
1717 Arch Street
Philadelphia, PA 19103
Fax: 215-994-2222
Attention: Geraldine A. Sinatra, Esq.

and

Dechert LLP
30 Rockefeller Plaza
New York, NY 10112
Fax: (212) 698-3599
Attention: Sang H. Park, Esq.

If to Hynix:

Hynix Semiconductor Inc.
Hynix Youngdong Bldg 891
Daechi-dong
Kangnam-gu, Seoul 135-738
Korea
Fax: 82-2-3459-3555
Attention: Mr. Dong Soo Chung

with a copy to:

Bae, Kim & Lee
647-15 Yoksam-dong
Kangnam-gu, Seoul 135-738
Korea
Fax: +82 2 3404 0803
Attention: Gun Chul Do, Esq.

with a copy to:

Sullivan & Cromwell LLP
1888 Century Park East
Los Angeles, CA 90067
Fax: (310) 712-8800
Attention: Alison S. Ressler, Esq.

7.11. ASSIGNMENT

This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns; provided, however, that no Party may assign its rights or delegate its obligations under this Agreement (including by operation of law and provided that a change in control with respect to Hynix or Purchaser shall be deemed an assignment for purposes of this Agreement) without the express prior written consent of the other Party, except that (i) Purchaser may assign its rights hereunder as collateral security to any entity providing financing of indebtedness for borrowed money to Purchaser and/or any of its Subsidiaries and any such financial institutions may assign such rights in connection with a sale of Purchaser, (ii) Hynix and Purchaser each may, upon written notice to the other Party (but without the obligation to obtain the consent of the other Party), assign this Agreement or any of its rights and obligations under this Agreement to any person, entity or organization that acquires all or substantially all of its assets and liabilities or all or substantially all of the assets and liabilities of the portion of the Party's business to which the subject of this Agreement relates or of a division of such Party or as a result of a change in control (provided that upon any such assignment or change in control the applicable license granted hereunder shall not extend to the business or products of the assignee or acquiring entity as conducted as of the date of such assignment or acquisition), if such person or entity agrees in writing to assume and be bound by all of the relevant obligations of such Party under this Agreement, and (iii) Purchaser may, upon written notice to Hynix (but without the obligation to obtain the consent of Hynix), assign this Agreement or any of its rights and obligations under this Agreement to one or more direct or indirect Subsidiaries of Warrant Issuer.

7.12. HEADINGS; DEFINITIONS

The section and article headings contained in this Agreement are inserted for convenience of reference only and will not affect the meaning or interpretation of this Agreement.

7.13. AMENDMENT

This Agreement may not be amended, modified, superseded, canceled, renewed or extended except by a written instrument signed by the Party to be charged therewith.

7.14. WAIVER; EFFECT OF WAIVER

No provision of this Agreement may be waived except by a written instrument signed by the Party waiving compliance. No waiver by any Party of any of the requirements hereof or of any of such Party's rights hereunder shall release the other Party from full performance of their remaining obligations stated herein. No failure to exercise or delay in exercising on the part of any Party any right, power or privilege of such Party shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege by such Party.

7.15. SPECIFIC PERFORMANCE; INJUNCTIVE RELIEF

The Parties each acknowledge that, in view of the uniqueness of the subject matter hereof, the Parties would not have an adequate remedy at law for money damages in the event that this Agreement were not performed in accordance with its terms, and therefore agree that the Parties shall have the right to a claim for injunctive relief and be entitled to specific enforcement of the terms hereof in addition to any other remedy to which the Parties may be entitled at law or in equity.

7.16. SURVIVAL

The respective rights and obligations of the Parties under Articles 5, 6 and 7, and other Sections which by their nature are intended to extend beyond termination, shall survive the termination of this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed on their behalf as of the date first written above.

HYNIX SEMICONDUCTOR INC.

By _____

Name:
Title:

MAGNACHIP SEMICONDUCTOR, LTD.

By _____

Name:
Title:

**Exhibit 10.9**

**Execution Copy**

# BUILDING LEASE AGREEMENT

Between

Hynix Semiconductor Inc.

(as Lessor)

and

MagnaChip Semiconductor, Ltd.

(as Lessee)

with respect to

certain Buildings and Warehouses located in Cheong-Ju

the Republic of Korea

October 6, 2004

**TABLE OF CONTENTS**

**BUILDING LEASE AGREEMENT**

This BUILDING LEASE AGREEMENT (this "Agreement" or this "Lease"), dated as of October 6, 2004, is entered into by and between:

(1) Hynix Semiconductor Inc., a company organized and existing under the laws of the Republic of Korea ("Korea") with its registered office at San-136-1, Ami-Ri, Bubal-Eub, Ichon-Si, Kyoungki-Do, Korea ("Lessor"); and

(2) MagnaChip Semiconductor, Ltd., a company organized and existing under the laws of Korea with its registered office at 1 Hyangjeong-dong, Heungduk-gu, Cheongju City, Chung Cheong Bok-do, Korea("Lessee") (each a "Party", and collectively the "Parties").

**RECITALS**

WHEREAS, the Parties have entered into a certain business transfer agreement dated June 12, 2004, as amended (the "BTA") pursuant to which, among other things, Lessee has agreed to acquire the Acquired Assets (as defined in the BTA) from Lessor subject to the terms and conditions set forth in the BTA;

WHEREAS, the Parties desire to enter into an agreement as contemplated by the BTA whereby Lessor leases to Lessee all or certain parts of the Leased Buildings, defined below, and the Supporting Land supporting such Leased Buildings (as defined below), which are necessary for Lessee's Business (as defined below) and for the operation of facilities necessary for its business, in accordance with this Agreement; and

WHEREAS, the execution and delivery of this Agreement is a condition to the Closing under the BTA.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter set forth, and intending to be legally bound hereby, Lessor and Lessee agree as follows:

**Article 1. Definitions**

1.1. Unless otherwise defined herein or defined in the BTA, all capitalized terms shall have the meanings set forth below:

"Affiliate" shall have the meaning ascribed to such term in the BTA.

"Alterations" shall have the meaning ascribed to such term in Section 9.3.

"Alternate Space" shall have the meaning ascribed to such term in Section 7.2.

"Applicable Laws" shall mean all laws, constitutions, statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, consent orders and decrees, policies, guidelines or any interpretations of any of the foregoing, including general principles of civil law and equity, issued by any Governmental Entity having or exercising jurisdiction over or otherwise affecting any Party, the Business or the Leased Buildings.

"Assembly Building" shall mean the Assembly Building shown on Exhibit A-4, including the portions demised to Lessee as Leased Premises, containing the Assembly Building Underground Facilities Area, rooftop Cooling Tower equipment, portions of the Joint Use Area known as the CMS Room, and the Common Areas identified on the attached Exhibit A-4 as shower room and stairways, as well as the necessary and appropriate Common Areas of the Leased Building for access to such Leased Premises and shared Common Areas.

"Basement 2 of R Building" shall have the meaning ascribed to such term in Section 3.2(b).

"BTA" shall have the meaning ascribed to such term in the Recitals.

"Book Value" shall mean Lessor's book value for the particular asset as set forth in Lessor's financial statements as of December 31, 2003 as amortized in accordance with Lessor's accounting practices as of December 31, 2003 and adjusted from time to time (a) as a result of the installation of capital improvements or as a result of the incurrence of capital expenditures as determined in accordance with Korean generally accepted accounting principles, or (b) as a result of revaluation as may be permitted by Applicable Laws.

"Business" shall mean any business conducted by the Lessee as of the Closing Date as well as Permitted Uses.

"Calculation Date" shall have the meaning ascribed to such term in Section 4.

"Closing" shall have the meaning ascribed to such term in the BTA.

"Closing Date" shall have the meaning ascribed to such term in the BTA.

"Common Areas" shall mean Common Areas of the Leased Buildings and Common Areas of the Lessor Complex, as appropriate for the context.

"Common Areas of the Leased Buildings" shall mean the areas of the Leased Buildings used in common by Lessor and Lessee on a shared basis, including the corridors, hallways, stairways, entryways and lavatories, elevators, central mechanical rooms, elevator machine rooms, pump rooms, loading dock facilities, electrical and communication rooms, postal, security facilities, janitorial facilities, corridors, lobbies, reception areas, atriums, fire vestibules, elevator foyers, service elevator receiving areas, mailrooms, electric and communication closets, public areas, as well as balconies, terraces and patios on floors where other Common Areas of the Leased Buildings exist.

"Common Areas of the Lessor Complex" shall have the meaning set forth in Section 2.2 of the Lease.

"Consents" shall mean any consents, approvals, waivers or authorizations to be obtained from, or notices to be given to, any persons or entities, and includes Governmental Authorizations.

"Coordinating Committee" shall have the meaning ascribed to such term in Section 26.1.

"Damages" shall mean any and all losses, settlements, expenses, liabilities, obligations, claims, damages (including any governmental penalty or costs of investigation, clean-up and remediation), deficiencies, royalties, interest, costs and expenses (including reasonable attorneys' fees and all other expenses reasonably incurred in investigating, preparing or defending any litigation or proceeding, commenced or threatened incident to the successful enforcement of this Agreement), the extent of which are recoverable under Korean law, but shall specifically exclude Excluded Damages.

"Due Date" shall have the meaning ascribed to such term in Section 6.1.

"Event of Force Majeure" shall have the meaning ascribed to such term in Section 25.1.

"Excluded Damages" shall mean any punitive damages.

"Extension Term" shall have the meaning ascribed to such term in Section 3.1.

"General Service Supply Agreement" shall mean that certain General Service Supply Agreement between Lessor and Lessee, dated as of the same date hereof.

"Generator Buildings" shall mean the Gas Plant C-1 Generator Building and the C-2 Generator Building that house the generators serving the C1 and C2 Buildings, each of which is shown on Exhibit A-3.

"Governmental Authorization" shall mean any approval, consent, license, permit, waiver or other authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Entity or otherwise pursuant to any Applicable Law, and any registration with, or report or notice to, any Governmental entity pursuant to any Applicable Law.

"Governmental Entity" shall mean a court, arbitral tribunal, administrative agency or commission or other governmental or other regulatory authority or agency.

"Grace Period" shall have the meaning ascribed to such term in Section 16.1.

"Indemnified Person" of a Party shall mean the Party and its Subsidiary (as defined in the BTA), and any shareholder, partner, member, director, officer, employee, agent or representative of the Party or such Subsidiary.

"Initial Lease Term" shall have the meaning ascribed to such term in Section 3.1.

"Invoice" shall have the meaning ascribed to such term in Section 6.1.

"Joint Use Area" shall mean those portions of the applicable Leased Building which are demised to Lessee or retained by Lessor and to be used jointly, as more specifically depicted on Exhibits A-3, A-4 and A-12.

"Land" shall mean certain portion of lots on which the Leased Buildings are located, as more specifically identified on Exhibit B-3.

"Leased Buildings" shall mean the Assembly Building, Generator Buildings, Bonded Warehouse, Chemical Warehouse - 1, Chemical Warehouse - 2, Low Temperature Warehouse, Bonded Warehouse -2, Chemical Warehouse, Gas Storage Warehouse, Temporary Warehouses and the Maxon Building, located in the Lessor Complex, as more specifically identified pictorially in Exhibit B-1.

"Leased Premises" shall mean (i) the portion of the Leased Buildings occupied exclusively by the Lessee, comprising approximately 11,906.96 square meters and more specifically outlined on Exhibit A-1 through A-13, (ii) the portion of the Joint Use Area designated as Lessee's Leased Premises, and (iii) the Supporting Land. Leased Premises expressly excludes the Maxon Building Second Floor Premises.

"Lease Right" shall have the meaning contained in Section 2.3.

"Lease Term" shall have the meaning ascribed to such term in Section 3.1.

"Lease Year" shall mean the one year period beginning on the Closing Date and each anniversary thereafter.

"Lessee" shall have the meaning contained in the Preamble of this Agreement.

"Lessee Complex" shall mean the manufacture, testing, packaging, research and development and other facilities (including buildings) owned by Lessee, located at Cheong-Ju, Korea, and more specifically depicted on Exhibit B-1.

"Lessee Complex Lease Agreement" shall mean the Building Lease Agreement dated as of the same date hereof, entered into by and between Lessor and Lessee with respect to R Building, C1 Building and C2 Building located in the Lessee Complex.

"Lessor" shall have the meaning contained in the Preamble of this Agreement.

"Lessor Complex" shall mean the manufacture, testing, packaging, research and development and other facilities (including buildings) owned by Lessor, located at Cheong-Ju, Korea, and more specifically depicted on Exhibit B-2.

"Lessor Financing" shall have the meaning ascribed to such term in Section 2.3.

"Lessor Maintenance Fee" shall have the meaning contained in Section 5.2.

"Lessor Work" shall have the meaning contained in Article 11.

"Lessor's Mortgagees" shall have the meaning ascribed to such term in Section 2.3.

"Lien" shall mean any lien, charge, claim, agreement to sell, pledge, security interest, judgment, conditional sale agreement or other title retention agreement, finance lease, mortgage, deed of trust, security agreement, right of first refusal or offer (or other similar right), option, restriction, tenancy, license, covenant, encroachment (whether upon any real property or by any improvement situated on any real property onto any adjoining real property or onto any easement area), right of way, easement, title defect or other encumbrance or title matter, existing as of the Closing Date.

"Maxon Building" shall mean the Maxon Building, which is the Education and Training Center, in or adjacent to the Lessor Complex more specifically identified in Exhibit A-5 containing the Idleness Equipment Warehouse, the basement, and the guardroom providing facilities for Lessee's security forces, and served by necessary and appropriate Common Areas of the Lessor Complex, public road ways and all necessary and common areas for Lessee's benefit in, on, under and around the Maxon Building to use the Maxon Building with the same rights as if it were situated entirely on the Lessor Complex.

"Maxon Building Second Floor Premises" shall have the meaning ascribed to such term in Section 2.1.

"Maxon Building Second Floor Rent" shall have the meaning contained in Section 2.1.

"Monthly Unit Rent" shall mean the amount of Rent with respect to each Leased Building in terms of rent per square meter for each month of the Lease Term.

"Other Costs" shall have the meaning ascribed to such term in Section 6.3.

"Other Occupants of the Leased Buildings" shall mean the third parties occupying portions of the Leased Buildings under lease or occupancy agreements with Lessor.

"Other Rent" shall have the meaning ascribed to such term in Section 4.1.

"Permitted Uses" shall mean the use of the Leased Buildings to conduct the Business or any other semiconductor, information technology or other technology related business.

"Proceeding" shall mean any action, arbitration, audit, hearing, investigation, litigation or suit (whether civil, criminal, administrative, or investigative) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Entity.

"Property Damage" shall have the meaning ascribed to such term in Section 21.1.

"Rent" shall mean, collectively, Maxon Building Second Floor Rent and Other Rent.

"Rent Calculation for Monthly Unit Rent " shall have the meaning set forth in Exhibit C.

"Restricted Areas" shall have the meaning ascribed to such term in Section 7.5.

"Rules and Regulations" shall mean the reasonable rules and regulations, including those attached as Exhibit E to this Agreement, adopted by Lessor and applied generally to the Leased Premises, Common Areas of the Leased Buildings and Common Areas of the Lessor Complex, if any, (a) which rules and regulations have been previously provided to Lessee, (b) shall be uniformly applied to all occupants of the Leased Premises, Common Areas of the Leased Buildings or Common Areas of the Lessor Complex, including Lessor, and (c) do not diminish the rights or increase the liabilities of the Lessee as otherwise provided under this Agreement.

"Second Priority" shall have the meaning ascribed to such term in Section 2.3.

"Subsidiary" shall have the meaning ascribed to such term in the BTA.

"Successor" shall have the meaning ascribed to such term in Section 14.1.

"Supporting Land" shall mean the land beneath the Leased Buildings comprising the Leased Premises (other than the land under the Assembly Building and under the Maxon Building).

"Taxes" shall mean any and all taxes, fees, levies, duties, tariffs, imposts, and other charges of any kind (together with any and all interest, penalties, additions to tax and additional amounts imposed with respect thereto) imposed by any Governmental Entity pursuant to any Applicable Law levied on the Leased Buildings. Taxes shall not include any taxes on income, rents, franchise, gift, gross receipts, or capital stock tax, or similar tax arising from the Lessor's receipt of rent.

"Temporary Warehouses" shall mean the unregistered temporary warehouse buildings known as the Hook up Warehouses, and shown on Exhibit A-2 as Temporary Warehouse - 1, Temporary Warehouse - 2, and General Warehouse - 1.

"Unregistered Buildings" shall have the meaning ascribed to such term in Section 7.1(d).

"VAT" shall mean the value added Tax required to be paid to the relevant Governmental Entity in respect of the lease of the Leased Buildings to Lessee.

"Warehouses" shall mean Bonded Warehouse, Chemical Warehouse - 1, Chemical Warehouse - 2, Low Temperature Warehouse, Bonded Warehouse - 2, Chemical Warehouse, Gas Storage Warehouse, Temporary Warehouses.

"Work Area of the Gas Warehouse Building" shall mean the area so designated in the Exhibit A-12 attached hereto and shared by Lessor and Lessee as Joint Use Area.

1.2. Rules of Interpretation.

(a) When a reference is made in this Agreement to a section or article, such reference shall be to a section or article of this Agreement unless otherwise clearly indicated to the contrary.

(b) Whenever the words “include”, “includes” or “including” are used in this Agreement they shall be deemed to be followed by the words “without limitation.”

(c) The words “hereof”, “hereto”, “herein” and “herewith” and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and article, section, paragraph and exhibit references are to the articles, sections, paragraphs and exhibits of this Agreement unless otherwise specified.

(d) The meaning assigned to each term defined herein shall be equally applicable to both the singular and the plural forms of such term, and words denoting any gender shall include all genders. Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning.

(e) A reference to any party to this Agreement or any other agreement or document shall include such party’s successors and permitted assigns.

(f) A reference to any legislation or to any provision of any legislation shall include any amendment to, and any modification or re-enactment thereof, any legislative provision substituted therefor and all regulations and statutory instruments issued thereunder or pursuant thereto.

(g) The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provisions of this Agreement.

(h) Headings are for convenience only and do not affect the interpretation of the provisions of this Agreement.

(i) Any Exhibits attached hereto are incorporated herein by reference and shall be considered as part of this Agreement.

**Article 2. Premises**

2.1. In consideration of the Rent hereby agreed to be paid to Lessor by Lessee and the agreements and covenants herein made by Lessee, during the Lease Term, Lessor hereby leases to Lessee the Leased Premises, and grants the right to use the Common Areas of the Leased Buildings, and the right to use the Common Areas of the Lessor Complex upon the terms and conditions contained herein. The second floor of the Maxon Building ("Maxon Building Second Floor Premises"), or portions of it, may be leased on a temporary basis at Lessee's option on or after January 1, 2005, and the rent therefor shall be based on actual cost, calculated in accordance with Rent Calculation for Monthly Unit Rent, and shall be pro rated based on the number of days/hours such second floor is used by Lessee (the "Maxon Building Second Floor Rent") provided, however, that the second floor of the Maxon Building, or portions of it, and the land thereunder, so leased shall not be part of the Leased Premises.

2.2. As consideration for the Rent hereby agreed to be paid to Lessor by Lessee, as an essential inducement to Lessee to enter into this Agreement, as one of the necessary rights for the use and benefit of this Agreement by Lessee, and as consideration for the agreements and covenants herein made by Lessee, Lessor hereby grants to Lessee with a right (i) to access and ingress to, and egress from, the Lessor Complex for the purpose of using the Leased Premises in accordance with this Agreement, (ii) to use the Common

Areas of the Leased Building and (iii) to pass and repass to and from and through the Leased Buildings or any part thereof over and along roads, accessways, paths, corridors, hallways, highways, usable areas in, over, under and between the Leased Buildings, skybridges, including those connecting C1 Building and Assembly Building, walkways, arcades and all landscaped areas (including pools and fountains) and other thoroughfares within the Lessor Complex owned by Lessor (together the "Common Areas of the Lessor Complex"), provided that Lessee shall fully comply with all Applicable Laws and applicable Rules and Regulations. Lessor represents that all of such portions of the Lessor Complex are available for use by Lessee for the purpose of using the Leased Premises or operating the Business. Lessor acknowledges that any reduction in the rights granted to Lessee under this Section 2.2 would cause immediate and irreparable harm to Lessee and will entitle Lessee in addition to any other remedies Lessee may have hereunder or otherwise under Applicable Laws, (a) to stop any such reduction by injunction, whether such reduction arises from the acts of Lessor, or any other party claiming an interest in the Lessor Complex against Lessor and (b) to reduce the rights granted by Lessee to Lessor under Section 2.2 of the Lessee Complex Lease Agreement. The rights granted hereunder shall be integral to the grants of the rights under Section 2.1 and elsewhere in this Agreement, shall benefit Lessee and run with Lessee's interest under this Agreement, and shall automatically pass to any successor and permitted assign of Lessee.

2.3. In addition, Lessor hereby grants to Lessee a right to register the lease and rights created under this Agreement ("*deunggi imchakwon*") over the Leased Premises (the "Lease Right") with the relevant real property registry offices both for land and for buildings for

a term of the Lease Term. To the extent permitted by Applicable Law, the Lease Right shall be effective as to the Land, as long as the Leased Buildings remain on the Land and Lessee uses the Leased Buildings for the purpose of operating the Business in accordance with the terms and conditions of this Agreement. The Parties each upon the request of the other agree to submit a joint application to re-register the Lease Right to include any Extension Term. Lessor will take any action necessary to maintain or cause to be maintained the priority of the Lease Right (the "Second Priority"), subordinate only to the registered rights of Lessor's mortgagees ("Lessor's Mortgagees") as of one (1) day prior to the Closing Date, and any re-financing or replacement of their mortgage loans (each, a "Lessor Financing") secured against the Leased Buildings during the Lease Term. Lessee acknowledges that any Lessor Financing may be refinanced or replaced from time to time, and Lessee agrees to take any action reasonably requested by Lessor at Lessor's sole cost in connection therewith including de-registration of the Lease Right so long as Lessor and any applicable Lessor's mortgagee takes any action necessary to maintain or cause to be maintained the Second Priority of the Lease Right, including re-registration thereof.

2.4. Lessee acknowledges and agrees that Lessee has the right to occupy and use the Leased Premises only for the purposes provided, and upon the terms and conditions set forth, in this Agreement.

2.5. With respect to the Generator Buildings, each of Lessor and Lessee shall cooperate with the other Party and take or cause to be taken such action as may be reasonably requested by the other Party in order to, among other requirements, institute a security program to restrict access to the Generator Buildings solely to approved personnel. Notwithstanding

anything to the contrary set forth herein, (i) with respect to Gas Plant C-1 Generator Building, Lessor shall retain 200.4 square meters to be used as Joint Use Area, and Lessee shall lease as Leased Premises 183.6 square meters to be used as Joint Use Area, and (ii) with respect to the Generator C-2 Building, Lessor shall retain 120 square meters to be used as Joint Use Area, and Lessee shall lease as Leased Premises 240 square meters to be used as Joint Use Area.

2.6. In addition to the Leased Premises leased herein, Lessor and Lessee acknowledge and agree that there may be additional space which has not been identified but which historically has been primarily used by the System IC Division of Lessor and which shall continue to be required or desired by Lessee. If, within one year of the Closing Date, any such additional space is identified and requested by Lessee, Lessor shall provide such additional space to Lessee in a manner consistent with the other Leased Premises, at a price no greater than actual cost, and, to the extent applicable, calculated consistently with the formula set forth on Exhibit C.

2.7. With respect to the CMS Room in the Assembly Building, each of Lessor and Lessee shall cooperate with the other Party and take or cause to be taken such action as may be reasonably requested by the other Party in order to, among other requirements, institute a security program to restrict access to the CMS Room solely to approved personnel. Notwithstanding anything to the contrary set forth herein, with respect to the CMS Room, Lessor shall retain 81 square meters to be used as Joint Use Area, and Lessee shall lease as Leased Premises 81 square meters to be used as Joint Use Area.

2.8. With respect to the Work Area in the Gas Warehouse Building, each of Lessor and Lessee shall cooperate with the other Party and take or cause to be taken such action as

may be reasonably requested by the other Party in order to, among other requirements, institute a shared space program for the Work Area in the Gas Warehouse Building. Notwithstanding anything to the contrary set forth herein, with respect to the Work Area in the Gas Warehouse Building, Lessor shall retain 162.5 square meters to be used as Joint Use Area, and Lessee shall lease as Leased Premises 162.5 square meters to be used as Joint Use Area.

2.9. Each Party shall cooperate with the other Party and take or cause to be taken such actions as may be reasonably requested by the other Party in order to comply with the other Party's reasonable security rules and regulations.

**Article 3. Term**

3.1. The initial term of this Agreement (the "Initial Lease Term") shall be for twenty (20) years from the Closing Date, which Initial Lease Term shall, subject to the termination provisions of Article 13, be automatically extended for successive ten (10) year periods (each, an "Extension Term"; the Lease Term and all Extension Terms are collectively referred herein as the "Lease Term"), under the terms and conditions hereof, (i) unless otherwise agreed between the Parties and (ii) as long as the Leased Buildings remain on the Land and Lessee uses the Leased Premises for the purpose of operating the Business. In any event, Lessor and Lessee will undertake such action to extend the Lease Term in the event the automatic extension is not enforceable.

3.2. Notwithstanding the foregoing:

(a) with respect to the Maxon Building Second Floor Premises, Lessee shall lease such space for successive one (1) year terms which may be terminated by Lessor upon three (3) months' advance notice by Lessor; provided (i) Lessee shall only pay

Rent to the extent that it actually uses such space during any such one (1) year term, and (ii) to the extent such space is not available for any reason, Lessee shall have the right to lease any substitute space possessed by Lessor to the extent available or any substitute space used by Lessor on a pro-rated basis, and Lessee's right to lease shall be under the same terms as set forth in subsection (a)(i); and,

(b) with respect to the Idle Equipment Warehouse in the Maxon Building, the term of this Agreement with respect thereto shall be for successive one (1) year terms, which may be terminated by Lessor upon three (3) months' advance notice; provided that in the event of any such termination, Lessee may, as landlord under the Lessee Complex Lease Agreement, exclude from the tenant's leased premises the second basement of the R Building ("Basement 2 of R Building"). In such event, the Basement 2 of R Building shall revert to the Lessee, as landlord, and any rent adjustment for such reduction in Leased Premises shall be completed by the parties within a commercially reasonable period of time.

**Article 4. Rent; Taxes**

4.1. Except as otherwise provided in Section 2.1 herein with respect to the Maxon Building, the monthly rent for all of the Leased Premises, exclusive of VAT (the "Other Rent"), for the first four (4) years of the Initial Lease Term, shall be the sum for all of the Leased Premises of the calculation for each Leased Building of the applicable Monthly Unit Rent as of December 31, 2003 derived in accordance with Exhibit C multiplied by the number of square meters in the Leased Premises of the applicable Leased Building. Commencing on the fourth (4th) anniversary of the Closing Date, or on the first day of the immediately succeeding calendar month if the Closing Date is not the first day of the calendar month, and every

anniversary of such date (each, a "Calculation Date"), the Other Rent for each Leased Premises in each Leased Building will be recalculated annually based on the Rent Calculation for Monthly Unit Rent attached as Exhibit C, multiplied by the number of square meters in the Leased Premises of the applicable Leased Building.

4.2. Provided the square meters of the Leased Premises for the particular Leased Building are more than fifty percent (50%) of all of the square meters of the Leased Building, Lessee shall have the right to require Lessor to contest the amount or validity of any Taxes or other claim (collectively, "Claims") relating to such Leased Building, if Lessee in good faith, reasonably believes they are incorrect, in which case Lessee may pay under protest while the Claim is contested, or delay payment thereof or compliance therewith to the extent they are being so contested, provided that (i) Lessee shall pay or perform the contest of such Claim, and the amount due for such Claims as finally determined; (ii) such contest shall not otherwise cause Lessor to be in default under any contracts or legally enforceable requirements of third parties including any Governmental Entity which are binding upon Lessor; or cause any material part of the Leased Buildings or any Rent therefrom to be in any immediate danger of sale, forfeiture, attachment or loss; and (iii) Lessee shall indemnify, protect, defend and hold harmless Lessor from and against any Damage, incurred by Lessor in connection therewith or as a result thereof.

**Article 5. Maintenance; Lessor Maintenance Fee**

5.1. Lessor shall be obligated to perform all maintenance and repairs, and to the extent not provided for in the General Service Supply Agreement, to supply all customary services with respect to the Leased Premises and Common Areas as more fully described on Exhibit D ("Lessor Maintenance Services").

5.2. The amount of monthly maintenance fee for the Lessor Maintenance Services, exclusive of VAT, (the "Lessor Maintenance Fee") shall be initially calculated for each of the first four (4) Lease Years as follows: two percent (2%) of each Leased Building's Book Value as of December 31, 2003; divided by the number of square meters in the applicable Leased Building; divided by twelve (12). Then such monthly per square meter Lessor Maintenance Fee shall be multiplied by the number of square meters in the Leased Premises of the applicable Leased Building.

5.3. Thereafter, the Lessor Maintenance Fee shall be recalculated annually to increase or decrease by the same percentage as the change in the consumer price index published by the Korean National Statistical Office of the Ministry of Finance and Economy (each, an "Index"), or any of its equivalent if an Index is not available, between the Index published most recently prior to the Calculation Date compared to the Index published most recently prior to one year before such Calculation Date.

5.4. Lessor shall perform all Lessor Maintenance Service necessary to maintain the Leased Buildings in as good condition as exists as of the Closing Date, reasonable wear and tear excepted.

5.5. The Lessor Maintenance Fee shall be charged from the Closing Date.

5.6. Notwithstanding anything herein to the contrary, the Parties acknowledge and agree that it is their mutual intent that the Lessor Maintenance Fee for the Lessor Maintenance Services provided hereunder shall be no greater than the actual cost reasonably incurred to provide such Lessor Maintenance Services. The Parties agree to cooperate in good faith in furtherance of the foregoing, including by adjusting the Lessor Maintenance Fee from time to time if necessary in order to effectuate this intent. Lessor shall use its commercially reasonable efforts to minimize the costs incurred to provide the Lessor Maintenance Services.

**Article 6. Payment of Rent and Lessor Maintenance Fee**

6.1. Lessor shall provide an invoice (the "Invoice") to Lessee by the 10th day of each calendar month which shall include the amounts of Rent (including Taxes), Lessor Maintenance Fee, Other Costs (as defined in Section 6.3) and the corresponding VAT amount payable by Lessee for such month. Lessee shall pay in aggregate the Rent, Lessor Maintenance Fee, Other Costs and the corresponding VAT amount stated on each Invoice to the Lessor's designated account, or as otherwise designated by Lessor, by means of a wire transfer in immediately available funds by the 25th day of each calendar month (the "Due Date"). Lessee shall review each Invoice for Taxes by the 20th day of each month, and, notwithstanding anything herein to the contrary, if not in agreement with the amount, then Lessee may require the Lessor to contest such Taxes as provided in Section 4.3 of this Agreement.

6.2. For the Initial Lease Term or any Extension Term which is less than a full calendar month, the amount of Rent, Lessor Maintenance Fee and the corresponding VAT amount payable by Lessee shall be equal to a pro rata portion of the Rent, Lessor Maintenance Fee and the corresponding VAT amount, based on a ratio of the number of days during such month that the Initial Lease Term, or applicable Extension Term, as the case may be, is in effect to the total number of days in such month.

6.3. If (a) the Rent and/or Lessor Maintenance Fee are not paid on or before the Due Date or (b) any other amounts payable herein including payments due by either Party with respect

to Damages (collectively, the "Other Costs") are not paid when due, after the passage of any applicable grace and/or cure period, Lessee or Lessor, as applicable, shall be liable for and pay interest on the outstanding amounts of the Rent, Lessor Maintenance Fee and/or Other Costs at a rate of eight percent (8%) per annum calculated from and including the sixth day after the Due Date until the date the Rent, the Lessor Maintenance Fee and/or Other Costs are received by the Party to whom they are due.

6.4. Lessee shall be responsible for payment of any VAT levied on the Rent, Lessor Maintenance Fee and/or Other Costs due from it to Lessor under this Agreement.

6.5. Lessor shall, at the request of Lessee, provide the Lessee with relevant data and records for the calculation of the Rent, Lessor Maintenance Fee, Other Costs and VAT and determination of Lessor's compliance with its obligations under this Agreement; provided that Lessee may make no more than one such request per calendar quarter and any such request must be reasonably specific. Lessor shall prepare and maintain proper books and records of all matters pertaining to the calculation of Rent, Lessor Maintenance Fee, Other Costs and VAT under this Agreement. Subject to Article 26 and the first sentence of this Section 6.5, upon seven (7) days prior written notice, Lessee, or its authorized representatives, may examine during normal business hours, the books, records and documents of Lessor to the extent reasonably necessary for verification of any invoice or compliance under this Agreement; provided, however, that if a Lessor is to provide such books and records to Lessee for such Lessee's examination and photocopying purposes, Lessor may blackout any information contained in such books and records that relates to Lessor other than information regarding the calculation of the Rent, Lessor Maintenance Fee, Other Costs and VAT and that is required for the determination of Lessor's compliance with its obligations under this Agreement.

6.6. Notwithstanding anything herein to the contrary, in the event of a bankruptcy filing with respect to Lessee, Lessee shall deposit with Lessor an amount equal to the Rent paid by Lessee during the immediately preceding full calendar month under the terms of this Agreement, against which will be credited Rent payable by Lessee over the thirty day period following such deposit. Lessee shall renew such deposit each thirty days in each case by reference to the Rent paid by Lessee during the full calendar month immediately preceding any such renewal until such bankruptcy protection filing has been accepted by the bankruptcy court. For the avoidance of doubt, Lessee shall not be relieved of responsibility for, and shall pay when due, any Rent hereunder during any such thirty day period to the extent in excess of the then actual deposit.

**Article 7. Representations, Warranties and Covenants**

7.1. Lessor hereby represents and warrants to Lessee that all of the statements contained in this Section 7.1 are true and correct in all material respects as of the Closing Date.

(a) Organization. Lessor is a corporation duly organized and validly existing under the laws of Korea and has full power and authority to own and lease the Leased Buildings.

(b) Authorization. Lessor has full corporate power and authority to execute and deliver this Agreement. The execution, delivery and performance by Lessor of this Agreement have been duly authorized by all corporate actions on the part of Lessor that are necessary to authorize the execution, delivery and performance by Lessor of this Agreement.

(c) Binding Agreement. This Agreement has been duly executed and delivered by Lessor and, assuming due and valid authorization, execution and delivery hereof by Lessee, is a valid and binding obligation of Lessor, enforceable against Lessor in accordance with its terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws of general application affecting enforcement of creditors' rights generally and (ii) the availability of the remedy of injunctive relief may be subject to the discretion of the court before which any proceeding therefor may be brought or the general principle of good faith and fairness provided for in the Korean Civil Code.

(d) Title and Consents. Lessor is the legal and beneficial owner of the Leased Buildings and has requisite power to grant the lease hereunder to Lessee and the registration of the Lease Right on the Leased Premises to Lessee, and Lessor has obtained all necessary and relevant Consents in relation to the granting of the Lease Right and, except with regard to the General Warehouse, the Low Temperature Warehouse, the Gas Storage Warehouse and the C-2 Generator Building (the "Unregistered Buildings"), the registration thereof in accordance with Article 8.

(e) Use of the Leased Buildings. Lessor has obtained all Governmental Authorizations required in connection with the ownership or use of the Leased Buildings. The present condition and use of the Leased Buildings by Lessor complies with all Applicable Laws in all material respects.

(f) Brokerage. Lessor and its Subsidiaries have not made any agreement or taken any other action which might cause any Person (as defined in the BTA) to become entitled to a broker's or finder's fee or commission as a result of this Agreement.

(g) NO OTHER REPRESENTATIONS. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS AGREEMENT OR THE BTA, NEITHER LESSOR NOR ANY OTHER PERSON OR ENTITY ACTING ON BEHALF OF LESSOR, MAKES ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED. TO THE EXTENT ANY REPRESENTATIONS OR WARRANTIES HEREIN ARE INCONSISTENT WITH ANY REPRESENTATIONS OR WARRANTIES IN THE BTA, THE APPLICABLE REPRESENTATIONS OR WARRANTIES IN THE BTA SHALL CONTROL.

7.2. Lessor will maintain the Leased Buildings in material compliance with all Applicable Laws. If the Leased Premises at any time cannot be leased to and occupied by Lessee in compliance with Applicable Laws, whether as a result of the Lessor's failure to extend the permitted temporary usage in the case of the Temporary Warehouses or for other reasons with respect to any of the Leased Buildings, other than due to Lessee's acts, omissions or use of the Leased Premises, then in any of such events, (a) Rent for the applicable Leased Premises shall be abated based on the square meters of the Leased Premises which cannot be leased and occupied, (b) Lessor shall either (i) provide Substitute Premises to the extent that Substitute Premises are in the possession of Lessor, or (ii) use commercially reasonable efforts to locate alternate space for Lessee to occupy (the "Alternate Space") to the extent that Substitute Premises are not in the possession of Lessor, and (c) Lessor shall pay for all of Lessee's expenses in demobilization and

remobilization to the Substitute Premises to the extent not covered by Lessee's insurance. Lessee shall pay Rent attributable to the square meters provided in any Substitute Premises based on the formula in Exhibit C or Lessee shall pay rent required by the applicable landlord for the Alternate Space to the extent such Alternate Space is provided by third parties.

7.3. Lessee hereby represents and warrants to Lessor that all of the statements contained in this Section 7.3 are true and correct in all material respects as of the Closing Date.

(a) Organization. Lessee is a corporation duly organized and validly existing under the laws of Korea and has full power and authority to carry on its business as heretofore conducted.

(b) Authorization. Lessee has full corporate power and authority to execute and deliver this Agreement. The execution, delivery and performance by Lessee of this Agreement have been duly authorized by all corporate actions on the part of Lessee that are necessary to authorize the execution, delivery and performance by Lessee of this Lease.

(c) Binding Agreement. This Lease has been duly executed and delivered by Lessee and, assuming due and valid authorization, execution and delivery hereof by Lessor, is a valid and binding obligation of Lessee, enforceable against Lessee in accordance with its terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws of general application affecting enforcement of creditors' rights generally and (ii) the availability of the remedy of injunctive relief may be subject to the discretion of the court before which any proceeding therefor may be brought or the general principle of good faith and fairness provided for in the Korean Civil Code.

(d) Brokerage. Lessee and its Subsidiaries have not made any agreement or taken any other action which might cause any Person to become entitled to a broker's or finder's fee or commission as a result of the Lease.

(e) NO OTHER REPRESENTATIONS. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS AGREEMENT OR THE BTA, NEITHER LESSEE NOR ANY OTHER PERSON OR ENTITY ACTING ON BEHALF OF LESSEE, MAKES ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, TO THE EXTENT ANY REPRESENTATIONS OR WARRANTIES HEREIN ARE INCONSISTENT WITH ANY REPRESENTATIONS OR WARRANTIES IN THE BTA, THE APPLICABLE REPRESENTATIONS OR WARRANTIES IN THE BTA SHALL CONTROL.

7.4. Each Party covenants and agrees to endeavor to cooperate with the other Party so as to minimize any interference with the other Party's operation of its business, and to instruct its employees to so cooperate.

7.5. If, for whatever reason, it is necessary for Lessor to gain access to the Leased Premises, then Lessee's prior consent shall be required, and Lessee covenants and agrees that such consent shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, and except for those restricted areas of the Leased Premises set forth on Exhibit A-1 - A-13 as to which Lessor shall have access only if accompanied by a representative of Lessee (the "Restricted Areas"), Lessor or its employees shall be permitted to have access to the Leased Premises during normal business hours with prior written notice of at least

two (2) Business Days (a) specifying the purpose of the inspection of the condition of the Leased Premises, (b) indemnifying Lessee for any Damage that arises as a result of such inspection, and (c) agreeing not to interfere with the ordinary operation of Lessee's Business; provided, however, such prior notice is not required in case of emergency, risk of injury or property damage. In case of emergency, Lessee shall provide Lessor with access to the Leased Premises (other than Restricted Areas); only on the condition that such emergency could reasonably be expected to cause Lessor to be liable for Damages if Lessor did not address such emergency. Notwithstanding the foregoing, personnel engaged by Lessor providing Lessor Maintenance Service shall have access to the entirety of the Leased Premises, including the Restricted Areas for the purpose of providing Lessor Maintenance Service.

7.6. From and after the Closing Date, Lessee shall comply in all material respects with all Applicable Laws, including the environmental laws, and with the terms of all Government Authorizations relating to the Lessee's conduct of its Business in the Leased Buildings.

7.7. Lessee acknowledges that as part of Lessor's past practice in operating the Leased Buildings, the Lessor allowed Other Occupants of the Leased Buildings to occupy those spaces designated on Exhibits A-1 through A-13 as Other Occupant Space. Some of the Other Occupants of the Leased Buildings have provided conveniences, amenities, or support for Lessor and the Business. Notwithstanding such past practices, or any other circumstance, Lessor has the right to elect to permit or prohibit the continued occupancy by such Other Occupants of the Leased Buildings as Lessor may decide in its sole discretion, and without any obligation or liability to Lessee for the consequences of such

election, including, any obligation or liability to continue to provide the conveniences, amenities or support previously provided by the Other Occupants of the Leased Buildings. Lessor also has the right to replace or add Other Occupants of the Leased Buildings, without any obligation or liability to Lessee, and such Other Occupants of the Leased Buildings shall have the right to share in Lessor's use of the Common Areas of the Leased Buildings, Common Areas of the Lessee Complex and Common Areas of the Lessor Complex, including rights to use parking, to the extent possessed by Lessor.

7.8. In the event of a default by Lessee under this Agreement, Lessee covenants and agrees to reimburse Lessor, in full and promptly upon demand, if Lessor sustains any material Damages or is reasonably required to expend any money as a result of a default by Lessee hereunder; provided, however, Lessee shall not reimburse Lessor for any Damages resulting from reasonable wear and tear to the Leased Buildings or fully insured Property Damage.

**Article 8. Registration of the Lease Right**

8.1. Lessor hereby consents to the registration of the Lease Right for the benefit of Lessee on the Leased Premises, in accordance with Section 2.3, and shall provide to Lessee all the necessary documents normally required of a lessor for the registration of the Lease Right thereon on or after the Closing Date. Subject to Section 8.2, Lessee shall be entitled to register, on or after the Closing Date, the Lease Right granted under this Agreement with the pertinent real property registry offices both for land and for building, such Lease Right registration having a priority over any Lien established on the Leased Premises other than Liens established thereon by Lessor's mortgagees. This consent by Lessor shall be deemed to apply to Extension Terms; and Lessor will perform any further

requirements of registration of Lease Rights that may reasonably be deemed necessary or appropriate to clarify and vest necessary title in Lessor to make Lessor's consent hereunder the only consent required which costs and expenses shall be borne by Lessor. The expenses and costs associated with de-registration and re-registration of any prior security interests against Lessor, or after the Closing Date against Lessee, if required pursuant to this paragraph to establish the lien priority, shall be paid by Lessor. Lessor shall, as a condition to any future lien registered against the Lessor's interest in land or buildings, require such lien holder to take all actions necessary to maintain the Priority of the Lease Right with respect to the Leased Buildings during the Lease Term, including any Extension Term.

8.2. With respect to the Unregistered Buildings, on or after each such Unregistered Building has been registered in accordance with Applicable Laws in the building ledger, Lessee shall be entitled to register the Lease Right granted under this Agreement with respect to each Unregistered Building with the pertinent real property registry offices, such Lease Right registration having a priority over any Lien established on the Unregistered Buildings other than Liens established thereon by Lessor's mortgagees. Lessor shall register all of the Unregistered Buildings in accordance with Applicable Laws in the building ledger with one (1) month from the date hereof. Lessor shall indemnify the Lessee Indemnified Parties, and hold the Lessee Indemnified Parties harmless from and against any and all Damages arising out of, resulting from or relating to Lessee not registering on the Closing Date the Lease Right granted under this Agreement with respect to each Unregistered Building with the pertinent real property registry offices.

**Article 9. Use, Improvements and Alterations**

9.1. Lessee shall not occupy or use any material portion of the Leased Premises, Common Areas of the Leased Buildings and Common Areas of the Lessor Complex for any purpose whatsoever, other than in connection with the operation of the Business and in compliance with all Applicable Laws and the Rules and Regulations in all material respects. This Agreement and all the terms, covenants and conditions hereof are in all respects subject and subordinate to all Applicable Laws affecting the Leased Buildings.

9.2. Lessee shall maintain and repair all nonstructural elements, furniture, fixtures, and equipment in the Leased Premises.

9.3. Lessee, in its sole discretion, but with prior written notice to Lessor, shall have the right, from time to time to make, or cause to be made, at its sole cost and expense, improvements, additions, alterations and changes (collectively, the "Alterations") to the Leased Premises that it deems necessary or desirable to carry on any activity or use consistent with this Agreement; provided (a) any such Alterations shall be in compliance with Applicable Laws, (b) no such Alterations materially adversely affect the value of the applicable Leased Buildings or Lessor's contemporaneous occupancy, if any, of the Leased Buildings, and (c) at Lessor's request, Lessee is required to restore the affected Leased Building to the condition that existed prior to the Alterations by the end of the Lease Term, reasonable wear and tear and insured Property Damage excepted. Lessee shall bear all Taxes to be imposed on all Alterations and facilities newly or additionally installed by Lessee whether a notice of Taxes was issued to Lessee or Lessor. Notwithstanding the foregoing requirement that only such notice be provided to the Lessor, Lessee shall submit a written plan for any material Alteration and shall obtain Lessor's express consent prior to making any such material Alteration, which consent shall not be unreasonably withheld or delayed.

**Article 10. Restricted Matters for Lessee**

10.1. Lessee shall comply with the Rules and Regulations attached hereto as Exhibit E.

10.2. During the Lease Term, Lessee, its employees, invitees, and agents may park their passenger cars without additional charge (other than as specified herein) on a first come first served basis at the surface parking lots of the Lessor Complex.

**Article 11. Lessor Work**

11.1. Lessor shall provide Lessee with advance notice of any repair, alteration or remodeling of the Leased Buildings by Lessor in accordance with this Agreement ("Lessor Work") as soon as reasonably practicable but in any event Lessor shall provide Lessee with no less than fifteen (15) days advance notice of any such Lessor Work, except to the extent an emergency requires earlier performance of such Lessor Work, and then with such advance notice as is commercially reasonable. If as a result of the Lessor Work, the Lessee's Business at the Leased Premises at any time cannot be conducted in all material respects equivalent to the conduct of such Business prior to such Lessor Work, then in any such event, (a) Rent for the applicable Leased Premises shall be abated based on the square meters of the Leased Premises which cannot be leased and occupied, (b) to the extent that Substitute Premises are in the possession of Lessor, Lessor shall immediately provide Substitute Premises, or to the extent that Substitute Premises are not in the possession of Lessor, Lessor shall use commercially reasonable efforts to locate Alternate Space, and (c) Lessor shall pay for all of Lessee's expenses in demobilization from and

remobilization to the Substitute Premises. Lessee shall pay Rent attributable to the square meters provided in any Substitute Premises based on the formula in Exhibit C or shall pay rent charged by the landlord for the Alternate Space to the extent such Alternate Space is provided by third parties. Lessor shall not be responsible for the interruption or shortage of any services or suspension of the use of any common facilities that were caused by the Lessor Work. Upon the earlier to occur of the completion of the Lessor Work or the end of the interference with the Business of Lessee, (i) Lessee is obligated to resume occupancy of the Leased Premises, and (ii) Lessee shall resume the payments of the next regularly scheduled Rent, Lessor Maintenance Fee, Other Costs and related VAT in accordance with the terms of this Agreement, pro rated, as applicable, for the number of days of any partial month of Rent.

11.2. If any Lessor Work would likely materially affect the Business or materially reduce the size of the Leased Premises, Lessor shall obtain Lessee's consent prior to the commencement of any such Lessor Work such consent not to be unreasonably withheld.

**Article 12. Indemnification**

12.1. Lessor shall indemnify Lessee and its Indemnified Persons (the "Lessee Indemnified Parties"), and hold the Lessee Indemnified Parties harmless from and against, any and all Damages arising out of, resulting from or relating to claims by third parties arising from the negligence of Lessor, except to the extent such Damage is caused by the negligence or willful misconduct of any such Lessee Indemnified Party.

12.2. Lessee shall indemnify Lessor and its Indemnified Persons (the "Lessor Indemnified Parties") and hold the Lessor Indemnified Parties harmless from and against, any and all Damages arising out of, resulting from or relating to claims by third parties arising from the negligence of Lessee, except to the extent such Damage is caused by the negligence or willful misconduct of any such Lessor Indemnified Party.

12.3. Lessee agrees to indemnify and hold harmless Lessor for, from and against all Damages asserted against, resulting to, imposed on, or incurred by Lessor arising directly or indirectly from Lessee's operations at the Warehouses leased by Lessee, including Damages resulting from violations of Applicable Laws, from environmental conditions, and from environmental releases, except to the extent caused by Lessor.

**Article 13. Termination; Reduction of Leased Premises**

13.1. Termination. This Agreement may be terminated at any time during the Lease Term of this Agreement upon the occurrence of any of the following events:

(a) by Lessee with ninety (90) days prior written notice to Lessor for any reason whatsoever;

(b) by the non-breaching Party serving a written notice of termination to the other Party and to the Coordinating Committee in the event of a material breach or default by such other Party of its obligations hereunder, which default shall not have been cured by the other Party, or otherwise resolved by the Coordinating Committee within sixty (60) days after written notice is provided by the non-breaching Party to the other Party and the Coordinating Committee; or

(c) by Lessor's serving sixty (60) days prior written notice thereof to Lessee if Lessee ceases to conduct any Business (provided that an assignment pursuant to Article 14 shall not trigger the application of this provision in so far as such assignee does not cease to conduct the Business).

13.2. Upon termination of this Agreement, each Party shall discontinue the use of all Confidential Information provided by the other Party in connection with this Agreement, and shall promptly return to the other Party any and all Confidential Information, including documents originally conveyed to it by the other Party and any copies thereof made thereafter.

13.3. Termination of this Agreement shall be without prejudice to the accrued rights and liabilities of the Parties prior to the termination of this Agreement.

13.4. The respective rights and obligations of the Parties under any Sections which by their nature are intended to extend beyond termination, shall survive the termination or expiry of this Agreement.

13.5. In the event of the termination of this Agreement pursuant to Section 13.1 hereof, a written notice thereof shall forthwith be given to the other Party specifying the provision hereof pursuant to which such termination is made, and Lessee or Lessor (as the case may be) shall only be liable thereafter for (i) Damages suffered as a result of fraud or willful breach of this Agreement that occurred prior to the termination of this Agreement, or (ii) the obligations and liabilities of the Parties pursuant to this Agreement that accrued prior to the termination of this Agreement.

13.6. In addition, upon ninety (90) days' prior written notice to Lessor, Lessee shall have the right to reduce the Leased Premises and the corresponding Rent and Lessor Maintenance Fee.

13.7. In no event shall a Party be liable for Excluded Damages.

**Article 14. Assignment**

14.1. This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns; provided, however, that no Party hereto will assign or sublet its rights or delegate its obligations under this Agreement without the express prior written consent of the other Party, except that (i) Lessee may assign its rights hereunder as collateral security to any bona fide financial institution engaged in financing in the ordinary course of its business in providing financing to the Warrant Issuer or its Subsidiaries and any of the foregoing financial institutions may assign such rights in connection with a sale of Lessee's Business in the form then being conducted by Lessee substantially as an entirety; (ii) Lessor and Lessee each may, upon written notice to the other Party (but without the obligation to obtain the consent of such other Party), assign this Agreement or any of its rights and obligations under this Agreement to any person, entity or organization that succeeds (by purchase, merger, operation of law or otherwise) to all or substantially all of the capital stock, assets or business of such party, all or substantially all of its assets and liabilities or to all or substantially all of the assets and liabilities of the portion of the Party's business to which the subject of this Agreement relates or of a division of either Party, if such person or entity agrees in writing to assume and be bound by all of the relevant obligations of such Party under this Agreement; and (iii) Lessee may, upon written notice to Lessor (but without the obligation to obtain the consent of Lessor), assign this Agreement or any of its rights and obligations under this Agreement to one or more direct or indirect Subsidiaries of Warrant Issuer.

**Article 15. Quiet Enjoyment**

Without prejudice to Lessor's rights under this Agreement or under the Applicable Laws, so long as Lessee pays the Rent, the Lessor Maintenance Fee, and Other Costs, and observes all other material terms, conditions and covenants hereof, Lessor shall ensure that Lessee has the right to quietly enjoy the Leased Buildings without hindrance, molestation or interruption during the Lease Term, subject to the terms and conditions of this Agreement.

**Article 16. Surrender**

16.1. Upon the expiration or termination of this Agreement, Lessor and Lessee shall consult in good faith to determine a reasonable grace period (which shall not be more than 6 months) (the "Grace Period") for Lessee to peaceably and quietly vacate and surrender the Leased Premises to Lessor. For the avoidance of doubt, Lessee shall be obligated to pay the Rent and Lessor Maintenance Fee for the period until the date of surrender of the Leased Premises to Lessor.

16.2. During the Grace Period, Lessee shall, among other things, restore the Leased Premises to their condition equivalent to that of the Closing Date, reasonable wear and tear and fully insured Property Damage excepted, and as otherwise reasonably acceptable to Lessor by removing at its own expense any Alterations made by Lessee in accordance with the terms and conditions of this Agreement. In the event Lessee fails to vacate, surrender and restore the Leased Premises by the end of the Grace Period, Lessor may move, remove or dispose of any Alterations or other property or belongings remaining in the Leased Premises, and all reasonable expenses incurred therefrom shall be borne by Lessee.

**Article 17. Disputes and Governing Law**

17.1. This Agreement shall be governed by and construed in accordance with the laws of Korea, without reference to the choice of law principle thereof.

17.2. Any Party seeking the resolution of a dispute arising under this Agreement must provide written notice of such dispute to the other Party, which notice shall describe the nature of such dispute. All such disputes shall be referred initially to the Coordinating Committee for resolution. Decisions of the Coordinating Committee under this Section 17.2 shall be made by unanimous vote of all members and shall be final and legally binding on the Parties. If a dispute is resolved by the Coordinating Committee, then the terms of the resolution and settlement of such dispute shall be set forth in writing and signed by both Parties. In the event that the Coordinating Committee does not resolve a dispute within thirty (30) days of the submission thereof, such dispute shall be resolved in accordance with Section 17.3. Notwithstanding the foregoing, Lessor and Lessee shall each continue to perform their obligations under this Agreement during the pendency of such dispute in accordance with this Agreement.

17.3. The Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to an injunction to prevent any breach of this Agreement and to enforce specifically the terms and provisions of this Agreement by bringing a relevant action in the Seoul Central District Court located in Seoul, Korea, in addition to any other remedy to which any Party may be entitled at law or in equity. In addition, the Parties agree that any disputes, claims or controversies between the Parties arising out of or relating to this

Agreement, whether in contract, tort, equity or otherwise and whether relating to the meaning, interpretation, effect, validity, performance or enforcement of this Agreement shall be submitted to the exclusive jurisdiction of the Seoul Central District Court.

**Article 18. Change of Applicable Laws**

Lessor shall process, and Lessee shall pay for, every zoning requirement or the requirements imposed by the Applicable Laws, which arise from change of conditions caused by Lessee subsequent to the Closing Date from the operation of the Business, as they come into effect during the Lease Term.

**Article 19. Insurance**

19.1. Lessor shall obtain from, keep in force during the Lease Term with, and pay all premiums due to, an insurer(s) holding a A.M. Best Rating of B+ or higher, and reasonably acceptable to Lessee, "all risk" property insurance on the Leased Buildings, with an insurer(s) holding a A.M. Best Rating of B+ or higher and reasonably acceptable to Lessee, insuring 100% of the replacement value thereof. This insurance shall include, but not be limited to, fire and extended coverage perils, and shall include a waiver of claims and waiver of subrogation against the Lessee. Said insurance shall provide for payment of Damages thereunder to Lessor or to the holders of the mortgages or deeds of trust on the Leased Buildings.

19.2. Lessee shall obtain and keep in force during the Lease Term, at its expense, on its own furniture, furnishings, fixtures and equipment located in the Leased Buildings, with companies reasonably acceptable to Lessor, policies of fire and extended coverage insurance with standard coverage vandalism, malicious mischief and special extended perils (all risk) and shall include a wavier of claims and waiver of subrogation against the Lessor.

19.3. Lessor and Lessee shall each obtain from, keep in force during the Lease Term with, and pay all premiums due to, an insurer(s) holding a A.M. Best Rating of B+ or higher, Standard Commercial General Liability Insurance. The limits of liability of such insurance shall be in an amount not less than One Million Dollars ($1,000,000.00) per occurrence, Personal Injury including death and One Million Dollars ($1,000,000.00) per occurrence, Property Damage Liability or One Million Dollars ($1,000,000.00) combined single limit for Personal Injury and property Damage Liability.

**Article 20. Signage**

Lessee shall not make any changes to the exterior of the Leased Buildings, install any exterior lights, decorations, balloons, flags, pennants, banners, or paintings, or erect or install any signs, windows or door lettering, placards, or advertising media of any type which can be viewed from the exterior of the Leased Buildings, without Lessor's prior written consent which shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, Lessee has the right to install signs, decorations, advertising media, blinds, draperies and other window treatment or bars or other security installations (i) inside the Leased Premises and not visible from outside the Leased Buildings identifying the presence of Lessee at its sole discretion, or (ii) inside the Leased Premises and visible from outside the Leased Buildings, located in the Common Areas of the Leased Buildings, or located outside the Leased Buildings identifying the presence of Lessee in form and fashion consistent with Lessor's current signage or otherwise subject to Lessor's reasonable approval. Upon surrender or vacation of the Leased Premises, Lessee shall have removed all signs it has installed and repair, paint, and/or replace the building facia surface to

which its signs are attached. Lessee shall obtain all applicable Governmental Authorizations for sign and exterior treatments at its sole cost and expense. Signage rights in the Common Areas of the Leased Buildings shall be shared equally between Lessor and Lessee. If the size of the signage is limited in the Common Areas of the Leased Buildings or outside of the Leased Buildings, Lessee shall be entitled to a share of signage equal to not less than its proportionate share of all signage which is permitted at the Leased Buildings based on the square meters of the Leased Premises compared to the square meters available for occupancy in the Leased Buildings.

**Article 21. Property Damage and Condemnation**

21.1. In the event that any of the Leased Buildings shall be damaged or destroyed by fire or other event (each, a "Property Damage") the Lessor shall promptly commence repair of the applicable Leased Building and diligently restore the same to substantially the same condition as existed immediately prior to the event of such Property Damage. During the period from the date of such Property Damage until the applicable Leased Building is repaired and restored, (a) Lessee's obligation to pay the Rent, Lessor Maintenance Fee, any Other Costs and related VAT due hereunder shall abate based on the square meters of the Leased Premises which are untenantable as a result of such damage, based on the formula in Exhibit C, (b) if Lessor caused the Property Damage, Lessor shall contemporaneously provide Lessee with premises that are vacant, in substitution for and equivalent to the affected Leased Building for which Lessee shall pay Rent attributable to the square meters provided based on the formula in Exhibit C ("Substitute Premises") and (c) if Lessor did not cause the Property Damage, (i) to the extent that Substitute Premises are in the possession of Lessor, Lessor shall provide the Substitute Premises for which Lessee shall pay Rent attributable to the square meters provided based on the formula in

Exhibit D, or (ii) to the extent that Substitute Premises are not in the possession of Lessor, Lessor shall use commercially reasonable efforts to locate Alternate Space for which Lessee shall pay rent to the extent such Alternate Space is provided by third parties. Upon the earlier to occur of the completion of such repair or the end of the interference with the Business of Lessee, (i) Lessee is obligated to resume the occupancy of the Leased Premises, and (ii) Lessee shall resume the payments of Rent, Lessor Maintenance Fee, Other Costs and related VAT in accordance with the terms of the Agreement, pro rated, as applicable, for the number of days of any partial month of Rent.

21.2. If (a) the whole of any Leased Building shall be taken or condemned for a public or quasi-public use or purpose by a competent authority, or (b) such portion of any Leased Building or Leased Premises shall be so taken that as a result thereof the balance cannot continue to be used by Lessee for the reasonable conduct of the Business, then in either of such events (x) Lessor shall immediately provide Substitute Premises, and (y) any award, compensation, or damages (hereinafter sometimes called the "award"), shall be paid to and be the sole property of Lessor, but nothing therein shall preclude Lessee from proving (to the extent allowable by law) its damages with respect to moving expenses and Damages of personal property, and receiving an award therefor. In such event, Lessee shall continue to pay Rent until this Agreement is terminated and shall continue to pay rent under the lease for the Substitute Premises.

21.3. If only a part of any Leased Premises shall be so taken or condemned, and, as a result thereof, the balance of the Leased Premises can be used by Lessee, in its reasonable opinion, for the reasonable conduct of the Business, Lessor shall perform such construction to the balance of the applicable Leased Premises to make it usable for

Lessee. Rent shall be equitably abated based on the square meters that are untenantable as a result of such taking, based on the formula in Exhibit C. Any portion of the award which has not been expended by Lessor for such repair or restoration shall be retained by Lessor as Lessor's sole property.

21.4. Intentionally Deleted.

**Article 22. Lessor Waiver**

Lessor agrees to execute, upon the request of Lessee, an agreement in favor of any lender to Lessee, agreeing to allow such lender to temporarily occupy the Leased Premises if Lessee defaults under the lender's loan, for the limited purpose of recovering any collateral of such lender located at the Leased Premises, provided such agreement provides for the payment of the Rent, Lessor Maintenance Fee, Other Costs and VAT by the Lessee's lender during the period of such occupancy.

**Article 23. Right of First Refusal**

23.1. Following Lessee's occupancy of the Warehouses and subject to the rights of Lessor as the current occupant of the remainder of the Warehouses ("Expansion Space"), Lessee shall have a Right of First Refusal on the Expansion Space as set forth below:

(a) Right of First Refusal. If Lessor shall receive an offer to lease the Expansion Space, which offer Lessor shall desire to accept, Lessor shall transmit a memorandum of the said offer to Lessee. The memorandum shall set forth in detail the terms of the offer, including a description of the space, the rent (including any abatement and escalations), condition of the space (i.e., as is, building standard construction, tenant improvement allowances), and any other

material terms of the offer. Within thirty (30) days of receiving Lessor's memorandum, Lessee shall, by written notice to Lessor exercise the right (each, a "Right of First Refusal"), to accept the Expansion Space upon either (i) the terms and conditions stated in the offer or (ii) the terms and conditions set forth in Section 23.1(c) and 23.1(d). Lessee's failure to make the election shall be deemed a rejection of the Expansion Space. Upon Lessee's acceptance of the Expansion Space, the parties shall execute an amendment incorporating the Expansion Space into the Lease subject to all of the terms, covenants, and conditions herein, except as modified by the terms of the offer (if Lessee has elected option (i) above). Notwithstanding anything to the contrary in the offer, the terms of the Lease for the Expansion Space shall be as provided in Section 23.1(c) immediately below. Notwithstanding that Lessee should fail or refuse to exercise its Right of First Refusal in the manner herein provided, if the Expansion Space, or any part thereof, is not leased to the prospective tenant contemplated by Lessor's memorandum within the time-period set forth in the terms of the third party's offer and on terms no more favorable to such tenant than originally set forth in such third party offer to Lessee, the Expansion Space shall thereafter continue to be subject to the terms and conditions imposed by this Section 23.1(a) upon third party offers to lease and the first refusal procedure established by this Section 23.1(a) shall be reinstated.

(b) Should Lessee elect to exercise its Right of First Refusal, the terms and conditions of this Lease shall apply to the Expansion Space, or if Lessee has accepted the Expansion Space in accordance with 23.1 (a)(i) then as modified by the terms of the offer. Rent for the Expansion Space shall be at the then current square meter rental rate except as modified by the terms of the offer if Lessee has accepted in Section 23.1(a) option (i) above.

(c) Should Lessee exercise its Right of First Refusal, Lessor shall deliver such Expansion Space to Lessee, in Turnover Condition (defined below) whereupon said Expansion Space shall be added to and become a part of the Leased Buildings and shall be governed in all respects by the terms of this Lease except that the terms of the offer upon which Lessee exercised such right shall govern to the extent not covered by the terms of this Lease and (iii) notwithstanding anything herein to the contrary, the Lease Term applicable to such space shall end at the same time, and under the same conditions, as applicable to the Lease Term under this Agreement. As used herein, "Turnover Condition" shall mean broom clean, free of occupants and repair equivalent to the condition of the remainder of the Leased Premises.

23.2. This Section shall be deemed advanced consent by Lessor to such Expansion Space becoming part of the Leased Premises, and the portion of the building in which the Expansion Space is located shall thereafter be deemed a Leased Building for purposes of this Agreement. By such Expansion Space becoming part of the Leased Premises, Lessee, as the occupant of such Expansion Space, shall have the right to access and ingress to, and egress from, the Lessor Complex for the purpose of using the Leased Buildings in accordance with this Agreement, and to pass and repass to and from the Leased Buildings or any part thereof over and along the Common Areas of the Lessor Complex.

**Article 24. Force Majeure**

24.1. Neither Party shall be liable to the other Party for failure of or delay in the performance of any obligations under this Agreement due to causes reasonably beyond its control including (i) war, insurrections, riots, explosions, inability to obtain raw materials due to then current market situation; (ii) natural disasters and acts of God, such as violent storms, earthquakes, floods, and destruction by lightning; (iii) the intervention of any Governmental Entity or changes in relevant laws or regulations which restrict or prohibit either Party's performance of its obligations under this Agreement or implementation of this Agreement; or (iv) strikes, lock-outs and work-stoppages, which are beyond the reasonable control of the Party claiming the benefit (each, an "Event of Force Majeure"). Upon the occurrence of an Event of Force Majeure, the affected Party shall notify the other Party as soon as possible of such occurrence, describing the nature of the Event of Force Majeure and the expected duration thereof. Notwithstanding the foregoing, Lessee shall be under continuing obligation to make the payments required hereunder for any Rent, Lessor Maintenance Fee, Other Costs and the corresponding VAT payable by Lessee, which was payable by Lessee prior to the occurrence of an Event of Force Majeure.

24.2. If a Party is unable, by reason of an Event of Force Majeure, to perform any of its obligations under this Agreement, then such obligation shall be suspended to the extent and for the period that the affected Party is unable to perform. If this Agreement requires an obligation to be performed by a specified date, such date shall be extended for the period during which the relevant obligation is suspended due to such an Event of Force Majeure under this Agreement.

**Article 25. Coordinating Committee**

25.1. Within thirty (30) days after the date hereof, the Parties shall establish a coordinating committee (the "Coordinating Committee") which shall consist of four (4) members, two (2) of which shall be appointed by Lessor and two (2) of which shall be appointed by Lessee. Each Party, upon prior written notice to the other Party, may from time to time remove or replace any member appointed by such Party.

25.2. Except as the Parties may otherwise agree in writing, the Coordinating Committee shall have the power and the responsibility under this Agreement to:

(a) act as a forum for the liaison between the Parties with respect to the day-to-day implementation of this Agreement;

(b) subject to Article 17, seek to resolve disputes; and

(c) undertake such other functions as the Parties may agree in writing.

**Article 26. Confidentiality**

26.1. Confidentiality. Neither Party shall, except as expressly permitted by the terms of this Agreement, disclose to any third party the terms and conditions of this Agreement, the existence of this Agreement and any Confidential Information which either Party obtains from the other Party in connection with this Agreement and/or use such Confidential Information for any purposes whatsoever other than those contemplated hereunder, provided, however, that this Agreement (and its terms and conditions) may be disclosed and filed publicly in connection with a public offering of securities by Lessee or its Affiliates. "Confidential Information" shall mean any and all information including technical data, trade secrets or know-how, disclosed by either Party to the other Party in

connection with this Agreement, which is marked as "Proprietary" or "Confidential" or is declared by the other Party, whether in writing or orally, to be confidential, or which by its nature would reasonably be considered confidential.

26.2. The obligation of confidentiality in Section 26.1 shall not apply to any information that: (a) was known to the other Party without an obligation of confidentiality prior to its receipt thereof from the disclosing Party; (b) is or becomes generally available to the public without breach of this Agreement, other than as a result of a disclosure by the recipient Party, its representatives, its Affiliates or the representatives of its Affiliates in violation of this Agreement; (c) is rightfully received from a third party with the authority to disclose without obligation of confidentiality and without breach of this Agreement; or (d) is required by law or regulation to be disclosed by a recipient Party or its representatives (including by oral question, interrogatory, subpoena, civil investigative demand or similar process), provided that written notice of any such disclosure shall be provided to the disclosing Party in advance. If a Party determines that it is required to disclose any information pursuant to applicable law (including the requirements of any law, rule or regulation in connection with a public offering of securities by Lessee or its Affiliates) or receives any demand under lawful process to disclose or provide information of the other Party that is subject to the confidentiality provisions hereof, such Party shall notify the other Party prior to disclosing and providing such information and shall cooperate at the expense of the requesting Party in seeking any reasonable protective arrangements requested by such other Party. Subject to the foregoing, the Party that receives such request may thereafter disclose or provide information to the extent required by such law or by lawful process.

**Article 27. Miscellaneous**

27.1. Exercise of Right. A Party may exercise a right, power or remedy at its discretion, and separately or concurrently with another right, power or remedy. A single or partial exercise of a right, power or remedy by a Party does not prevent a further exercise of that or of any other right, power or remedy. A failure to exercise a right, power or remedy or a delay in exercising a right, power or remedy by a Party does not prevent such Party from exercising the same right thereafter.

27.2. Extension; Waiver. At any time during the Lease Term, each of Lessor and Lessee may (a) extend the time for the performance of any of the obligations or other acts of the other or (b) waive any inaccuracies in the representations and warranties of the other contained in this Agreement or in any document delivered pursuant to this Agreement. Any agreement on the part of a Party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Party. The failure of any Party to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of those rights. Any rights under this Agreement may not be waived except in writing signed by the Party granting the waiver or varied except in writing signed by the Parties.

27.3. Notices. Any notice, request, demand, waiver, consent, approval or other communication which is required or permitted to be given to any Party shall be in writing and shall be deemed duly given only upon delivery to the Party personally (including by reputable overnight courier service), when telecopied (with confirmation of transmission having been received) during normal business hours or three days after being mailed by registered or certified mail (return receipt requested), with postage and registration or

certification fees thereon prepaid, addressed to the Party at its address set forth below (or at such other address for a party as shall be specified by such Party by like notice):

If to Lessor, to:

Hynix Semiconductor Inc.
Hynix Youngdong Building 891
Daechi-dong
Kangnam-gu, Seoul 135-738
Korea
Fax: +82 2 3459 3647
Attention: Mr. O.C. Kwon

If to Lessee, to:

MagnaChip Semiconductor, Ltd.
1 Hyangjeong-dong
Heungduk-gu
Cheongju City
Chung Cheong Bok-do
Korea
Fax: +82-43-270-2134
Attention: Dr. Youm Huh

with a copy to:

Dechert LLP
30 Rockefeller Plaza
New York, NY 10112
Telephone: (212) 698-3500
Facsimile: (212) 698-3599
Attention: Geraldine A. Sinatra, Esq.
Sang H. Park, Esq.

27.4. Fees and Expenses. All costs and expenses incurred in connection with this Agreement shall be paid by the Party incurring such expenses, except as specifically provided to the contrary in this Agreement.

27.5. Entire Lease; No Third Party Beneficiaries. This Agreement (a) constitutes the entire agreement between the Parties and supersedes all prior agreements and understandings, both written or oral, between the Parties with respect to the subject matter hereof and (b) is not intended to confer upon any person other than the Parties hereto any rights or remedies hereunder.

27.6. Severability of Provisions. Any term or provision of this Agreement that is held by a court of competent jurisdiction or other authority to be unlawful, invalid, void or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction or other authority declares that any term or provision hereof is unlawful, invalid, void or unenforceable, the Parties agree that the court making such determination shall have the power to reduce the scope, duration, area or applicability of the term or provision, to delete specific words or phrases, or to replace any unlawful, invalid, void or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the unlawful, invalid or unenforceable term or provision.

27.7. Amendment and Modification. This Agreement (for the avoidance of doubt, including Exhibits attached hereto) may be amended, modified and supplemented in any and all respects, but only by a written instrument signed by the Parties expressly stating that such instrument is intended to amend, modify or supplement this Agreement.

27.8. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement.

27.9. Election of Remedies. Neither the exercise of nor the failure to exercise a right or to give notice of a claim under this Agreement shall constitute an election of remedies or limit any Party in any manner in the enforcement of any other remedies that may be available to such Party, whether at law or in equity.

27.10. Language. This Agreement is being originally executed in the English language only. In the event that the Parties agree to have a Korean version of this Agreement following signing, this Agreement may be translated into Korean. The Parties acknowledge that the Korean version of this Agreement shall be for reference purpose only, and in the event of any inconsistency between the two texts, the English version shall control.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed by its duly authorized representatives as of the date first above written.

Hynix Semiconductor Inc.

By: _____

Name:
Title:

MagnaChip Semiconductor, Ltd.

By: _____

Name:
Title:

**Exhibit 10.10**

**Execution Copy**

# BUILDING LEASE AGREEMENT

Between

Hynix Semiconductor Inc.

(as Lessor)

and

MagnaChip Semiconductor, Ltd.

(as Lessee)

with respect to

M4 Building located in Ichon

the Republic of Korea

October 6, 2004

/*****/ = Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

**TABLE OF CONTENTS**

**BUILDING LEASE AGREEMENT**

This BUILDING LEASE AGREEMENT (this "Agreement"), dated as of October 6, 2004, is entered into by and between:

(1) Hynix Semiconductor Inc., a company organized and existing under the laws of the Republic of Korea ("Korea") with its registered office at San-136-1, Ami-Ri, Bubal-Eub, Ichon-Si, Kyoungki-Do, Korea ("Lessor"); and

(2) MagnaChip Semiconductor, Ltd., a company organized and existing under the laws of Korea with its registered office at 1 Hyangjeong-dong, Heungduk-gu, Cheongju City, Chung Cheong Bok-do, Korea ("Lessee") (each a "Party", and collectively the "Parties").

**RECITALS**

WHEREAS, the Parties have entered into a certain business transfer agreement dated June 12, 2004, as amended (the "BTA") pursuant to which, among other things, Lessee has agreed to acquire the Acquired Assets (as defined in the BTA) from Lessor subject to the terms and conditions set forth in the BTA;

WHEREAS, the Parties desire to enter into an agreement as contemplated by the BTA whereby Lessor leases to Lessee all or certain parts of the Leased Building (as defined below), which are necessary for Lessee's Business (as defined below) and for the operation of facilities necessary for its business, in accordance with this Agreement; and

WHEREAS, the execution and delivery of this Agreement is a condition to the Closing under the BTA.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter set forth, and intending to be legally bound hereby, Lessor and Lessee agree as follows:

**Article 1. Definitions**

1.1. Unless otherwise defined herein or defined in the BTA, all capitalized terms shall have the meanings set forth below:

"Affiliate" shall have the meaning ascribed to such term in the BTA.

"Alterations" shall have the meaning ascribed to such term in Section 9.3.

"Alternate Space" shall have the meaning ascribed to such term in Section 7.2.

"Applicable Laws" shall mean all laws, constitutions, statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, consent orders and decrees, policies, guidelines or any interpretations of any of the foregoing, including general principles of civil law and equity, issued by any Governmental Entity having or exercising jurisdiction over or otherwise affecting any Party, the Business or the Leased Building.

"ASTEC Agreement" shall have the meaning ascribed to such term in Section 2.5.

"BTA" shall have the meaning ascribed to such term in the Recitals.

"Business" shall mean any business conducted by the Lessee as of the Closing Date as well as Permitted Uses.

"Calculation Date" shall have the meaning ascribed to such term in Section 4.

"Closing" shall have the meaning ascribed to such term in the BTA.

"Closing Date" shall have the meaning ascribed to such term in the BTA.

"Common Areas" shall mean Common Areas of the Leased Building and Common Areas of the Ichon Complex as appropriate for the context.

"Common Areas of the Leased Building" shall mean the areas of the Leased Building used in common by Lessor and Lessee on a shared basis, including the corridors, hallways, stairways, entryways and lavatories, elevators, central mechanical rooms, elevator machine rooms, pump rooms, loading dock facilities, electrical and communication rooms, postal, security facilities, janitorial facilities, corridors, lobbies, reception areas, atriums, fire vestibules, elevator foyers, service elevator receiving areas, mailrooms, electric and communication closets, public areas, as well as balconies, terraces and patios on floors where other Common Areas of the Leased Building exist.

"Common Areas of the Ichon Complex" shall have the meaning set forth in Section 2.2 of the Lease.

"Consents" shall mean any consents, approvals, waivers or authorizations to be obtained from, or notices to be given to, any persons or entities, and includes Governmental Authorizations.

"Coordinating Committee" shall have the meaning ascribed to such term in Section 26.1.

"Damages" shall mean any and all losses, settlements, expenses, liabilities, obligations, claims, damages (including any governmental penalty or costs of investigation, clean-up and remediation), deficiencies, royalties, interest, costs and expenses (including reasonable attorneys' fees and all other expenses reasonably incurred in investigating, preparing or defending any litigation or proceeding, commenced or threatened incident to the successful enforcement of this Agreement), the extent of which are recoverable under Korean laws but shall specifically exclude Excluded Damages.

"Due Date" shall have the meaning ascribed to such term in Section 6.1.

"Event of Force Majeure" shall have the meaning ascribed to such term in Section 25.1.

"Excluded Damages" shall mean any punitive damages.

"Extension Term" shall have the meaning ascribed to such term in Section 3.1.

"General Service Supply Agreement" shall mean that certain General Service Supply Agreement between Lessor and Lessee, dated as of the same date hereof.

"Governmental Authorization" shall mean any approval, consent, license, permit, waiver or other authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Entity or otherwise pursuant to any Applicable Law, and any registration with, or report or notice to, any Governmental entity pursuant to any Applicable Law.

"Governmental Entity" shall mean a court, arbitral tribunal, administrative agency or commission or other governmental or other regulatory authority or agency.

“Grace Period” shall have the meaning ascribed to such term in Section 16.1.

“Ichon Complex” shall mean the facilities owned by Lessor, located at Ichon, Korea, and more specifically depicted on Exhibit B.

“Indemnified Person” of a Party shall mean the Party and its Subsidiary and any shareholder, partner, member, director, officer, employee, agent or representative of the Party or such Subsidiary.

“Initial Lease Term” shall have the meaning ascribed to such term in Section 3.1.

“Invoice” shall have the meaning ascribed to such term in Section 6.1.

“Land” shall mean certain portions of the lot on which the Leased Building is located, as more specifically identified on Exhibit B-2.

“Leased Building” shall mean the M4 Building owned by Lessor, located in the Ichon Complex, as more specifically identified in Exhibit B-1.

“Leased Premises” shall mean the portion of the Leased Building occupied exclusively by the Lessee, comprising approximately 1,439.32 square meters and more specifically outlined on Exhibit A-1.

“Lease Right” shall have the meaning ascribed to such term in Section 2.3.

“Lease Term” shall have the meaning ascribed to such term in Section 3.1.

“Lease Year” shall mean the one year period beginning on the Closing Date and each anniversary thereafter.

"Lessee" shall have the meaning contained in the Preamble of this Agreement.

"Lessor" shall have the meaning contained in the Preamble of this Agreement.

"Lessor Maintenance Fee" shall have the meaning contained in Section 5.2.

"Lessor Work" shall have the meaning contained in Article 11.

"Lien" shall mean any lien, charge, claim, agreement to sell, pledge, security interest, judgment, conditional sale agreement or other title retention agreement, finance lease, mortgage, deed of trust, security agreement, right of first refusal or offer (or other similar right), option, restriction, tenancy, license, covenant, encroachment (whether upon any real property or by any improvement situated on any real property onto any adjoining real property or onto any easement area), right of way, easement, title defect or other encumbrance or title matter, existing as of the Closing Date.

"New Leased Premises" shall have the meaning ascribed to such term in Section 2.5.

"Other Costs" shall have the meaning ascribed to such term in Section 6.3.

"Other Occupants of the Ichon Complex" shall mean third parties leasing space within the Ichon Complex.

"Permitted Uses" shall mean the use of the Leased Building (i) to conduct the Business or any other semiconductor, information technology or other technology related business, and (ii) for office use and ancillary uses relating thereto.

"Proceeding" shall mean any action, arbitration, audit, hearing, investigation, litigation or suit (whether civil, criminal, administrative, or investigative) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Entity.

"Property Damage" shall have the meaning ascribed to such term in Section 21.1.

"Rent" shall have the meaning ascribed to such term in Article 4.

"Rules and Regulations" shall mean the reasonable rules and regulations, including those attached as Exhibit D to this Agreement, adopted by Lessor and applied generally to the Leased Premises, Common Areas of the Leased Building and Common Areas of the Ichon Complex, if any, (a) which rules and regulations have been previously provided to Lessee, (b) shall be uniformly applied to all occupants of the Leased Premises, Common Areas of the Leased Building or Common Areas of the Ichon Complex, including Lessor, and (c) do not diminish the rights or increase the liabilities of the Lessee as otherwise provided under this Lease.

"Subsidiary" shall have the meaning ascribed to such term in the BTA.

"Substitute Premises" shall have the meaning ascribed to such term in Section 21.1.

"Successor" shall have the meaning ascribed to such term in Section 14.1.

"Taxes" shall mean any and all taxes, fees, levies, duties, tariffs, imposts, and other charges of any kind (together with any and all interest, penalties, additions to tax and additional amounts imposed with respect thereto) imposed by any Governmental Entity pursuant to any Applicable Law levied on the Leased Building. Taxes shall not include any taxes on income, rents, franchise, gift, gross receipts, or capital stock tax, or similar tax arising from the Lessor's receipt of rent.

"Utilities Fee" shall have the meaning ascribed to such term in Section 5.4.

"Utilities Services" shall have the meaning ascribed to such term in Section 5.4.

"VAT" shall mean the value added Tax required to be paid to the relevant Governmental Entity in respect of the lease of the Leased Building to Lessee.

1.2. Rules of Interpretation.

(a) When a reference is made in this Agreement to a section or article, such reference shall be to a section or article of this Agreement unless otherwise clearly indicated to the contrary.

(b) Whenever the words "include", "includes" or "including" are used in this Agreement they shall be deemed to be followed by the words "without limitation."

(c) The words "hereof", "hereto", "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and article, section, paragraph and exhibit references are to the articles, sections, paragraphs and exhibits of this Agreement unless otherwise specified.

(d) The meaning assigned to each term defined herein shall be equally applicable to both the singular and the plural forms of such term, and words denoting any gender shall include all genders. Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning.

(e) A reference to any party to this Agreement or any other agreement or document shall include such party's successors and permitted assigns.

(f) A reference to any legislation or to any provision of any legislation shall include any amendment to, and any modification or re-enactment thereof, any legislative provision substituted therefor and all regulations and statutory instruments issued thereunder or pursuant thereto.

(g) The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provisions of this Agreement.

(h) Headings are for convenience only and do not affect the interpretation of the provisions of this Agreement.

(i) Any Exhibits attached hereto are incorporated herein by reference and shall be considered as part of this Agreement.

**Article 2. Premises**

2.1. In consideration of the Rent hereby agreed to be paid to Lessor by Lessee and the agreements and covenants herein made by Lessee, during the Lease Term, Lessor hereby leases to Lessee the Leased Premises, and grants the right to use Common Areas of the Leased Building and the right to use Common Areas of the Ichon Complex on a non-exclusive basis with Lessor upon the terms and conditions contained herein.

2.2. As consideration for the Rent hereby agreed to be paid to Lessor by Lessee, as an essential inducement to Lessee to enter into this Agreement, as one of the necessary rights for the use and benefit of this Agreement by Lessee, and as consideration for the agreements and covenants herein made by Lessee, Lessor hereby grants to Lessee with a right (i) to access and ingress to, and egress from, the Ichon Complex for the purpose of using the Leased Premises and any Expansion Space, if applicable, in accordance with this Agreement, (ii) to use the Common Areas of the Leased Building and (iii) to pass and repass to and from and through the Leased Building or any part thereof over and along roads, accessways, paths, corridors, hallways, highways, skybridges, walkways, arcades and all landscaped areas (including pools and fountains) and other thoroughfares within the Ichon Complex owned by Lessor (together the "Common Areas of the Ichon Complex"), provided that Lessee shall fully comply with all Applicable Laws and applicable Rules and Regulations. Lessor represents that all of such portions of the Ichon Complex are available for use by Lessee for the purpose using the Leased Premises or operating the Business. Lessor acknowledges that any reduction in the rights granted to Lessee under this Section 2.2 would cause immediate and irreparable harm to Lessee and will entitle Lessee, in addition to any other remedies Lessee may have hereunder or otherwise under Applicable Laws, to stop any such reduction by injunction, whether such reduction arises from the acts of Lessor, or any other party claiming an interest in the Ichon Complex against Lessor. The rights granted hereunder shall be integral to the grants of the rights under Section 2.1 and elsewhere in this Agreement, shall benefit Lessee and run with Lessee's interest under this Agreement, and shall automatically pass to any successor and permitted assign of Lessee.

2.3. Lessee acknowledges and agrees that Lessee has the right to occupy and use the Leased Premises only for the purposes provided, and upon the terms and conditions set forth, in this Agreement. In addition, Lessor hereby grants to Lessee a right to register the lease and rights created under this Agreement ("*deunggi imchakwon*") over the Leased Premises (the "Lease Right") with the relevant real property registry offices, having a term of the Lease Term. The Parties each, upon the request of the other, agree to submit a joint application to re-register the Lease Right to include any Extension Term. Lessor will take any action necessary to maintain or cause to be maintained the Lease Right during the Lease Term.

2.4. In addition to the Leased Premises leased herein, Lessor and Lessee acknowledge and agree that there may be additional space which has not been identified but which historically has been used by the System IC Division of Lessor and which shall continue to be required or desired by Lessee. If, within one year of the Closing Date, any such additional space is identified and requested by Lessee, Lessor shall provide such additional space to Lessee in a manner consistent with the other Leased Premises, at a price no greater than actual cost.

2.5. Lessor may request within the first sixty (60) days' after the Closing by sixty (60) days' prior written notice to Lessee that Lessee relocate its Leased Premises (the "New Leased Premises") so long as the following conditions are satisfied: (a) the location and size shall be as shown on Exhibit A-2, (b) all terms and conditions set forth herein shall

remain in full force and effect with respect to the New Leased Premises (except that the Agreement will be amended solely to attach a new Exhibit B depicting the New Leased Premises), and (c) Lessor shall pay all relocation costs relating to such relocation. In the event that Lessee relocates to the New Leased Premises, (a) Lessee has the right to expand into the Expansion Space in accordance with the terms of Article 23, and (b) to the extent that Lessee enters into an agreement with ASTEC (Hyundai Advanced Service Technology) ("ASTEC") for certain of the Utilities Services (the "ASTEC Agreement"), Lessor will provide those services not otherwise provided by ASTEC which Lessor is obligated to provide hereunder, and the Utilities Fee shall thereafter be reduced pro rata commencing with the next due monthly payment.

2.6. Each Party shall cooperate with the other Party and take or cause to be taken such actions as may be reasonably requested by the other Party in order to comply with the other Party's reasonable security rules and regulations.

**Article 3. Term**

The initial term of this Agreement (the "Initial Lease Term") shall be for one (1) year from the Closing Date, which Initial Lease Term shall, subject to the termination provisions of Article 13, be extended for successive one (1) year periods for a total of two (2) years at Lessee's option (each, an "Extension Term"; the Lease Term and all Extension Terms are collectively referred herein as the "Lease Term") (i) unless otherwise agreed between the Parties and (ii) as long as the Leased Building remains on the Land and Lessee uses the Leased Premises for the purpose of operating the Business. Additional Extension Terms, if any, may be mutually agreed upon by the Parties.

**Article 4. Rent; Taxes**

4.1. The monthly rent for the Leased Premises, exclusive of VAT (the "Rent"), shall be ***/*****/*** per square meter multiplied by the total square meters of the Leased Premises and Lessee's share of the Common Areas of the Leased Building (which is 163.74 square meters as of the Closing Date) for the Initial Term and the first year of the Extension Term. For the second year of the Extension Term, the Rent will be recalculated to increase or decrease by the same percentage as the change in the consumer price index as published by the Korea National Statistical Office of the Ministry of Finance and Economy (each, an "Index"), or any of its equivalents if an Index is not available, for the period from the last day of the Initial Term through the first day of the second year of the Extension Term. At the Closing Date, the square meters of the Leased Premises are 1,439.32.

**Article 5. Maintenance; Lessor Maintenance Fee; Utility Fee**

5.1. Lessor shall be obligated to perform all maintenance and repairs, and to the extent not provided for in the General Service Supply Agreement, to supply all customary services with respect to the Leased Premises and Common Areas as more fully described on Exhibit C ("Lessor Maintenance Services").

5.2. The amount of monthly maintenance fee for the Lessor Maintenance Services, exclusive of VAT, (the "Lessor Maintenance Fee") shall be ***/*****/*** per square meter multiplied by the total square meters of the Leased Premises for the Lease Term.

/*****/= Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

5.3. Lessor shall perform all Lessor Maintenance Service necessary to maintain the Leased Building in as good condition as exists as of the Closing Date, reasonable wear and tear excepted.

5.4. Lessor shall provide all utilities to the Leased Premises which are necessary and appropriate for the operation of the Business consistent with utilities provided immediately prior to the Closing Date, including, without limitation, water, sewer, telephone, electricity (including from Sithe Ichon Cogeneration Company Limited) and gas (collectively, the "Utilities Services") and to the extent not provided for in the General Service Supply Agreement or pursuant to the ASTEC Agreement. The amount of monthly utilities fee for such service (including service provided by Sithe Ichon Cogeneration Company Limited) (the "Utilities Fee") shall be based on actual usage for the Term.

5.5. Notwithstanding anything herein to the contrary, the Parties acknowledge and agree that it is their mutual intent that each of the Lessor Maintenance Fee for the Lessor Maintenance Services and the Utilities Fee for the Utilities Services provided hereunder shall be no greater than the actual cost reasonably incurred to provide such Lessor Maintenance Services and Utilities Services, respectively. The Parties agree to cooperate in good faith in furtherance of the foregoing, including by adjusting the Lessor Maintenance Fee and/or Utilities Fee from time to time if necessary in order to effectuate this intent. Lessor shall use its commercially reasonable efforts to minimize the costs incurred to provide the Lessor Maintenance Services.

5.6. The Lessor Maintenance Fee and Utilities Fee shall be charged from the Closing Date.

**Article 6. Payment of Rent and Lessor Maintenance Fee**

6.1. Lessor shall provide an invoice (the "Invoice") to Lessee by the 10th day of each calendar month which shall include the amounts of Rent (including Taxes), Lessor Maintenance Fee, Other Costs (as defined in Section 6.3), Utilities Fee and the corresponding VAT amount payable by Lessee for such month. Lessee shall pay in aggregate the Rent, Lessor Maintenance Fee, Other Costs, Utilities Fee and the corresponding VAT amount stated on each Invoice to the Lessor's designated account, or as otherwise designated by Lessor, by means of a wire transfer in immediately available funds by the 25th day of each calendar month (the "Due Date").

6.2. For the Initial Lease Term or any Extension Term which is less than a full calendar month, the amount of Rent, Utilities Fee, Lessor Maintenance Fee and the corresponding VAT amount payable by Lessee shall be equal to a pro rata portion of the Rent, Utilities Fee, Lessor Maintenance Fee and the corresponding VAT amount, based on a ratio of the number of days during such month that the Initial Lease Term, or applicable Extension Term, as the case may be, is in effect to the total number of days in such month.

6.3. If (a) the Rent, Utilities Fee and/or Lessor Maintenance Fee are not paid on or before the Due Date or (b) any other amounts payable herein including payments due by either Party with respect to Damages (collectively, the "Other Costs") are not paid when due, after the passage of any applicable grace and/or cure period, Lessee or Lessor, as applicable, shall be liable for and pay interest on the outstanding amounts of the Rent, Utilities Fee, Lessor Maintenance Fee and/or Other Costs at a rate of eight percent (8%) per annum calculated from and including the sixth day after the Due Date until the date the Rent, Utilities Fee, Lessor Maintenance Fee and/or Other Costs are received by the Party to whom they are due.

6.4. Lessee shall be responsible for payment of any VAT levied on the Rent, Lessor Maintenance Fee, Utility Fee and/or Other Costs due from it to Lessor under this Agreement.

6.5. Lessor shall, at the request of Lessee, provide the Lessee with relevant data and records for the calculation of the Rent, Lessor Maintenance Fee, Other Costs and VAT and determination of Lessor's compliance with its obligations under this Agreement; provided that Lessee may make no more than one such request per calendar quarter and any such request must be reasonably specific. Lessor shall prepare and maintain proper books and records of all matters pertaining to the calculation of Rent, Lessor Maintenance Fee, Other Costs and VAT under this Agreement. Subject to Article 26 and the first sentence of this Section 6.5, upon seven (7) days prior written notice, Lessee, or its authorized representatives, may examine during normal business hours, the books, records and documents of Lessor to the extent reasonably necessary for verification of any invoice or compliance under this Agreement; provided, however, that if a Lessor is to provide such books and records to Lessee for such Lessee's examination and photocopying purposes, Lessor may blackout any information contained in such books and records that relates to Lessor other than information regarding the calculation of the Rent, Lessor Maintenance Fee, Other Costs and VAT and that is required for the determination of Lessor's compliance with its obligations under this Agreement.

6.6. Notwithstanding anything herein to the contrary, in the event of a bankruptcy filing with respect to Lessee, Lessee shall deposit with Lessor an amount equal to the Rent paid by Lessee during the immediately preceding full calendar month under the terms of this Agreement, against which will be credited Rent payable by Lessee over the thirty day period following such deposit. Lessee shall renew such deposit each thirty days in each case by reference to the Rent paid by Lessee during the full calendar month immediately preceding any such renewal until such bankruptcy protection filing has been accepted by the bankruptcy court. For the avoidance of doubt, Lessee shall not be relieved of responsibility for, and shall pay when due, any Rent for services hereunder during any such thirty day period to the extent in excess of the then actual deposit.

**Article 7. Representations, Warranties and Covenants**

7.1. Lessor hereby represents and warrants to Lessee that all of the statements contained in this Section 7.1 are true and correct in all material respects as of the Closing Date.

(a) Organization. Lessor is a corporation duly organized and validly existing under the laws of Korea and has full power and authority to own and lease the Leased Building.

(b) Authorization. Lessor has full corporate power and authority to execute and deliver this Agreement. The execution, delivery and performance by Lessor of this Agreement have been duly authorized by all corporate actions on the part of Lessor that are necessary to authorize the execution, delivery and performance by Lessor of this Agreement.

(c) Binding Agreement. This Agreement has been duly executed and delivered by Lessor and, assuming due and valid authorization, execution and delivery hereof by Lessee, is a valid and binding obligation of Lessor, enforceable against Lessor in accordance with its terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws of general application affecting enforcement of creditors' rights generally and (ii) the availability of the remedy of injunctive relief may be subject to the discretion of the court before which any proceeding therefor may be brought or the general principle of good faith and fairness provided for in the Korean Civil Code.

(d) Title and Consents. Lessor is the legal and beneficial owner of the Leased Building and has requisite power to grant the lease hereunder to Lessee and the registration of the Lease Right on the Leased Premises to Lessee, and Lessor has obtained all necessary and relevant Consents in relation to the granting of the Lease Right and the registration thereof in accordance with Article 8.

(e) Use of the Leased Building. Lessor has obtained all Governmental Authorizations required in connection with the ownership or use of the Leased Building. The present condition and use of the Leased Building by Lessor complies with all Applicable Laws in all material respects.

(f) Brokerage. Lessor and its Subsidiaries have not made any agreement or taken any other action which might cause any Person (as defined in the BTA) to become entitled to a broker's or finder's fee or commission as a result of this Agreement.

(g) NO OTHER REPRESENTATIONS. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS AGREEMENT OR THE BTA, NEITHER LESSOR NOR ANY OTHER PERSON OR ENTITY ACTING ON BEHALF OF LESSOR, MAKES ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED. TO THE EXTENT ANY REPRESENTATIONS OR WARRANTIES HEREIN ARE INCONSISTENT WITH ANY REPRESENTATIONS OR WARRANTIES IN THE BTA, THE APPLICABLE REPRESENTATIONS OR WARRANTIES IN THE BTA SHALL CONTROL.

7.2. Lessor will maintain the Leased Building in material compliance with all Applicable Laws. If the Leased Premises at any time cannot be leased to and occupied by Lessee in compliance with Applicable Laws, whether as a result of the Lessor's failure to perform permitting requirements or for other reasons with respect to the Leased Building, other than due to Lessee's acts, omissions or use of the Leased Premises, then in any of such events, (a) Rent for the Leased Premises shall be abated based on the square meters of the Leased Premises which cannot be leased and occupied, (b) Lessor shall either (i) provide Substitute Premises to the extent that Substitute Premises are in the possession of Lessor, or (ii) use commercially reasonable efforts to locate alternate space for Lessee to occupy (the "Alternate Space") to the extent that Substitute Premises are not in the possession of Lessor, and (c) Lessor shall pay for all of the Lessee's expenses in demobilization and remobilization to the Substitute Premises. Lessee shall pay Rent attributable to the square meters provided in any Substitute Premises based on the same monthly unit Rent or shall pay rent required by the applicable landlord for the Alternate Space to the extent such Alternate Space is provided by third parties.

7.3. Lessee hereby represents and warrants to Lessor that all of the statements contained in this Section 7.3 are true and correct in all material respects as of the Closing Date.

(a) Organization. Lessee is a corporation duly organized and validly existing under the laws of Korea and has full power and authority to carry on its business as heretofore conducted.

(b) Authorization. Lessee has full corporate power and authority to execute and deliver this Agreement. The execution, delivery and performance by Lessee of this Agreement have been duly authorized by all corporate actions on the part of Lessee that are necessary to authorize the execution, delivery and performance by Lessee of this Agreement.

(c) Binding Agreement. This Agreement has been duly executed and delivered by Lessee and, assuming due and valid authorization, execution and delivery hereof by Lessor, is a valid and binding obligation of Lessee, enforceable against Lessee in accordance with its terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws of general application affecting enforcement of creditors' rights generally and (ii) the availability of the remedy of injunctive relief may be subject to the discretion of the court before which any proceeding therefor may be brought or the general principle of good faith and fairness provided for in the Korean Civil Code.

(d) Brokerage. Lessee and its Subsidiaries have not made any agreement or taken any other action which might cause any Person to become entitled to a broker's or finder's fee or commission as a result of the Lease.

(e) NO OTHER REPRESENTATIONS. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS AGREEMENT OR THE BTA, NEITHER LESSEE NOR ANY OTHER PERSON OR ENTITY ACTING ON BEHALF OF LESSEE, MAKES ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, TO THE EXTENT ANY REPRESENTATIONS OR WARRANTIES HEREIN ARE INCONSISTENT WITH ANY REPRESENTATIONS OR WARRANTIES IN THE BTA, THE APPLICABLE REPRESENTATIONS OR WARRANTIES IN THE BTA SHALL CONTROL.

7.4. Each Party covenants and agrees to endeavor to cooperate with the other Party so as to minimize any interference with the other Party's operation of its business, and to instruct its employees to so cooperate.

7.5. If, for whatever reason, it is necessary for Lessor to gain access to the Leased Premises, then Lessee's prior consent shall be required, and Lessee covenants and agrees that such consent shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, and except for those restricted areas of the Leased Premises set forth on Exhibit A-1 as to which Lessor shall have access only if accompanied by a representative of Lessee (the "Restricted Areas"), Lessor or its employees shall be permitted to have access to the Leased Premises during normal business hours with prior written notice of at least two

(2) Business Days (a) specifying the purpose of the inspection of the condition of the Leased Premises, (b) indemnifying Lessee for any Damage that arises as a result of such inspection, and (c) agreeing not to interfere with the ordinary operation of Lessee's Business; provided, however, such prior notice is not required in case of emergency, risk of injury or property damage. In case of emergency, Lessee shall provide Lessor with access to the Leased Premises (other than Restricted Areas); only on the condition that such emergency could reasonably be expected to cause Lessor to be liable for Damages if Lessor did not address such emergency. Notwithstanding the foregoing, personnel engaged by Lessor providing Lessor Maintenance Service shall have access to the entirety of the Leased Premises, including the Restricted Areas for the purpose of providing Lessor Maintenance Service.

7.6. From and after the Closing Date, Lessee shall comply in all material respects with all Applicable Laws, including the environmental laws, and with the terms of all Government Authorizations relating to the Lessee's conduct of its Business in the Leased Building.

7.7. In the event of a default by Lessee under this Agreement, Lessee covenants and agrees to reimburse Lessor, in full and promptly upon demand, if Lessor sustains any material Damages or is reasonably required to expend any money as a result of a default by Lessee hereunder; provided, however, Lessee shall not reimburse Lessor for any Damages resulting from reasonable wear and tear to the Leased Building or fully insured Property Damage.

7.8. If Other Occupants of the Ichon Complex conduct business within the Ichon Complex for the general public, Lessee has the right to patronize and use such business.

**Article 8. Registration of the Lease Right**

8.1. Lessor hereby consents to the registration of the Lease Right for the benefit of Lessee on the Leased Premises, in accordance with Section 2.3, and shall provide to Lessee all the necessary documents normally required of a lessor for the registration of the Lease Right thereon on the Closing Date. Lessee shall be entitled to register, on or after the Closing Date, the Lease Right granted under this Agreement with the pertinent real property registry offices. This consent by Lessor shall be deemed to apply to all Extension Terms; and Lessor will perform any further requirements of registration of Lease Rights that may be reasonably deemed necessary or appropriate to clarify and vest necessary title in Lessor to make Lessor's consent hereunder the only consent required which costs and expenses shall be borne by Lessor.

**Article 9. Use, Improvements and Alterations**

9.1. Lessee shall not occupy or use any material portion of the Leased Premises, Common Areas of the Leased Building and Common Areas of the Ichon Complex for any purpose whatsoever, other than in connection with the operation of the Business and in compliance with all Applicable Laws and the Rules and Regulations in all material respects. This Agreement and all the terms, covenants and conditions hereof are in all respects subject and subordinate to all Applicable Laws affecting the Leased Building.

9.2. Lessee shall maintain and repair all nonstructural elements, furniture, fixtures, and equipment in the Leased Premises.

9.3. Lessee, in its sole discretion, but with prior written notice to Lessor, shall have the right, from time to time to make, or cause to be made, at its sole cost and expense, improvements, additions, alterations and changes (collectively, the "Alterations") to the Leased Premises that it deems necessary or desirable to carry on any activity or use consistent with this Agreement; provided (a) any such Alterations shall be in compliance with Applicable Laws, (b) no such Alterations materially adversely affect the value of the applicable Leased Building or Lessor's contemporaneous occupancy, if any, of the Leased Building, and (c) at Lessor's request, Lessee is required to restore the affected Leased Building to the condition that existed prior to the Alterations by the end of the Lease Term, reasonable wear and tear and insured Property Damage excepted. Lessee shall bear all Taxes to be imposed on all Alterations and facilities newly or additionally installed by Lessee whether a notice of Taxes was issued to Lessee or Lessor. Notwithstanding the foregoing requirement that only such notice be provided to the Lessor, Lessee shall submit a written plan for any material Alteration and shall obtain Lessor's express consent prior to making any such material Alteration, which consent shall not be unreasonably withheld or delayed.

**Article 10. Restricted Matters for Lessee**

10.1. Lessee shall comply with the Rules and Regulations attached hereto as Exhibit D.

10.2. During the Lease Term, Lessee, its employees, invitees, and agents may park their passenger cars without additional charge (other than as specified herein) on a first come first served basis at the surface parking lots in the Ichon Complex.

**Article 11. Lessor Work**

11.1. Lessor shall provide Lessee with advance notice of any repair, alteration or remodeling of the Leased Building by Lessor in accordance with this Agreement ("Lessor Work") as soon as reasonably practicable but in any event Lessor shall provide Lessee with no less than fifteen (15) days advance notice of any such Lessor Work, except to the extent an emergency requires earlier performance of such Lessor Work, and then with such advance notice as is commercially reasonable. If as a result of the Lessor Work, the Lessee's Business at the Leased Premises at any time cannot be conducted in all material respects equivalent to the conduct of such Business prior to such Lessor Work, then in any such event, (a) Rent for the applicable Leased Premises shall be abated based on the square meters of the Leased Premises which cannot be leased and occupied, (b) to the extent that Substitute Premises are in the possession of Lessor, Lessor shall immediately provide Substitute Premises, or to the extent that Substitute Premises are not in the possession of Lessor, Lessor shall use commercially reasonable efforts to locate Alternate Space, and (c) Lessor shall pay for all of Lessee's expenses in demobilization from and remobilization to the Substitute Premises. Lessee shall pay Rent attributable to the square meters provided in any Substitute Premises based on the same monthly unit Rent or shall pay rent charged by the landlord for the Alternate Space to the extent such Alternate Space is provided by third parties. Lessor shall not be responsible for the interruption or shortage of any services or suspension of the use of any common facilities

that were caused by the Lessor Work. Upon the earlier to occur of the completion of the Lessor Work or the end of the interference with the Business of Lessee, (i) Lessee is obligated to resume occupancy of the Leased Premises, and (ii) Lessee shall resume the payments of the next regularly scheduled Rent, Lessor Maintenance Fee, Other Costs and related VAT in accordance with the terms of this Agreement, pro rated, as applicable, for the number of days of any partial month of Rent.

11.2. If any Lessor Work would likely materially affect the Business or materially reduce the size of the Leased Premises, Lessor shall obtain Lessee's consent prior to the commencement of any such Lessor Work, such consent not to be unreasonably withheld.

**Article 12. Indemnification**

12.1. Lessor shall indemnify Lessee and its Indemnified Persons (the "Lessee Indemnified Parties"), and hold the Lessee Indemnified Parties harmless from and against, any and all Damages arising out of, resulting from or relating to claims by third parties arising from the negligence of Lessor, except to the extent such Damage is caused by the negligence or willful misconduct of any such Lessee Indemnified Party.

12.2. Lessee shall indemnify Lessor and its Indemnified Persons (the "Lessor Indemnified Parties") and hold the Lessor Indemnified Parties harmless from and against, any and all Damages arising out of, resulting from or relating to claims by third parties arising from the negligence of Lessee, except to the extent such Damage is caused by the negligence or willful misconduct of any such Lessor Indemnified Party.

**Article 13. Termination; Reduction of Leased Premises**

13.1. Termination. This Agreement may be terminated at any time during the Lease Term of this Agreement upon the occurrence of any of the following events:

(a) by the non-breaching Party serving a written notice of termination to the other Party and to the Coordinating Committee in the event of a material breach or default by such other Party of its obligations hereunder, which default shall not have been cured by the other Party, or otherwise resolved by the Coordinating Committee within sixty (60) days after written notice is provided by the non-breaching Party to the other Party and the Coordinating Committee;

(b) by Lessor's serving sixty (60) days prior written notice thereof to Lessee if Lessee ceases to conduct any Business (provided that an assignment pursuant to Article 14 shall not trigger the application of this provision in so far as such assignee does not cease to conduct the Business); or

(c) By Lessee with ninety (90) days prior written notice to Lessor for any reason whatsoever.

13.2. Upon termination of this Agreement, each Party shall discontinue the use of all Confidential Information provided by the other Party in connection with this Agreement, and shall promptly return to the other Party any and all Confidential Information, including documents originally conveyed to it by the other Party and any copies thereof made thereafter.

13.3. Termination of this Agreement shall be without prejudice to the accrued rights and liabilities of the Parties prior to the termination of this Agreement.

13.4. The respective rights and obligations of the Parties under any Sections which by their nature are intended to extend beyond termination, shall survive the termination or expiry of this Agreement.

13.5. In the event of the termination of this Agreement pursuant to Section 13.1 hereof, a written notice thereof shall forthwith be given to the other Party specifying the provision hereof pursuant to which such termination is made, and Lessee or Lessor (as the case may be) shall only be liable thereafter for (i) Damages suffered as a result of fraud or willful breach of this Agreement that occurred prior to the termination of this Agreement, or (ii) the obligations and liabilities of the Parties pursuant to this Agreement that accrued prior to the termination of this Agreement.

13.6. In addition, upon ninety (90) days' prior written notice to Lessor, Lessee shall have the right to reduce the Leased Premises and the corresponding Rent and Lessor Maintenance Fee.

13.7. In no event shall a Party be liable for Excluded Damages.

**Article 14. Assignment**

14.1. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns; provided, however, that no Party will assign or sublet its rights or delegate its obligations under this Agreement without the express prior written consent of the other Party hereto, except that (i) Lessee may assign its rights

hereunder as collateral security to any bona fide financial institution engaged in financing in the ordinary course of its Business in providing financing to the Warrant Issuer or its Subsidiaries and any of the foregoing financial institutions may assign such rights in connection with a sale of Lessee's Business in the form then being conducted by Lessee substantially as an entirety; (ii) Lessor and Lessee each may, upon written notice to the other Party (but without the obligation to obtain the consent of such other Party), assign this Agreement or any of its rights and obligations under this Agreement to any person, entity or organization that succeeds (by purchase, merger, operation of law or otherwise) to all or substantially all of the capital stock, assets or business of such party, all or substantially all of its assets and liabilities or to all or substantially all of the assets and liabilities of the portion of the Party's business to which the subject of this Agreement relates or of a division of either Party, if such person or entity agrees in writing to assume and be bound by all of the relevant obligations of such Party under this Agreement; and (iii) Lessee may, upon written notice to Lessor (but without the obligation to obtain the consent of Lessor), assign this Agreement or any of its rights and obligations under this Agreement to one or more direct or indirect Subsidiaries of Warrant Issuer.

**Article 15. Quiet Enjoyment**

Without prejudice to Lessor's rights under this Agreement or under the Applicable Laws, so long as Lessee pays the Rent, the Lessor Maintenance Fee, Utility Fee and Other Costs, and observes all other material terms, conditions and covenants hereof, Lessor shall ensure that Lessee has the right to quietly enjoy the Leased Building without hindrance, molestation or interruption during the Lease Term, subject to the terms and conditions of this Agreement.

**Article 16. Surrender**

16.1. Upon the expiration or termination of this Agreement, Lessor and Lessee shall consult in good faith to determine a reasonable grace period (which shall not be more than 6 months) (the "Grace Period") for Lessee to peaceably and quietly vacate and surrender the Leased Premises to Lessor. For the avoidance of doubt, Lessee shall be obligated to pay the Rent, Utility Fee and Lessor Maintenance Fee for the period until the date of surrender of the Leased Premises to Lessor.

16.2. During the Grace Period, Lessee shall, among other things, restore the Leased Premises to their condition equivalent to that of the Closing Date, reasonable wear and tear and fully insured Property Damage excepted, and as otherwise reasonably acceptable to Lessor by removing at its own expense any Alterations made by Lessee in accordance with the terms and conditions of this Agreement. In the event Lessee fails to vacate, surrender and restore the Leased Premises by the end of the Grace Period, Lessor may move, remove or dispose of any Alterations or other property or belongings remaining in the Leased Premises, and all reasonable expenses incurred therefrom shall be borne by Lessee.

16.3. Lessee shall vacate and surrender the spaces outlined in yellow on Exhibit A-1 within 45 days after the Closing Date and shall otherwise treat such 45 days as a Grace Period for such portion of the Leased Premises; no Rent is attributable thereto.

**Article 17. Disputes and Governing Law**

17.1. This Agreement shall be governed by and construed in accordance with the laws of Korea, without reference to the choice of law principle thereof.

17.2. Any Party seeking the resolution of a dispute arising under this Agreement must provide written notice of such dispute to the other Party, which notice shall describe the nature of such dispute. All such disputes shall be referred initially to the Coordinating Committee for resolution. Decisions of the Coordinating Committee under this Section 17.2 shall be made by unanimous vote of all members and shall be final and legally binding on the Parties. If a dispute is resolved by the Coordinating Committee, then the terms of the resolution and settlement of such dispute shall be set forth in writing and signed by both Parties. In the event that the Coordinating Committee does not resolve a dispute within thirty (30) days of the submission thereof, such dispute shall be resolved in accordance with Section 17.3. Notwithstanding the foregoing, Lessor and Lessee shall each continue to perform their obligations under this Agreement during the pendency of such dispute in accordance with this Agreement.

17.3. The Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to an injunction to prevent any breach of this Agreement and to enforce specifically the terms and provisions of this Agreement by bringing a relevant action in the Seoul Central District Court located in Seoul, Korea, in addition to any other remedy to which any Party may be entitled at law or in equity. In addition, the Parties agree that any

disputes, claims or controversies between the Parties arising out of or relating to this Agreement, whether in contract, tort, equity or otherwise and whether relating to the meaning, interpretation, effect, validity, performance or enforcement of this Agreement shall be submitted to the exclusive jurisdiction of the Seoul Central District Court.

**Article 18. Change of Applicable Laws**

Lessor shall process, and Lessee shall pay for, every zoning requirement or the requirements imposed by the Applicable Laws, which arise from change of conditions caused by Lessee subsequent to the Closing Date from the operation of the Business, as they come into effect during the Lease Term.

**Article 19. Insurance**

19.1. Lessor shall obtain from, keep in force during the Lease Term with, and pay all premiums due to, an insurer(s) holding a A.M. Best Rating of B+ or higher, and reasonably acceptable to Lessee, "all risk" property insurance on the Leased Building, with an insurer(s) holding a A.M. Best Rating of B+ or higher and reasonably acceptable to Lessee, insuring 100% of the replacement value thereof. This insurance shall include, but not be limited to, fire and extended coverage perils, and shall include a waiver of claims and waiver of subrogation against the Lessee. Said insurance shall provide for payment of Damages thereunder to Lessor or to the holders of the mortgages or deeds of trust on the Leased Building.

19.2. Lessee shall obtain and keep in force during the Lease Term, at its expense, on its own furniture, furnishings, fixtures and equipment located in the Leased Building, with

companies reasonably acceptable to Lessor, policies of fire and extended coverage insurance with standard coverage vandalism, malicious mischief and special extended perils (all risk) and shall include a wavier of claims and waiver of subrogation against the Lessor.

19.3. Lessor and Lessee shall each obtain from, keep in force during the Lease Term with, and pay all premiums due to, an insurer(s) holding a A.M. Best Rating of B+ or higher, Standard Commercial General Liability Insurance. The limits of liability of such insurance shall be in an amount not less than One Million Dollars ($1,000,000.00) per occurrence, Personal Injury including death and One Million Dollars ($1,000,000.00) per occurrence, Property Damage Liability or One Million Dollars ($1,000,000.00) combined single limit for Personal Injury and property Damage Liability.

**Article 20. Signage**

Lessee shall not make any changes to the exterior of the Leased Building, install any exterior lights, decorations, balloons, flags, pennants, banners, or paintings, or erect or install any signs, window or door lettering, placards, or advertising media of any type which can be viewed from the exterior of the Leased Building, without Lessor's prior written consent which shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, Lessee has the right to install signs, decorations, advertising media, blinds, draperies and other window treatment or bars or other security installations (i) inside the Leased Premises and not visible from outside the Leased Buildings identifying the presence of Lessee at its sole discretion, or (ii) inside the Leased Premises and visible from outside the Leased Buildings, located in the Common Areas of the Leased Buildings, or located outside the Leased Buildings identifying the presence of Lessee in

form and fashion consistent with Lessor's current signage or otherwise subject to Lessor's reasonable approval. Upon surrender or vacation of the Leased Premises, Lessee shall have removed all signs it has installed and repair, paint, and/or replace the building facia surface to which its signs are attached. Lessee shall obtain all applicable Governmental Authorizations for sign and exterior treatments at its sole cost and expense. Signage rights in the Common Areas of the Leased Building shall be shared equally between Lessor and Lessee. If the size of the signage is limited in the Common Areas of the Leased Buildings or outside of the Leased Buildings, Lessee shall be entitled to a share of signage equal to not less than its proportionate share of all signage which is permitted at the Leased Building based on the square meters of the Leased Premises compared to the square meters available for occupancy in the Leased Building.

**Article 21. Property Damage and Condemnation**

21.1. In the event that any of the Leased Building shall be damaged or destroyed by fire or other event (each, a "Property Damage") the Lessor shall promptly commence repair of the applicable Leased Building and diligently restore the same to substantially the same condition as existed immediately prior to the event of such Property Damage. During the period from the date of such Property Damage until the applicable Leased Building is repaired and restored, (a) Lessee's obligation to pay the Rent, Lessor Maintenance Fee, Utility Fee any Other Costs and related VAT due hereunder shall abate based on the square meters of the Leased Premises which are untenantable as a result of such damage, (b) if Lessor caused the Property Damage, Lessor shall contemporaneously provide Lessee with premises that are vacant, in substitution for and equivalent to the affected Leased Building for which Lessee shall pay Rent at the rate provided for herein ("Substitute Premises") and (c) if Lessor did not cause the Property Damage, (i) to the

extent that Substitute Premises are in the possession of Lessor, Lessor shall provide the Substitute Premises for which Lessee shall pay Rent attributable to the square meters provided based on the same monthly unit Rent, or (ii) to the extent that Substitute Premises are not in the possession of Lessor, Lessor shall use commercially reasonable efforts to locate Alternate Space for which Lessee shall pay rent to the extent such Alternate Space is provided by third parties. Upon the earlier to occur of the completion of such repair or the end of the interference with the Business of Lessee, (i) Lessee is obligated to resume occupancy of the Leased Premises, and (ii) Lessee shall resume the next regularly scheduled payments of Rent, Lessor Maintenance Fee, Other Costs and related VAT in accordance with the terms of the Agreement, pro rated, as applicable, for the number of days of any partial month of Rent.

21.2. If (a) the whole of any Leased Building shall be taken or condemned for a public or quasi-public use or purpose by a competent authority, or (b) such portion of any Leased Building or Leased Premises shall be so taken that as a result thereof the balance cannot continue to be used by Lessee for the reasonable conduct of the Business, then in either of such events (x) Lessor shall immediately provide Substitute Premises, and (y) any award, compensation, or damages (hereinafter sometimes called the "award"), shall be paid to and be the sole property of Lessor, but nothing therein shall preclude Lessee from proving (to the extent allowable by law) its damages with respect to moving expenses and Damages of personal property, and receiving an award therefor. In such event, Lessee shall continue to pay Rent until this Agreement is terminated and shall continue to pay rent under the lease for the Substitute Premises.

21.3. If only a part of any Leased Premises shall be so taken or condemned, and, as a result thereof, the balance of the Leased Premises can be used by Lessee, in its reasonable opinion, for the reasonable conduct of the Business, Lessor shall perform such construction to the balance of the applicable Leased Premises to make it usable for Lessee. Rent shall be equitably abated based on the square meters that are untenantable as a result of such taking. Any portion of the award which has not been expended by Lessor for such repair or restoration shall be retained by Lessor as Lessor's sole property.

21.4. Intentionally Deleted.

**Article 22. Lessor Waiver**

Lessor agrees to execute, upon the request of Lessee, an agreement in favor of any lender to Lessee, agreeing to allow such lender to temporarily occupy the Leased Premises if Lessee defaults under the lender's loan, for the limited purpose of recovering any collateral of such lender located at the Leased Premises, provided such agreement provides for the payment of the Rent, Lessor Maintenance Fee, Utility Fee, Other Costs and VAT by the Lessee's lender during the period of such occupancy.

**Article 23. Right to Expand into Expansion Space**

23.1. Following Lessee's occupancy of the New Leased Premises, Lessee shall have an Expansion Option (as defined below) for the space in the New Leased Premises currently occupied by Hyundai Information Technology Co., Ltd. (the "Expansion Space") as set forth below:

(a) Expansion Option. Lessee shall have the continuing option to take all or any portion of the Expansion Space (or remaining portion thereof) ("Expansion Option"), if and when it becomes unoccupied, and Lessor shall notify Lessee when Lessor learns or intends that it becomes unoccupied at least one (1) month prior to the date it becomes unoccupied. Each such option shall be exercised by Lessee by written notice at least fourteen (14) days prior to the date determined by Lessor as the date it would be unoccupied.

(b) Should Lessee elect to exercise its Expansion Option, the terms and conditions of this Lease shall apply to the Expansion Space. Rent for the Expansion Space shall be at the then current square meter rental rate.

(c) Should Lessee exercise its Expansion Option, Lessor shall deliver such Expansion Space to Lessee, in Turnover Condition (defined below) whereupon said Expansion Space shall be added to and become a part of the Leased Building and shall be governed in all respects by the terms of this Lease except that (i) the Rent shall be recalculated to take into consideration the additional square meters and (ii) notwithstanding anything herein to the contrary, the Lease Term applicable to such space shall end at the same time, and under the same conditions, as applicable to the Lease Term under this Agreement. As used herein, "Turnover Condition" shall mean broom clean, free of occupants and repair equivalent to the condition of the remainder of the Leased Premises.

23.2. This Section shall be deemed advance consent by Lessor to such Expansion Space becoming part of the Leased Premises, and the portion of the building in which the

Expansion Space is located shall thereafter be deemed a Leased Building for purposes of this Agreement. By such Expansion Space becoming part of the Leased Premises, Lessee, as the occupant of such Expansion Space, shall have the right to access and ingress to, and egress from, the Ichon Complex for the purpose of using the Leased Building in accordance with this Agreement, and to pass and repass to and from the Leased Building or any part thereof over and along the Common Areas of the Ichon Complex.

**Article 24. Force Majeure**

24.1. Neither Party shall be liable to the other Party for failure of or delay in the performance of any obligations under this Agreement due to causes reasonably beyond its control including (i) war, insurrections, riots, explosions, inability to obtain raw materials due to then current market situation; (ii) natural disasters and acts of God, such as violent storms, earthquakes, floods, and destruction by lightning; (iii) the intervention of any Governmental Entity or changes in relevant laws or regulations which restrict or prohibit either Party's performance of its obligations under this Agreement or implementation of this Agreement; or (iv) strikes, lock-outs and work-stoppages, which are beyond the reasonable control of the Party claiming the benefit (each, an "Event of Force Majeure").

24.2. Upon the occurrence of an Event of Force Majeure, the affected Party shall notify the other Party as soon as possible of such occurrence, describing the nature of the Event of Force Majeure and the expected duration thereof. Notwithstanding the foregoing, Lessee shall be under continuing obligation to make the payments required hereunder for any Rent, Lessor Maintenance Fee, Utility Fee, Other Costs and the corresponding VAT payable by Lessee, which was payable by Lessee prior to the occurrence of an Event of Force Majeure.

24.3. If a Party is unable, by reason of an Event of Force Majeure, to perform any of its obligations under this Agreement, then such obligation shall be suspended to the extent and for the period that the affected Party is unable to perform. If this Agreement requires an obligation to be performed by a specified date, such date shall be extended for the period during which the relevant obligation is suspended due to such an Event of Force Majeure under this Agreement.

**Article 25. Coordinating Committee**

25.1. Within thirty (30) days after the date hereof, the Parties shall establish a coordinating committee (the "Coordinating Committee") which shall consist of four (4) members, two (2) of which shall be appointed by Lessor and two (2) of which shall be appointed by Lessee. Each Party, upon prior written notice to the other Party, may from time to time remove or replace any member appointed by such Party.

25.2. Except as the Parties may otherwise agree in writing, the Coordinating Committee shall have the power and the responsibility under this Agreement to:

(a) act as a forum for the liaison between the Parties with respect to the day-to-day implementation of this Agreement;

(b) subject to Article 17, seek to resolve disputes; and

(c) undertake such other functions as the Parties may agree in writing.

**Article 26. Confidentiality**

26.1. Confidentiality. Neither Party shall, except as expressly permitted by the terms of this Agreement, disclose to any third party the terms and conditions of this Agreement, the existence of this Agreement and any Confidential Information which either Party obtains from the other Party in connection with this Agreement and/or use such Confidential Information for any purposes whatsoever other than those contemplated hereunder, provided, however, that this Agreement (and its terms and conditions) may be disclosed and filed publicly in connection with a public offering of securities by Lessee or its Affiliates. Confidential Information" shall mean any and all information including technical data, trade secrets or know-how, disclosed by either Party to the other Party in connection with this Agreement, which is marked as "Proprietary" or "Confidential" or is declared by the other Party, whether in writing or orally, to be confidential, or which by its nature would reasonably be considered confidential.

26.2. The obligation of confidentiality in Section 26.1 shall not apply to any information that: (a) was known to the other Party without an obligation of confidentiality prior to its receipt thereof from the disclosing Party; (b) is or becomes generally available to the public without breach of this Agreement, other than as a result of a disclosure by the recipient Party, its representatives, its Affiliates or the representatives of its Affiliates in violation of this Agreement; (c) is rightfully received from a third party with the authority to disclose without obligation of confidentiality and without breach of this Agreement; or (d) is required by law or regulation to be disclosed by a recipient Party or its representatives (including by oral question, interrogatory, subpoena, civil investigative demand or similar process), provided that written notice of any such disclosure shall be

provided to the disclosing Party in advance. If a Party determines that it is required to disclose any information pursuant to applicable law (including the requirements of any law, rule or regulation in connection with a public offering of securities by Lessee or its Affiliates) or receives any demand under lawful process to disclose or provide information of the other Party that is subject to the confidentiality provisions hereof, such Party shall notify the other Party prior to disclosing and providing such information and shall cooperate at the expense of the requesting Party in seeking any reasonable protective arrangements requested by such other Party. Subject to the foregoing, the Party that receives such request may thereafter disclose or provide information to the extent required by such law or by lawful process.

**Article 27. Miscellaneous**

27.1. Exercise of Right. A Party may exercise a right, power or remedy at its discretion, and separately or concurrently with another right, power or remedy. A single or partial exercise of a right, power or remedy by a Party does not prevent a further exercise of that or of any other right, power or remedy. A failure to exercise a right, power or remedy or a delay in exercising a right, power or remedy by a Party does not prevent such Party from exercising the same right thereafter.

27.2. Extension; Waiver. At any time during the Lease Term, each of Lessor and Lessee may (a) extend the time for the performance of any of the obligations or other acts of the other or (b) waive any inaccuracies in the representations and warranties of the other contained in this Agreement or in any document delivered pursuant to this Agreement. Any agreement on the part of a Party to any such extension or waiver shall be valid only if set

forth in an instrument in writing signed on behalf of such Party. The failure of any Party to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of those rights. Any rights under this Agreement may not be waived except in writing signed by the Party granting the waiver or varied except in writing signed by the Parties.

27.3. Notices. Any notice, request, demand, waiver, consent, approval or other communication which is required or permitted to be given to any Party shall be in writing and shall be deemed duly given only upon delivery to the Party personally (including by reputable overnight courier service), when telecopied (with confirmation of transmission having been received) during normal business hours or three days after being mailed by registered or certified mail (return receipt requested), with postage and registration or certification fees thereon prepaid, addressed to the Party at its address set forth below (or at such other address for a party as shall be specified by such Party by like notice):

If to Lessor, to:

Hynix Semiconductor Inc.
Hynix Youngdong Building 891
Daechi-dong
Kangnam-gu, Seoul 135-738
Korea
Fax: +82 2 3459 3647
Attention: Mr. O.C. Kwon

If to Lessee, to:

MagnaChip Semiconductor, Ltd.
1 Hyangjeong-dong
Heungduk-gu
Cheongju City
Chung Cheong Bok-do
Korea
Fax: +82-43-270-2134
Attention: Dr. Youm Huh

with a copy to:

Dechert LLP
30 Rockefeller Plaza
New York, NY 10112
Telephone: (212) 698-3500
Facsimile: (212) 698-3599
Attention: Geraldine A. Sinatra, Esq.
Sang H. Park, Esq.

27.4. Fees and Expenses. All costs and expenses incurred in connection with this Agreement shall be paid by the Party incurring such expenses, except as specifically provided to the contrary in this Agreement.

27.5. Entire Lease; No Third Party Beneficiaries. This Agreement (a) constitutes the entire agreement between the Parties and supersedes all prior agreements and understandings, both written or oral, between the Parties with respect to the subject matter hereof and (b) is not intended to confer upon any person other than the Parties hereto any rights or remedies hereunder.

27.6. Severability of Provisions. Any term or provision of this Agreement that is held by a court of competent jurisdiction or other authority to be unlawful, invalid, void or

unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction or other authority declares that any term or provision hereof is unlawful, invalid, void or unenforceable, the Parties agree that the court making such determination shall have the power to reduce the scope, duration, area or applicability of the term or provision, to delete specific words or phrases, or to replace any unlawful, invalid, void or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the unlawful, invalid or unenforceable term or provision.

27.7. Amendment and Modification. This Agreement (for the avoidance of doubt, including Exhibits attached hereto) may be amended, modified and supplemented in any and all respects, but only by a written instrument signed by the Parties expressly stating that such instrument is intended to amend, modify or supplement this Agreement.

27.8. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement.

27.9. Election of Remedies. Neither the exercise of nor the failure to exercise a right or to give notice of a claim under this Agreement shall constitute an election of remedies or limit any Party in any manner in the enforcement of any other remedies that may be available to such Party, whether at law or in equity.

27.10. Language. This Agreement is being originally executed in the English language only. In the event that the Parties agree to have a Korean version of this Agreement following

signing, this Agreement may be translated into Korean. The Parties acknowledge that the Korean version of this Agreement shall be for reference purpose only, and in the event of any inconsistency between the two texts, the English version shall control.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed by its duly authorized representatives as of the date first above written.

Hynix Semiconductor Inc.

By: _____

Name: _____

Title: _____

MagnaChip Semiconductor, Ltd.

By: _____

Name: _____

Title: _____

**Exhibit 10.11**

**Execution Copy**

# BUILDING LEASE AGREEMENT

Between

MagnaChip Semiconductor, Inc.

(as Lessor)

and

Hynix Semiconductor Ltd.

(as Lessee)

with respect to

R Building, C1 Building and C2 Building located in Cheong-Ju

the Republic of Korea

October 6, 2004

**TABLE OF CONTENTS**

**BUILDING LEASE AGREEMENT**

This BUILDING LEASE AGREEMENT (this "Agreement" or this "Lease"), dated as of October 6, 2004, is entered into by and between:

(1) MagnaChip Semiconductor, Ltd., a company organized and existing under the laws of Korea with its registered office at 1 Hyangjeong-dong, Heungduk-gu, Cheongju City, Chung Cheong Bok-do, Korea ("Lessor"); and

(2) Hynix Semiconductor Inc., a company organized and existing under the laws of the Republic of Korea ("Korea") with its registered office at San-136-1, Ami-Ri, Bubal-Eub, Ichon-Si, Kyoungki-Do, Korea ("Lessee") (each a "Party", and collectively the "Parties").

**RECITALS**

WHEREAS, the Parties have entered into a certain business transfer agreement dated June 12, 2004, as amended (the "BTA") pursuant to which, among other things, Lessor has agreed to acquire the Acquired Assets (as defined in the BTA) from Lessee subject to the terms and conditions set forth in the BTA;

WHEREAS, the Parties desire to enter into an agreement as contemplated by the BTA whereby Lessor leases to Lessee all or certain parts of the Leased Buildings (as defined below), which are necessary for Lessee's Business (as defined below) and for the operation of facilities necessary for its business, in accordance with this Agreement; and

WHEREAS, the execution and delivery of this Agreement is a condition to the Closing under the BTA.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter set forth, and intending to be legally bound hereby, Lessor and Lessee agree as follows:

**Article 1. Definitions**

1.1. Unless otherwise defined herein or defined in the BTA, all capitalized terms shall have the meanings set forth below:

"Affiliate" shall have the meaning ascribed to such term in the BTA.

"Alterations" shall have the meaning ascribed to such term in Section 9.3.

"Alternate Space" shall have the meaning ascribed to such term in Section 7.2.

"Applicable Laws" shall mean all laws, constitutions, statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, consent orders and decrees, policies, guidelines or any interpretations of any of the foregoing, including general principles of civil law and equity, issued by any Governmental Entity having or exercising jurisdiction over or otherwise affecting any Party, the Business or the Leased Buildings.

"Book Value" shall mean Lessee's book value for the particular asset as set forth in Lessee's financial statements as of December 31, 2003 as amortized in accordance with Lessee's accounting practices as of December 31, 2003 and adjusted from time to time (a) as a result of the installation of capital improvements or as a result of the incurrence

of capital expenditures as determined in accordance with Korean generally accepted accounting principles or (b) as a result of revaluation as may be permitted by Applicable Laws.

"BTA" shall have the meaning ascribed to such term in the Recitals.

"Business" shall mean any business conducted by the Lessee as of the Closing Date as well as Permitted Uses.

"Calculation Date" shall have the meaning ascribed to such term in Section 4.1.

"CDC Machinery Room" shall mean that certain machinery room located in the R Building as more specifically outlined on Exhibit A-1.

"Closing" shall have the meaning ascribed to such term in the BTA.

"Closing Date" shall have the meaning ascribed to such term in the BTA.

"Common Areas" shall mean Common Areas of the Leased Buildings and Common Areas of the Lessor Complex, as appropriate for the context.

"Common Areas of the Leased Buildings" shall mean the areas of the Leased Buildings used in common by Lessor and Lessee on a shared basis, including the Special Common Areas and Specially Treated Common Areas, basement level 1 and 2 and first and second floor of R Building (including parking lot), roof area of R Building, corridors, hallways, stairways, entryways, lavatories, elevators, central mechanical rooms, elevator machine rooms, pump rooms, loading dock facilities, electrical and communication rooms, postal, security facilities, janitorial facilities, corridors, lobbies, reception areas, atriums, fire

vestibules, elevator foyers, service elevator receiving areas, mailrooms, electric and communication closets, public areas as well as balconies, terraces and patios on floors where other Common Areas of the Leased Buildings exist.

"Common Areas of the Lessor Complex" shall have the meaning set forth in Section 2.2.

"Common Area Share" shall mean 551/1,000 for calculations made for any month following the Closing Date through and including March 2005, or thereafter, a fraction, the numerator of which is the number of Lessee employees at the Lessor Complex and Lessee Complex, and the denominator of which is such number of Lessee employees plus the number of Lessor employees at the Lessor Complex and Lessee Complex, in each case such number of employees shall be measured as of April 1 of the calendar year of calculation (or as of April 1 of the year prior to the calendar year of calculation in the case of calculations made for January, February or March); provided that if the number of employees fluctuates after any such measurement date such that the Common Area Share would have changed by at least 10% if such fluctuation were taken into account the Common Area Share shall be adjusted to reflect such fluctuation until the next measurement date or the next such fluctuation.

"Consents" shall mean any consents, approvals, waivers or authorizations to be obtained from, or notices to be given to, any persons or entities, and includes Governmental Authorizations.

"Coordinating Committee" shall have the meaning ascribed to such term in Section 25.1.

"Damages" shall mean any and all losses, settlements, expenses, liabilities, obligations, claims, damages (including any governmental penalty or costs of investigation, clean-up and remediation), deficiencies, royalties, interest, costs and expenses (including reasonable attorneys' fees and all other expenses reasonably incurred in investigating, preparing or defending any litigation or proceeding, commenced or threatened incident to the successful enforcement of this Agreement), the extent of which are recoverable under Korean law, but shall specifically exclude Excluded Damages.

"Due Date" shall have the meaning ascribed to such term in Section 6.1.

"Event of Force Majeure" shall have the meaning ascribed to such term in Section 25.1.

"Excluded Damages" shall mean any punitive damages.

"Extension Term" shall have the meaning ascribed to such term in Section 3.1.

"General Service Supply Agreement" shall mean that certain General Service Supply Agreement between Lessor and Lessee, dated as of the same date hereof.

"Governmental Authorization" shall mean any approval, consent, license, permit, waiver or other authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Entity or otherwise pursuant to any Applicable Law, and any registration with, or report or notice to, any Governmental entity pursuant to any Applicable Law.

"Governmental Entity" shall mean a court, arbitral tribunal, administrative agency or commission or other governmental or other regulatory authority or agency.

"Grace Period" shall have the meaning ascribed to such term in Section 16.1.

"Indemnified Person" of a Party shall mean the Party and its Subsidiary (as defined in the BTA), and any shareholder, partner, member, director, officer, employee, agent or representative of the Party or such Subsidiary.

"Initial Lease Term" shall have the meaning ascribed to such term in Section 3.1.

"Invoice" shall have the meaning ascribed to such term in Section 6.1.

"Joint Use Area" shall mean those portions of the Test Room and the CDC Machinery Room in the R Building which are demised to Lessee or retained by Lessor and to be used jointly, as more specifically depicted on Exhibit A-1.

"Land" shall mean certain portion of lots on which the Leased Buildings are located, as more specifically identified on Exhibit B-3.

"Leased Buildings" shall mean the R Building, C1 Building, and C2 Building, located in the Lessor Complex, as more specifically identified in Exhibit B-1.

"Leased Premises" shall mean (i) the portion of the Leased Buildings occupied exclusively by the Lessee, comprising approximately 8,874.52 square meters and more specifically outlined on Exhibit A-1 through A-3 and (ii) the portion of the Joint Use Area designated as Lessee's Leased Premises.

"Lease Right" shall have the meaning contained in Section 2.2.

"Lease Term" shall have the meaning ascribed to such term in Section 3.1

“Lease Year” shall mean the one year period beginning on the Closing Date and each anniversary thereafter.

“Lessee” shall have the meaning contained in the Preamble of this Agreement.

“Lessee Complex” shall mean the manufacture, testing, packaging, research and development and other facilities (including buildings) owned by Lessee, located at Cheong-Ju, Korea, and more specifically depicted on Exhibit B-2.

“Lessee Complex Lease Agreement” shall mean the Building Lease Agreement dated as of the same date hereof, entered into by and between Lessor and Lessee with respect to certain Buildings and Warehouses located in the Lessee Complex.

“Lessor” shall have the meaning contained in the Preamble of this Agreement.

“Lessor Complex” shall mean the manufacture, testing, packaging, research and development and other facilities (including buildings) owned by Lessor, located at Cheong-Ju, Korea, and more specifically depicted on Exhibit B-1.

“Lessor Maintenance Fee” shall have the meaning ascribed to such term in Section 5.2.

“Lessor Work” shall have the meaning contained in Article 11.

“Lien” shall mean any lien, charge, claim, agreement to sell, pledge, security interest, judgment, conditional sale agreement or other title retention agreement, finance lease, mortgage, deed of trust, security agreement, right of first refusal or offer (or other similar right), option, restriction, tenancy, license, covenant, encroachment (whether upon any real property or by any improvement situated on any real property onto any adjoining real property or onto any easement area), right of way, easement, title defect or other encumbrance or title matter, existing as of the Closing Date.

"Mask Shops" shall mean the portions of the C-1 Building and C-2 Building areas designated as "Mask Shops" on the attached Exhibits A-2 and A-3, and demised to Lessee as part of its Leased Premises.

"Monthly Unit Rent" shall mean the amount of Rent with respect to each Leased Building in terms of rent per square meter for each month of the Lease Term.

"Other Building Rent" shall have the meaning ascribed to such term in Section 4.1.

"Other Costs" shall have the meaning ascribed to such term in Section 6.3.

"Other Occupants of the Leased Buildings" shall mean the third parties occupying portions of the Leased Buildings under lease or occupancy arrangements with Lessor.

"Permitted Uses" shall mean the use of the Leased Buildings to conduct the Business or any other semiconductor, information technology or other technology related business.

"Property Analysis Room" shall mean the portions of the C-2 Building designated as "Property Analysis Room" on the attached Exhibit A-4, and demised to Lessee as part of its Leased Premises.

"Property Damage" shall have the meaning ascribed to such term in Section 21.1.

"Proceeding" shall mean any action, arbitration, audit, hearing, investigation, litigation or suit (whether civil, criminal, administrative, or investigative) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Entity.

"R Building Rent" shall have the meaning ascribed to such term in Section 4.2.

"Refinancing" shall have the meaning ascribed to such term in Section 2.3.

"Rent" shall mean, collectively, the Other Building Rent and the R Building Rent.

"Rent Calculation for Monthly Unit Rent" shall have the meaning set forth in Exhibit C.

"Restricted Areas" shall have the meaning ascribed to such term in Section 7.5.

"Rules and Regulations" shall mean the reasonable rules and regulations, including those attached as Exhibit E to this Agreement, adopted by Lessor and applied generally to the Leased Premises, Common Areas of the Leased Buildings and Common Area of the Lessor Complex, if any, (a) which rules and regulations have been previously provided to Lessee, (b) shall be uniformly applied to all occupants of the Leased Premises, Common Areas of the Leased Buildings and Common Areas of the Lessor Complex, including Lessor, and (c) do not diminish the rights or increase the liabilities of the Lessee as otherwise provided under this Agreement.

"Second Priority" shall have the meaning ascribed to such term in Section 2.3.

"Special Common Area" shall mean those portions of the Common Areas of Lessor Complex limited to the exclusive use of Lessor or Lessee, as the case may be, more specifically depicted on Exhibit A-1.

"Specially Treated Common Areas" shall mean those portions of the Common Areas on the third through sixth floors of the R Building which are lavatories, elevators, A.H.U. room and stairways.

"Subsidiary" shall have the meaning ascribed to such term in the BTA.

"Substitute Premises" shall have the meaning ascribed to such term in Section 21.1.

"Successor" shall have the meaning ascribed to such term in Section 14.1.

"Taxes" shall mean any and all taxes, fees, levies, duties, tariffs, imposts, and other charges of any kind (together with any and all interest, penalties, additions to tax and additional amounts imposed with respect thereto) imposed by any Governmental Entity pursuant to any Applicable Law levied on the Leased Buildings. Taxes shall not include any taxes on income, rents, franchise, gift, gross receipts, or capital stock tax, or similar tax arising from the Lessor's receipt of rent.

"Test Room" shall mean those certain test and measurement rooms located in the R Building as more specifically outlined on Exhibit A-1.

"VAT" shall mean the value added Tax required to be paid to the relevant Governmental Entity in respect of the lease of the Leased Buildings to Lessee.

1.2. Rules of Interpretation.

(a) When a reference is made in this Agreement to a section or article, such reference shall be to a section or article of this Agreement unless otherwise clearly indicated to the contrary.

(b) Whenever the words "include", "includes" or "including" are used in this Agreement they shall be deemed to be followed by the words "without limitation."

(c) The words “hereof”, “hereto”, “herein” and “herewith” and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and article, section, paragraph and exhibit references are to the articles, sections, paragraphs and exhibits of this Agreement unless otherwise specified.

(d) The meaning assigned to each term defined herein shall be equally applicable to both the singular and the plural forms of such term, and words denoting any gender shall include all genders. Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning.

(e) A reference to any party to this Agreement or any other agreement or document shall include such party’s successors and permitted assigns.

(f) A reference to any legislation or to any provision of any legislation shall include any amendment to, and any modification or re-enactment thereof, any legislative provision substituted therefor and all regulations and statutory instruments issued thereunder or pursuant thereto.

(g) The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provisions of this Agreement.

(h) Headings are for convenience only and do not affect the interpretation of the provisions of this Agreement.

(i) Any Exhibits attached hereto are incorporated herein by reference and shall be considered as part of this Agreement.

**Article 2. Premises**

2.1. In consideration of the Rent hereby agreed to be paid to Lessor by Lessee and the agreements and covenants herein made by Lessee, during the Lease Term, Lessor hereby leases to Lessee the Leased Premises, and grants the right to use the Common Areas of the Leased Buildings, including the Special Common Areas for Lessee's use and the right to use the Common Areas of the Lessor Complex, and the right to use the Joint Use Areas of the Leased Buildings upon the terms and conditions contained herein.

2.2. As consideration for the Rent hereby agreed to be paid to Lessor by Lessee, as an essential inducement to Lessee to enter into this Agreement, as one of the necessary rights for the use and benefit of this Agreement by Lessee, and as consideration for the agreements and covenants herein made by Lessee, Lessor hereby grants to Lessee with a right (i) to access and ingress to, and egress from, the Lessor Complex for the purpose of using the Leased Premises in accordance with this Agreement, (ii) to use the Common Areas of the Leased Building and (iii) to pass and repass to and from and through the Leased Buildings or any part thereof over and along roads, accessways, paths, hallways, corridors, highways and usable areas in, over, under and between the Leased Buildings, skybridges, including those connecting C2 Building and R Building and C2 Building and Assembly Building, walkways, arcades and all landscaped areas (including pools and

fountains) and other thoroughfares within the Lessor Complex owned by Lessor (together, the "Common Areas of the Lessor Complex"), provided that Lessee shall fully comply with all Applicable Laws and applicable Rules and Regulations. Lessor represents that all of such portions of the Lessor Complex are available for use by Lessee for the purpose of using the Leased Premises or operating the Business. Lessor acknowledges that any reduction in the rights granted to Lessee under this Section 2.2 would cause immediate and irreparable harm to Lessee and will entitle Lessee, in addition to any other remedies Lessee may have hereunder or otherwise under Applicable Laws (a) to stop any such reduction by injunction, whether such reduction arises from the acts of Lessor, or any other party claiming an interest in the Lessor Complex against Lessor and (b) to reduce the rights granted by Lessee to Lessor under Section 2.2 of the Lessee Complex Lease Agreement. The rights granted hereunder shall be integral to the grants of the rights under Section 2.1 and elsewhere in this Agreement, shall benefit Lessee and run with Lessee's interest under this Agreement, and shall automatically pass to any successor and permitted assign of Lessee.

2.3. In addition, Lessor hereby grants to Lessee a right to register the lease and rights created under this Agreement ("*deunggi imchakwon*") over the Leased Premises (the "Lease Right") with the relevant real property registry offices for a term of the Lease Term. The Parties each upon the request of the other agree to submit a joint application to re-register the Lease Right to include any Extension Term. Lessor will take any action necessary to maintain or cause to be maintained the priority of the Lease Right (the "Second Priority"), subordinate only to the registered rights of Lessor's mortgagees, and any re-financing or replacement of their mortgage loans (each, a "Financing") secured against the Leased

Buildings during the Lease Term. Lessee acknowledges that the Financing may be refinanced or replaced from time to time and Lessee agrees to take any action reasonably requested by Lessor at Lessor's sole cost in connection therewith including de-registration of the Lease Right so long as Lessor and any applicable mortgagee of Lessor takes any action necessary to maintain or cause to be maintained the Second Priority of the Lease Right, including re-registration thereof.

2.4. Lessee acknowledges and agrees that Lessee has the right to occupy and use the Leased Premises only for the purposes provided, and upon the terms and conditions set forth, in this Agreement.

2.5. With respect to the CDC Machinery Room each of Lessor and Lessee shall cooperate with the other Party and take or cause to be taken such action as may be reasonably requested by the other Party in order to, among other requirements, institute a security program to restrict access to the CDC Machinery Room solely to approved personnel. Notwithstanding anything to the contrary set forth herein, with respect to the CDC Machinery Room, Lessor retains space therein equivalent to 229.39 square meters, and Lessee is granted as part of the Leased Premises space therein equivalent to 289.60 square meters. The CDC Machinery Room may be used by both Lessor and Lessee as Joint Use Areas.

2.6. Each Party shall cooperate with the other Party and take or cause to be taken such actions as may be reasonably requested by the other Party in order to comply with the other Party's reasonable security rules and regulations.

2.7. With respect to the Test Room in the R Building, each of Lessor and Lessee shall cooperate with the other Party and take or cause to be taken such action as may be reasonably requested by the other Party in order to, among other requirements, institute a security program to restrict access to the Test Room solely to approved personnel. Notwithstanding anything to the contrary set forth herein, with respect to the Test Room, Lessor shall retain 417.57 square meters to be used as Joint Use Area, and Lessee shall be granted as Leased Premises 512.43 square meters to be used as Joint Use Area.

**Article 3. Term**

3.1 The initial term of this Agreement (the "Initial Lease Term") shall be for twenty (20) years from the Closing Date, which Initial Lease Term shall, subject to the termination provisions of Article 13, be automatically extended for successive ten (10)-year periods (each, an "Extension Term"; the Lease Term and all Extension Terms are collectively referred herein as the "Lease Term") under the terms and conditions hereof, (i) unless otherwise agreed between the Parties and (ii) as long as the Leased Buildings remain on the Land and Lessee uses the Leased Premises for the purpose of operating the Business. In any event, Lessor and Lessee will undertake such action to extend the Lease Term in the event the automatic extension is not enforceable.

**Article 4. Rent; Taxes**

4.1. The monthly rent for all of the Leased Premises (other than the Leased Premises in the R Building), exclusive of VAT (the "Other Building Rent"), for the first four (4) years of the Initial Lease Term, shall be the sum for all of the Leased Premises of the calculation for

each Leased Building of the applicable Monthly Unit Rent as of December 31, 2003 derived in accordance with Exhibit C multiplied by the number of square meters in the Leased Premises of the applicable Leased Building. Commencing on the fourth (4th) anniversary of the Closing Date, or on the first day of the immediately succeeding calendar month if the Closing Date is not the first day of the calendar month, and every anniversary of such date (each, a "Calculation Date"), the Other Building Rent for each Leased Premises in each Leased Building (other than the Leased Premises in the R Building) will be recalculated annually based on the Rent Calculation for Monthly Unit Rent attached as Exhibit C, multiplied by the number of square meters in the Leased Premises of the applicable Leased Building.

4.2. The monthly rent due from Lessee for the Leased Premises and Common Areas in R Building, exclusive of VAT (the "R Building Rent"; the R Building Rent and the Other Building Rent are collectively referred to herein as the "Rent"), for the first four (4) years of the Initial Lease Term, shall be the Monthly Unit Rent as of December 31, 2003 derived in accordance with Exhibit C multiplied by the sum of (i) the number of square meters in the Leased Premises of the R Building, (ii) the number of square meters of the Common Areas of the R Building (other than the Specially Treated Common Areas of the R Building) multiplied by the Lessee's Common Area Share, and (iii) for each of the third through sixth floors of the R Building, the number of square meters in the Specially Treated Common Areas of the relevant floor in the R Building multiplied by a fraction, the numerator of which is the number of square meters of Leased Premises for such floor and the denominator of which is the number of square meters of total floor area for such floor excluding the Specially Treated Common Areas and any area occupied by third

parties (other than the Leased Premises) on such floor. On each Calculation Date, the Rent for the Leased Premises of the R Building will be recalculated annually based on the Rent Calculation for Monthly Unit Rent attached as Exhibit C, multiplied by the sum of (i) the number of square meters in the Leased Premises of the R Building, (ii) the number of square meters of the Common Areas of the R Building (other than the Specially Treated Common Areas of the R Building) multiplied by the Lessee's Common Area Share recalculated as of such Calculation Date, and (iii) for each of the third through sixth floors of the R Building, the number of square meters in the Specially Treated Common Areas of the relevant floor in the R Building multiplied by a fraction, the numerator of which is the number of square meters of the Leased Premises for such floor and the denominator of which is the number of square meters of total floor area for such floor excluding the Specially Treated Common Areas and any area occupied by third parties (other than the Leased Premises) on such floor.

4.3. Provided the square meters of the Leased Premises for the particular Leased Building are more than fifty percent (50%) of all of the square meters of the Leased Building, Lessee shall have the right to require Lessor to contest the amount or validity of any Taxes or other claim (collectively, "Claims") relating to such Leased Building, if Lessee in good faith, reasonably believes they are incorrect, in which case Lessee may pay under protest while the Claim is contested, or delay payment thereof or compliance therewith to the extent they are being so contested, provided that (i) Lessee shall pay or perform the contest of such Claim, and the amount due for such Claims as finally determined; (ii) such contest shall not otherwise cause Lessor to be in default under any contracts or legally enforceable requirements of third parties including any Governmental Entity

which are binding upon Lessor; or cause any material part of the Leased Buildings or any Rent therefrom to be in any immediate danger of sale, forfeiture, attachment or loss; and (iii) Lessee shall indemnify, protect, defend and hold harmless Lessor from and against any Damage incurred by Lessor in connection therewith or as a result thereof.

**Article 5. Maintenance; Lessor Maintenance Fee**

5.1. Lessor shall be obligated to perform all maintenance and repairs, and to the extent not provided for in the General Service Supply Agreement, to supply all customary services with respect to the Leased Premises and Common Areas as more fully described on Exhibit D ("Lessor Maintenance Services").

5.2. The amount of monthly maintenance fee for the Lessor Maintenance Services, exclusive of VAT (the "Lessor Maintenance Fee") with respect to the Leased Premises in the R Building and Common Areas of the R Building shall be initially calculated for each of the first four (4) Lease Years as follows:

two percent (2%) of each Leased Building's Book Value as of December 31, 2003;
divided by the number of square meters in the R Building;
divided by twelve (12).

Then such monthly per square meter Lessor Maintenance Fee shall be:

multiplied by each of (i) the number of square meters in the Leased Premises of the R Building, (ii) the number of square meters of the Common Areas of the R Building (other than the Specially Treated Common Areas of the R Building) multiplied by the Lessee's

Common Area Share, and (iii) for each of the third through sixth floors of the R Building, the number of square meters in the Specially Treated Common Areas of the relevant floor in the R Building multiplied by a fraction, the numerator of which is the number of square meters of the Leased Premises for such floor and the denominator of which is the number of square meters of total floor area for such floor excluding the Specially Treated Common Areas and any area occupied by third parties (other than the Leased Premises) on such floor.

Thereafter, the Lessor Maintenance Fee with respect to the Leased Premises in the R Building and Common Areas of the R Building shall be recalculated annually to increase or decrease by the same percentage as the change in the consumer price index published by the Korean National Statistical Office of the Ministry of Finance and Economy (each, an "Index") or any of its equivalent if an Index is not available, between the Index published most recently prior to the Calculation Date compared to the Index published most recently prior to one year before such Calculation Date and as adjusted as well for the recalculation of the Common Area Share as of the Calculation Date.

5.3. The Lessor Maintenance Fee with respect to the Leased Premises and Common Areas of the Leased Building other than those in the R Building for each of the first four (4) Lease Years as follows:

two percent (2%) of each Leased Building's Book Value as of December 31, 2003;
divided by the number of square meters in the applicable Leased Building;
divided by twelve (12).

Then such monthly per square meter Lessor Maintenance Fee shall be multiplied by the number of square meters in the Leased Premises of the applicable Leased Building.

Thereafter, the Lessor Maintenance Fee with respect to the Leased Premises and Common Areas of the Leased Building other than those in the R Building shall be recalculated annually to increase or decrease by the same percentage as of the change in the Index, or any of its equivalent if an Index is not available, between the Index published most recently prior to the Calculation Date compared to the Index published most recently prior to one year before such Calculation Date.

5.4. Lessor shall perform all Lessor Maintenance Service necessary to maintain the Leased Buildings in as good condition as exists as of the Closing Date, reasonable wear and tear excepted.

5.5. The Lessor Maintenance Fee shall be charged from the Closing Date.

5.6. Notwithstanding anything herein to the contrary, the Parties acknowledge and agree that it is their mutual intent that the Lessor Maintenance Fee for the Lessor Maintenance Services provided hereunder shall be no greater than the actual cost reasonably incurred to provide such Lessor Maintenance Services. The Parties agree to cooperate in good faith in furtherance of the foregoing, including by adjusting the Lessor Maintenance Fee from time to time if necessary in order to effectuate this intent. Lessor shall use its commercially reasonable efforts to minimize the costs incurred to provide the Lessor Maintenance Services.

**Article 6. Payment of Rent and Lessor Maintenance Fee**

6.1. Lessor shall provide an invoice (the "Invoice") to Lessee by the 10th day of each calendar month which shall include the amounts of Rent (including Taxes), Lessor Maintenance Fee, Other Costs (as defined in Section 6.3) and the corresponding VAT amount payable by Lessee for such month. Lessee shall pay in aggregate the Rent, Lessor Maintenance Fee, Other Costs and the corresponding VAT amount stated on each Invoice to the Lessor's designated account, or as otherwise designated by Lessor, by means of a wire transfer in immediately available funds by the 25th day of each calendar month (the "Due Date"). Lessee shall review each Invoice for Taxes by the 20th day of each month, and, notwithstanding anything herein to the contrary, if not in agreement with the amount, then Lessee may require the Lessor to contest such Taxes as provided in Section 4.3 of this Agreement.

6.2. For the Initial Lease Term or any Extension Term which is less than a full calendar month, the amount of Rent, Lessor Maintenance Fee and the corresponding VAT amount payable by Lessee shall be equal to a pro rata portion of the Rent, Lessor Maintenance Fee and the corresponding VAT amount, based on a ratio of the number of days during such month that the Initial Lease Term, or applicable Extension Term, as the case may be, is in effect to the total number of days in such month.

6.3. If (a) the Rent and/or Lessor Maintenance Fee are not paid on or before the Due Date or (b) any other amounts payable herein including payments due by either Party with respect to Damages (collectively, the "Other Costs") are not paid when due, after the passage of any applicable grace and/or cure period, Lessee or Lessor, as applicable, shall be liable

for and pay interest on the outstanding amounts of the Rent, Lessor Maintenance Fee and/or Other Costs at a rate of eight percent (8%) per annum calculated from and including the sixth day after the Due Date until the date the Rent, the Lessor Maintenance Fee and/or Other Costs are received by the Party to whom they are due.

6.4. Lessee shall be responsible for payment of any VAT levied on the Rent, Lessor Maintenance Fee and/or Other Costs due from it to Lessor under this Agreement.

6.5. Lessor shall, at the request of Lessee, provide the Lessee with relevant data and records for the calculation of the Rent, Lessor Maintenance Fee, Other Costs and VAT and determination of Lessor's compliance with its obligations under this Agreement; provided that Lessee may make no more than one such request per calendar quarter and any such request must be reasonably specific. Lessor shall prepare and maintain proper books and records of all matters pertaining to the calculation of Rent, Lessor Maintenance Fee, Other Costs and VAT under this Agreement. Subject to Article 26 and the first sentence of this Section 6.5, upon seven (7) days prior written notice, Lessee, or its authorized representatives, may examine during normal business hours, the books, records and documents of Lessor to the extent reasonably necessary for verification of any invoice or compliance under this Agreement; provided, however, that if a Lessor is to provide such books and records to Lessee for such Lessee's examination and photocopying purposes, Lessor may blackout any information contained in such books and records that relates to Lessor other than information regarding the calculation of the Rent, Lessor Maintenance Fee, Other Costs and VAT and that is required for the determination of Lessor's compliance with its obligations under this Agreement.

6.6 Notwithstanding anything herein to the contrary, in the event of a bankruptcy filing with respect to Lessee, Lessee shall deposit with Lessor an amount equal to the Rent paid by Lessee during the immediately preceding full calendar month under the terms of this Agreement, against which will be credited Rent payable by Lessee over the thirty day period following such deposit. Lessee shall renew such deposit each thirty days in each case by reference to the Rent paid by Lessee during the full calendar month immediately preceding any such renewal until such bankruptcy protection filing has been accepted by the bankruptcy court. For the avoidance of doubt, Lessee shall not be relieved of responsibility for, and shall pay when due, any Rent hereunder during any such thirty day period to the extent in excess of the then actual deposit.

**Article 7. Representations, Warranties and Covenants**

7.1. Lessor hereby represents and warrants to Lessee that all of the statements contained in this Section 7.1 are true and correct in all material respects as of the Closing Date.

(a) Organization. Lessor is a corporation duly organized and validly existing under the laws of Korea and has full power and authority to own and lease the Leased Buildings.

(b) Authorization. Lessor has full corporate power and authority to execute and deliver this Agreement. The execution, delivery and performance by Lessor of this Agreement have been duly authorized by all corporate actions on the part of Lessor that are necessary to authorize the execution, delivery and performance by Lessor of this Agreement.

(c) Binding Agreement. This Agreement has been duly executed and delivered by Lessor and, assuming due and valid authorization, execution and delivery hereof by Lessee, is a valid and binding obligation of Lessor, enforceable against Lessor in accordance with its terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws of general application affecting enforcement of creditors' rights generally and (ii) the availability of the remedy of injunctive relief may be subject to the discretion of the court before which any proceeding therefor may be brought or the general principle of good faith and fairness provided for in the Korean Civil Code.

(d) Title and Consents. Subject to various rights of Other Occupants of the Leased Buildings as tenants in possession, Lessor is the legal and beneficial owner of the Leased Buildings and has requisite power to grant the lease hereunder to Lessee and the registration of the Lease Right on the Leased Premises to Lessee, and Lessor has obtained all necessary and relevant Consents in relation to the granting of the Lease Right and the registration thereof in accordance with Article 8.

(e) Use of the Leased Buildings. Lessor has obtained all Governmental Authorizations required in connection with the ownership or use of the Leased Buildings. The present condition and use of the Leased Buildings by Lessor complies with all Applicable Laws in all material respects.

(f) Brokerage. Lessor and its Subsidiaries have not made any agreement or taken any other action which might cause any Person (as defined in the BTA) to become entitled to a broker's or finder's fee or commission as a result of this Lease.

(g) NO OTHER REPRESENTATIONS. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS AGREEMENT OR THE BTA, NEITHER LESSOR NOR ANY OTHER PERSON OR ENTITY ACTING ON BEHALF OF LESSOR, MAKES ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED. TO THE EXTENT ANY REPRESENTATIONS OR WARRANTIES HEREIN ARE INCONSISTENT WITH ANY REPRESENTATIONS OR WARRANTIES IN THE BTA, THE APPLICABLE REPRESENTATIONS OR WARRANTIES IN THE BTA SHALL CONTROL.

7.2. Lessor will maintain the Leased Buildings in material compliance with all Applicable Laws. If the Leased Premises at any time cannot be leased to and occupied by Lessee in compliance with Applicable Laws, whether as a result of the Lessor's failure to perform permitting requirements or for other reasons with respect to any of the Leased Buildings, other than due to Lessee's acts, omissions or use of the Leased Premises, then in any of such events, (a) Rent for the applicable Leased Premises shall be abated based on the square meters of the Leased Premises which cannot be leased and occupied, (b) Lessor shall either (i) provide Substitute Premises to the extent that Substitute Premises are in the possession of Lessor, or (ii) use commercially reasonable efforts to locate alternate space for Lessee to occupy (the "Alternate Space") to the extent that Substitute Premises are not in the possession of Lessor, and (c) Lessor shall pay for all of the Lessee's expenses in demobilization and remobilization to the Substitute Premises to the extent not

covered by Lessee's insurance. Lessee shall pay Rent attributable to the square meters provided in any Substitute Premises based on the formula in Exhibit C or Lessee shall pay rent required by the applicable landlord for the Alternate Space to the extent such Alternate Space is provided by third parties.

7.3. Lessee hereby represents and warrants to Lessor that all of the statements contained in this Section 7.3 are true and correct in all material respects as of the Closing Date.

(a) Organization. Lessee is a corporation duly organized and validly existing under the laws of Korea and has full power and authority to carry on its business as heretofore conducted.

(b) Authorization. Lessee has full corporate power and authority to execute and deliver this Agreement. The execution, delivery and performance by Lessee of this Agreement have been duly authorized by all corporate actions on the part of Lessee that are necessary to authorize the execution, delivery and performance by Lessee of this Agreement.

(c) Binding Agreement. This Agreement has been duly executed and delivered by Lessee and, assuming due and valid authorization, execution and delivery hereof by Lessor, is a valid and binding obligation of Lessee, enforceable against Lessee in accordance with its terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws of general application affecting enforcement of creditors' rights generally and (ii) the availability of the remedy of injunctive relief may be subject to the discretion of the court before which any proceeding therefor may be brought or the general principle of good faith and fairness provided for in the Korean Civil Code.

(d) Brokerage. Lessee and its Subsidiaries have not made any agreement or taken any other action which might cause any Person to become entitled to a broker's or finder's fee or commission as a result of the Lease.

(e) NO OTHER REPRESENTATIONS. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS AGREEMENT OR THE BTA, NEITHER LESSEE NOR ANY OTHER PERSON OR ENTITY ACTING ON BEHALF OF LESSEE, MAKES ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, TO THE EXTENT ANY REPRESENTATIONS OR WARRANTIES HEREIN ARE INCONSISTENT WITH ANY REPRESENTATIONS OR WARRANTIES IN THE BTA, THE APPLICABLE REPRESENTATIONS OR WARRANTIES IN THE BTA SHALL CONTROL.

7.4. Each Party covenants and agrees to endeavor to cooperate with the other Party so as to minimize any interference with the other Party's operation of its business, and to instruct its employees to so cooperate.

7.5. If, for whatever reason, it is necessary for Lessor to gain access to the Leased Premises, then Lessee's prior consent shall be required, and Lessee covenants and agrees that such consent shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, and except for those restricted areas of the Leased Premises set forth on Exhibit A-1 through A-3 as to which Lessor shall have access only if accompanied by a representative

of Lessee (the "Restricted Areas"), Lessor or its employees shall be permitted to have access to the Leased Premises during normal business hours with prior written notice of at least two (2) Business Days (a) specifying the purpose of the inspection of the condition of the Leased Premises, (b) indemnifying Lessee for any Damage that arises as a result of such inspection, and (c) agreeing not to interfere with the ordinary operation of Lessee's Business; provided, however, such prior notice is not required in case of emergency, risk of injury or property damage. In case of emergency, Lessee shall provide Lessor with access to the Leased Premises (other than Restricted Areas); only on the condition that such emergency could reasonably be expected to cause Lessor to be liable for Damages if Lessor did not address such emergency. Notwithstanding the foregoing, personnel engaged by Lessor providing Lessor Maintenance Service shall have access to the entirety of the Leased Premises, including the Restricted Areas, for the purpose of providing Lessor Maintenance Service.

7.6. From and after the Closing Date, Lessee shall comply in all material respects with all Applicable Laws, including the environmental laws, and with the terms of all Government Authorizations relating to the Lessee's conduct of its Business in the Leased Buildings.

7.7. Lessee acknowledges that as part of its past practice in operating the Leased Buildings, the Lessee allowed Other Occupants of the Leased Buildings to occupy those spaces designated on Exhibit A-1 as Other Occupant Space. Some of the Other Occupants of the Leased Buildings have provided conveniences, amenities, or support for Lessee and the Business. Notwithstanding such past practices, or any other circumstance, Lessor has the right to elect to permit or prohibit the continued occupancy by such Other Occupants of

the Leased Buildings as Lessor may decide in its sole discretion, and without any obligation or liability to Lessee for the consequences of such election, including, any obligation or liability to continue to provide the conveniences, amenities or support previously provided by the Other Occupants of the Leased Buildings. Lessor also has the right to replace or add Other Occupants of the Leased Buildings, without any obligation or liability to Lessee, and such Other Occupants of the Leased Buildings shall have the right to share in Lessor's use of the Common Areas of the Leased Buildings, Common Areas of the Lessee Complex and Common Areas of the Lessor Complex, including rights to use parking, to the extent possessed by Lessor.

7.8. In the event of a default by Lessee under this Lease, Lessee covenants and agrees to reimburse Lessor, in full and promptly upon demand, if Lessor sustains any material Damages or is reasonably required to expend any money as a result of a default by Lessee hereunder; provided, however, Lessee shall not reimburse Lessor for any Damages resulting from reasonable wear and tear to the Leased Buildings or fully insured Property Damage.

**Article 8. Registration of the Lease Right**

8.1. Lessor hereby consents to the registration of the Lease Right for the benefit of Lessee on the Leased Premises, in accordance with Section 2.3, and shall provide to Lessee all the necessary documents normally required of a lessor for the registration of the Lease Right thereon on the Closing Date. Lessee shall be entitled to register, on or after the Closing Date, the Lease Right granted under this Agreement with the pertinent real property registry offices, such Lease Right registration having a priority over any Lien established

on the Leased Premises other than Liens established thereon by Lessor's mortgagees. This consent by Lessor shall be deemed to apply to Extension Terms; and Lessor will perform any further requirements of registration of Lease Rights that Lessee may reasonably be deemed necessary or appropriate to clarify and vest necessary title in Lessor to make Lessor's consent hereunder the only consent required, which costs and expenses shall be borne by Lessor. The expenses and costs associated with de-registration and re-registration of any prior security interests against Lessor, or after the Closing Date against Lessee, if required pursuant to this paragraph to establish the lien priority, shall be paid by Lessor. Lessor shall, as a condition to any future lien registered against the Lessor's interest in land or buildings, require such lien holder to take all actions necessary to maintain the priority of the Lease Right, with respect to the Leased Buildings during the Lease Term, including any Extension Term.

**Article 9. Use, Improvements and Alterations**

9.1. Lessee shall not occupy or use any material portion of the Leased Premises, Common Areas of the Leased Buildings and Common Areas of the Lessor Complex for any purpose whatsoever, other than in connection with the operation of the Business and in compliance with all Applicable Laws and the Rules and Regulations in all material respects. This Agreement and all the terms, covenants and conditions hereof are in all respects subject and subordinate to all Applicable Laws affecting the Leased Buildings.

9.2. Lessee shall maintain and repair all nonstructural elements, furniture, fixtures, and equipment in the Leased Premises.

9.3. Lessee, in its sole discretion, but with prior written notice to Lessor, shall have the right, from time to time to make, or cause to be made, at its sole cost and expense, improvements, additions, alterations and changes (collectively, the "Alterations") to the Leased Premises that it deems necessary or desirable to carry on any activity or use consistent with this Agreement; provided (a) any such Alterations shall be in compliance with Applicable Laws, (b) no such Alterations materially adversely affect the value of the applicable Leased Buildings or Lessor's contemporaneous occupancy, if any, of the Leased Buildings, and (c) at Lessor's request, Lessee is required to restore the affected Leased Building to the condition that existed prior to the Alterations by the end of the Lease Term, reasonable wear and tear and insured Property Damage excepted. Lessee shall bear all Taxes to be imposed on all Alterations and facilities newly or additionally installed by Lessee whether a notice of Taxes was issued to Lessee or Lessor. Notwithstanding the foregoing requirement that only notice be provided to the Lessor, Lessee shall submit a written plan for any material Alteration and shall obtain Lessor's express consent prior to making any such material Alteration, which consent shall not be unreasonably withheld or delayed.

**Article 10. Restricted Matters for Lessee**

10.1. Lessee shall comply with the Rules and Regulations attached hereto as Exhibit E.

10.2. During the Lease Term, Lessee, its employees, invitees, and agents may park passenger cars without additional charge (other than as specified herein) on a first come first served basis in the R Building. With respect to the parking lot on the second floor of the R Building, only customers of Lessor's Business or Lessee's Business may park passenger cars thereon.

**Article 11. Lessor Work**

11.1. Lessor shall provide Lessee with advance notice of any repair, alteration or remodeling of the Leased Buildings by Lessor in accordance with this Agreement ("Lessor Work") as soon as reasonably practicable but in any event Lessor shall provide Lessee with no less than fifteen (15) days advance notice of any such Lessor Work, except to the extent an emergency requires earlier performance of such Lessor Work, and then with such advance notice as is commercially reasonable. If as a result of the Lessor Work, the Lessee's Business at the Leased Premises at any time cannot be conducted in all material respects equivalent to the conduct of such Business prior to such Lessor Work, then in any of such event, (a) Rent for the applicable Leased Premises shall be abated based on the square meters of the Leased Premises which cannot be leased and occupied, (b) to the extent that Substitute Premises are in the possession of Lessor, Lessor shall immediately provide Substitute Premises, or to the extent that Substitute Premises are not in the possession of Lessor, Lessor shall use commercially reasonable efforts to locate Alternate Space, and (c) Lessor shall pay for all of the Lessee's expenses in demobilization from and remobilization to the Substitute Premises. Lessee shall pay Rent attributable to the square meters provided in any Substitute Premises based on the formula in Exhibit C or shall pay rent charged by the landlord for the Alternate Space to the extent such Alternate Space is provided by third parties. Lessor shall not be responsible for the interruption or shortage of any services or suspension of the use of any common facilities that were caused by the Lessor Work. Upon the earlier to occur of the completion of the Lessor

Work or the end of the interference with the Business of Lessee, (i) Lessee is obligated to resume occupancy of the Leased Premises, and (ii) Lessee shall resume the payments of the next regularly scheduled Rent, Lessor Maintenance Fee, Other Costs and related VAT in accordance with the terms of this Agreement, pro rated, as applicable, for the number of days of any partial month of Rent.

11.2. If any Lessor Work would likely materially affect the Business or materially reduce the size of the Leased Premises, Lessor shall obtain Lessee's consent prior to the commencement of any such Lessor Work, such consent not to be unreasonably withheld.

**Article 12. Indemnification**

12.1. Lessor shall indemnify Lessee and its Indemnified Persons (the "Lessee Indemnified Parties"), and hold the Lessee Indemnified Parties harmless from and against, any and all Damages arising out of, resulting from or relating to claims by third parties arising from the negligence of Lessor, except to the extent such Damage is caused by the negligence or willful misconduct of any such Lessee Indemnified Party.

12.2. Lessee shall indemnify Lessor and its Indemnified Persons (the "Lessor Indemnified Parties") and hold the Lessor Indemnified Parties harmless from and against, any and all Damages arising out of, resulting from or relating to claims by third parties arising from the negligence of Lessee, except to the extent such Damage is caused by the negligence or willful misconduct of any such Lessor Indemnified Party.

12.3. Lessee agrees to indemnify and hold harmless Lessor for, from and against all Damages asserted against, resulting to, imposed on, or incurred by Lessor arising directly or

indirectly from Lessee's operations at the Lessee's Mask Shop(s) and Property Analysis Rooms in any of the Leased Buildings, including Damages resulting from violations of Applicable Laws, from environmental conditions, and from environmental releases except to the extent caused by Lessor.

**Article 13. Termination; Reduction of Leased Premises**

13.1. Termination. This Agreement may be terminated at any time during the Lease Term of this Agreement upon the occurrence of any of the following events:

(a) by the non-breaching Party serving a written notice of termination to the other Party and to the Coordinating Committee in the event of a material breach or default by such other Party of its obligations hereunder, which default shall not have been cured by the other Party, or otherwise resolved by the Coordinating Committee within sixty (60) days after written notice is provided by the non-breaching Party to the other Party and the Coordinating Committee;

(b) by Lessor's serving sixty (60) days prior written notice thereof to Lessee if Lessee ceases to conduct any Business (provided that an assignment pursuant to Article 14 shall not trigger the application of this provision in so far as such assignee does not cease to conduct the Business); or

(c) By Lessee with ninety (90) days prior written notice to Lessor for any reason whatsoever.

13.2. Upon termination of this Agreement, each Party shall discontinue the use of all Confidential Information provided by the other Party in connection with this Agreement,

and shall promptly return to the other Party any and all Confidential Information, including documents originally conveyed to it by the other Party and any copies thereof made thereafter.

13.3. Termination of this Agreement shall be without prejudice to the accrued rights and liabilities of the Parties prior to the termination of this Agreement.

13.4. The respective rights and obligations of the Parties under any Sections which by their nature are intended to extend beyond termination, shall survive the termination or expiry of this Agreement.

13.5. In the event of the termination of this Agreement pursuant to Section 13.1 hereof, a written notice thereof shall forthwith be given to the other Party specifying the provision hereof pursuant to which such termination is made, and Lessee or Lessor (as the case may be) shall only be liable thereafter for (i) Damages suffered as a result of its fraud or willful breach of this Agreement that occurred prior to the termination of this Agreement, or (ii) the obligations and liabilities of the Parties pursuant to this Agreement that accrued prior to the termination of this Agreement.

13.6. In addition, upon ninety (90) days' prior written notice to Lessor, Lessee shall have the right to reduce the Leased Premises and the corresponding Rent and Lessor Maintenance Fee.

13.7. In no event shall a Party be liable for Excluded Damages.

**Article 14. Assignment**

14.1. This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns; provided, however, that no Party hereto will assign or sublet its rights or delegate its obligations under this Agreement without the express prior written consent of the other Party hereto, except that (i) Lessor may assign its rights hereunder as collateral security to any bona fide financial institution engaged in financing in the ordinary course of its business in providing financing to the Warrant Issuer or its Subsidiaries and any of the foregoing financial institutions may assign such rights in connection with a sale of Lessor's business in the form then being conducted by Lessor substantially as an entirety; (ii) Lessor and Lessee each may, upon written notice to the other Party (but without the obligation to obtain the consent of such other Party), assign this Agreement or any of its rights and obligations under this Agreement to any person, entity or organization that succeeds (by purchase, merger, operation of law or otherwise) to all or substantially all of the capital stock, assets or business of such party, all or substantially all of its assets and liabilities or to all or substantially all of the assets and liabilities of the portion of the Party's business to which the subject of this Agreement relates or of a division of either Party, if such person or entity agrees in writing to assume and be bound by all of the relevant obligations of such Party under this Agreement; and (iii) Lessor may, upon written notice to Lessee (but without the obligation to obtain the consent of Lessee), assign this Agreement or any of its rights and obligations under this Agreement to one or more direct or indirect Subsidiaries of Warrant Issuer.

**Article 15. Quiet Enjoyment**

Without prejudice to Lessor's rights under this Agreement or under the Applicable Laws, so long as Lessee pays the Rent, the Lessor Maintenance Fee, and Other Costs, and observes all other material terms, conditions and covenants hereof, Lessor shall ensure that Lessee has the right to quietly enjoy the Leased Buildings without hindrance, molestation or interruption during the Lease Term, subject to the terms and conditions of this Agreement.

**Article 16. Surrender**

16.1. Upon the expiration or termination of this Agreement, Lessor and Lessee shall consult in good faith to determine a reasonable grace period (which shall not be more than 6 months) (the "Grace Period") for Lessee to peaceably and quietly vacate and surrender the Leased Premises to Lessor. For the avoidance of doubt, Lessee shall be obligated to pay the Rent and Lessor Maintenance Fee for the period until the date of surrender of the Leased Premises to Lessor.

16.2. During the Grace Period, Lessee shall, among other things, restore the Leased Premises to their condition equivalent to that of the Closing Date, reasonable wear and tear and fully insured Property Damage excepted, and as otherwise reasonably acceptable to Lessor by removing at its own expense any Alterations made by Lessee in accordance with the terms and conditions of this Agreement. In the event Lessee fails to vacate, surrender and restore the Leased Premises by the end of the Grace Period, Lessor may move, remove or dispose of any Alterations or other property or belongings remaining in the Leased Premises, and all reasonable expenses incurred therefrom shall be borne by Lessee.

**Article 17. Disputes and Governing Law**

17.1. This Agreement shall be governed by and construed in accordance with the laws of Korea, without reference to the choice of law principle thereof.

17.2. Any Party seeking the resolution of a dispute arising under this Agreement must provide written notice of such dispute to the other Party, which notice shall describe the nature of such dispute. All such disputes shall be referred initially to the Coordinating Committee for resolution. Decisions of the Coordinating Committee under this Section 17.2 shall be made by unanimous vote of all members and shall be final and legally binding on the Parties. If a dispute is resolved by the Coordinating Committee, then the terms of the resolution and settlement of such dispute shall be set forth in writing and signed by both Parties. In the event that the Coordinating Committee does not resolve a dispute within thirty (30) days of the submission thereof, such dispute shall be resolved in accordance with Section 17.3. Notwithstanding the foregoing, Lessor and Lessee shall each continue to perform their obligations under this Agreement during the pendency of such dispute in accordance with this Agreement.

17.3. The Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to an injunction to prevent any breach of this Agreement and to enforce specifically the terms and provisions of this Agreement by bringing a relevant action in the Seoul Central District Court located in Seoul, Korea, in addition to any other remedy to which any Party may be entitled at law or in equity. In addition, the Parties agree that any disputes, claims or controversies between the Parties arising out of or relating to this Agreement, whether in contract, tort, equity or otherwise and whether relating to the meaning, interpretation, effect, validity, performance or enforcement of this Agreement shall be submitted to the exclusive jurisdiction of the Seoul Central District Court.

**Article 18. Change of Applicable Laws**

Lessor shall process, and Lessee shall pay for, every zoning requirement or the requirements imposed by the Applicable Laws, which arise from change of conditions caused by Lessee subsequent to the Closing Date from the operation of the Business, as they come into effect during the Lease Term.

**Article 19. Insurance**

19.1. Lessor shall obtain from, keep in force during the Lease Term with, and pay all premiums due to, an insurer(s) holding a A.M. Best Rating of B+ or higher, and reasonably acceptable to Lessee, "all risk" property insurance on the Leased Buildings, with an insurer(s) holding a A.M. Best Rating of B+ or higher and reasonably acceptable to Lessee, insuring 100% of the replacement value thereof. This insurance shall include, but not be limited to, fire and extended coverage perils, and shall include a waiver of claims and waiver of subrogation against the Lessee. Said insurance shall provide for payment of Damages thereunder to Lessor or to the holders of the mortgages or deeds of trust on the Leased Buildings.

19.2. Lessee shall obtain and keep in force during the Lease Term, at its expense, on its own furniture, furnishings, fixtures and equipment located in the Leased Buildings, with companies reasonably acceptable to Lessor, policies of fire and extended coverage insurance with standard coverage vandalism, malicious mischief and special extended perils (all risk) and shall include a wavier of claims and waiver of subrogation against the Lessor.

19.3. Lessor and Lessee shall each obtain from, keep in force during the Lease Term with, and pay all premiums due to, an insurer(s) holding a A.M. Best Rating of B+ or higher, Standard Commercial General Liability Insurance. The limits of liability of such insurance shall be in an amount not less than One Million Dollars ($1,000,000.00) per occurrence, Personal Injury including death and One Million Dollars ($1,000,000.00) per occurrence, Property Damage Liability or One Million Dollars ($1,000,000.00) combined single limit for Personal Injury and property Damage Liability.

**Article 20. Signage**

Lessee shall not make any changes to the exterior of the Leased Buildings, install any exterior lights, decorations, balloons, flags, pennants, banners, or paintings, or erect or install any signs, windows or door lettering, placards, or advertising media of any type which can be viewed from the exterior of the Leased Buildings, without Lessor's prior written consent which shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, Lessee has the right to install signs, decorations, advertising media, blinds, draperies and other window treatment or bars or other security installations (i) inside the Leased Premises and not visible from outside the Leased Buildings identifying the presence of Lessee at its sole discretion, or (ii) inside the Leased Premises and visible from outside the Leased Buildings, located in the Common Areas of the Leased Buildings, or located outside the Leased Buildings identifying the presence of Lessee in form and fashion consistent with Lessor's current signage or otherwise subject to Lessor's reasonable approval. Upon surrender or vacation of the Leased Premises, Lessee shall have

removed all signs it has installed and repair, paint, and/or replace the building facia surface to which its signs are attached. Lessee shall obtain all applicable Governmental Authorizations for sign and exterior treatments at its sole cost and expense. Signage rights in the Common Areas of the Leased Buildings shall be shared equally between Lessor and Lessee. If the size of the signage is limited in the Common Areas of the Leased Buildings or outside of the Leased Buildings, Lessee shall be entitled to a share of signage equal to not less than its proportionate share of all signage which is permitted at the Leased Buildings based on the square meters of the Leased Premises compared to the square meters available for occupancy in the Leased Buildings.

**Article 21. Property Damage and Condemnation**

21.1. In the event that any of the Leased Buildings shall be damaged or destroyed by fire or other event (each, a "Property Damage") the Lessor shall promptly commence repair of the applicable Leased Building and diligently restore the same to substantially the same condition as existed immediately prior to the event of such Property Damage. During the period from the date of such Property Damage until the applicable Leased Building is repaired and restored, (a) Lessee's obligation to pay the Rent, Lessor Maintenance Fee, any Other Costs and related VAT due hereunder shall abate based on the square meters of the Leased Premises which are untenantable as a result of such damage, based on the formula in Exhibit C, (b) if Lessor caused the Property Damage, Lessor shall contemporaneously provide Lessee with premises that are vacant, in substitution for and equivalent to the affected Leased Building for which Lessee shall pay Rent attributable to the square meters provided based on the formula in Exhibit C ("Substitute Premises"), and (c) if Lessor did not cause the Property Damage, (i) to the extent that Substitute Premises are in the possession of Lessor, Lessor shall provide the Substitute Premises for

which Lessee shall pay Rent attributable to the square meters provided based on the formula in Exhibit C, or (ii) to the extent that Substitute Premises are not in the possession of Lessor, Lessor shall use commercially reasonable efforts to locate Alternate Space for which Lessee shall pay rent to the extent such Alternate Space is provided by third parties. Upon the earlier to occur of the completion of such repair or the end of the interference with the Business of Lessee, (i) Lessee is obligated to resume occupancy of the Leased Premises, and (ii) Lessee shall resume the next regularly scheduled payments of Rent, Lessor Maintenance Fee, Other Costs and related VAT in accordance with the terms of the Agreement, pro rated, as applicable, for the number of days of any partial month of Rent.

21.2. If (a) the whole of any Leased Building shall be taken or condemned for a public or quasi-public use or purpose by a competent authority, or (b) such portion of any Leased Building or Leased Premises shall be so taken that as a result thereof the balance cannot, continue to be used by Lessee for the reasonable conduct of the Business, then in either of such events (x) Lessor shall immediately provide Substitute Premises, and (y) any award, compensation, or damages (hereinafter sometimes called the "award"), shall be paid to and be the sole property of Lessor, but nothing therein shall preclude Lessee from proving (to the extent allowable by law) its damages with respect to moving expenses and Damages of personal property, and receiving an award therefor. In such event, Lessee shall continue to pay Rent until this Agreement is terminated and shall continue to pay rent under the lease for the Substitute Premises.

21.3. If only a part of any Leased Premises shall be so taken or condemned, and, as a result thereof, the balance of the Leased Premises can be used by Lessee, in its reasonable

opinion, for the reasonable conduct of the Business, Lessor shall perform such construction to the balance of the applicable Leased Premises to make it usable for Lessee. Rent shall be equitably abated based on the square meters that are untenantable as a result of such taking based on the formula in Exhibit C. Any portion of the award which has not been expended by Lessor for such repair or restoration shall be retained by Lessor as Lessor's sole property.

21.4. Intentionally Deleted.

**Article 22. Lessor Waiver**

Lessor agrees to execute, upon the request of Lessee, an agreement in favor of any lender to Lessee, agreeing to allow such lender to temporarily occupy the Leased Premises if Lessee defaults under the lender's loan, for the limited purpose of recovering any collateral of such lender located at the Leased Premises, provided such agreement provides for the payment of the Rent, Lessor Maintenance Fee, Other Costs and VAT by the Lessee's lender during the period of such occupancy.

**Article 23. Intentionally Deleted**

**Article 24. Force Majeure**

24.1. Neither Party shall be liable to the other Party for failure of or delay in the performance of any obligations under this Agreement due to causes reasonably beyond its control including (i) war, insurrections, riots, explosions, inability to obtain raw materials due to then current market situation; (ii) natural disasters and acts of God, such as violent storms, earthquakes, floods, and destruction by lightning; (iii) the intervention of any

Governmental Entity or changes in relevant laws or regulations which restrict or prohibit either Party's performance of its obligations under this Agreement or implementation of this Agreement; or (iv) strikes, lock-outs and work-stoppages, which are beyond the reasonable control of the Party claiming the benefit (each, an "Event of Force Majeure"). Upon the occurrence of an Event of Force Majeure, the affected Party shall notify the other Party as soon as possible of such occurrence, describing the nature of the Event of Force Majeure and the expected duration thereof. Notwithstanding the foregoing, Lessee shall be under continuing obligation to make the payments required hereunder for any Rent, Lessor Maintenance Fee, Other Costs and the corresponding VAT payable by Lessee, which was payable by Lessee prior to the occurrence of an Event of Force Majeure.

24.2. If a Party is unable, by reason of an Event of Force Majeure, to perform any of its obligations under this Agreement, then such obligation shall be suspended to the extent and for the period that the affected Party is unable to perform. If this Agreement requires an obligation to be performed by a specified date, such date shall be extended for the period during which the relevant obligation is suspended due to such an Event of Force Majeure under this Agreement.

**Article 25. Coordinating Committee**

25.1. Within thirty (30) days after the date hereof, the Parties shall establish a coordinating committee (the "Coordinating Committee") which shall consist of four (4) members, two (2) of which shall be appointed by Lessor and two (2) of which shall be appointed by Lessee. Each Party, upon prior written notice to the other Party, may from time to time remove or replace any member appointed by such Party.

25.2. Except as the Parties may otherwise agree in writing, the Coordinating Committee shall have the power and the responsibility under this Agreement to:

(a) act as a forum for the liaison between the Parties with respect to the day-to-day implementation of this Agreement;

(b) subject to Article 17, seek to resolve disputes; and

(c) undertake such other functions as the Parties may agree in writing.

**Article 26. Confidentiality**

26.1. Confidentiality. Neither Party shall, except as expressly permitted by the terms of this Agreement, disclose to any third party the terms and conditions of this Agreement, the existence of this Agreement and any Confidential Information which either Party obtains from the other Party in connection with this Agreement and/or use such Confidential Information for any purposes whatsoever other than those contemplated hereunder, provided, however, that this Agreement (and its terms and conditions) may be disclosed and filed publicly in connection with a public offering of securities by Lessee or its Affiliates. "Confidential Information" shall mean any and all information including technical data, trade secrets or know-how, disclosed by either Party to the other Party in connection with this Agreement, which is marked as "Proprietary" or "Confidential" or is declared by the other Party, whether in writing or orally, to be confidential, or which by its nature would reasonably be considered confidential.

26.2. The obligation of confidentiality in Section 26.1 shall not apply to any information that: (a) was known to the other Party without an obligation of confidentiality prior to its receipt thereof from the disclosing Party; (b) is or becomes generally available to the public without breach of this Agreement, other than as a result of a disclosure by the recipient Party, its representatives, its Affiliates or the representatives of its Affiliates in violation of this Agreement; (c) is rightfully received from a third party with the authority to disclose without obligation of confidentiality and without breach of this Agreement; or (d) is required by law or regulation to be disclosed by a recipient Party or its representatives (including by oral question, interrogatory, subpoena, civil investigative demand or similar process), provided that written notice of any such disclosure shall be provided to the disclosing Party in advance. If a Party determines that it is required to disclose any information pursuant to applicable law (including the requirements of any law, rule or regulation in connection with a public offering of securities by Lessor or its Affiliates) or receives any demand under lawful process to disclose or provide information of the other Party that is subject to the confidentiality provisions hereof, such Party shall notify the other Party prior to disclosing and providing such information and shall cooperate at the expense of the requesting Party in seeking any reasonable protective arrangements requested by such other Party. Subject to the foregoing, the Party that receives such request may thereafter disclose or provide information to the extent required by such law or by lawful process.

**Article 27. Miscellaneous**

27.1. Exercise of Right. A Party may exercise a right, power or remedy at its discretion, and separately or concurrently with another right, power or remedy. A single or partial

exercise of a right, power or remedy by a Party does not prevent a further exercise of that or of any other right, power or remedy. A failure to exercise a right, power or remedy or a delay in exercising a right, power or remedy by a Party does not prevent such Party from exercising the same right thereafter.

27.2. Extension; Waiver. At any time during the Lease Term, each of Lessor and Lessee may (a) extend the time for the performance of any of the obligations or other acts of the other or (b) waive any inaccuracies in the representations and warranties of the other contained in this Agreement or in any document delivered pursuant to this Agreement. Any agreement on the part of a Party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Party. The failure of any Party to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of those rights. Any rights under this Agreement may not be waived except in writing signed by the Party granting the waiver or varied except in writing signed by the Parties.

27.3. Notices. Any notice, request, demand, waiver, consent, approval or other communication which is required or permitted to be given to any Party shall be in writing and shall be deemed duly given only upon delivery to the Party personally (including by reputable overnight courier service), when telecopied (with confirmation of transmission having been received) during normal business hours or three days after being mailed by registered or certified mail (return receipt requested), with postage and registration or certification fees thereon prepaid, addressed to the Party at its address set forth below (or at such other address for a party as shall be specified by such Party by like notice):

If to Lessor, to:

MagnaChip Semiconductor, Ltd.
1 Hyangjeong-dong
Heungduk-gu
Cheongju City
Chung Cheong Bok-do
Korea
Fax: +82-43-270-2134
Attention: Dr. Youm Huh

with a copy to:

Dechert LLP
30 Rockefeller Plaza
New York, NY 10112
Telephone: (212) 698-3500
Facsimile: (212) 698-3599
Attention: Geraldine A. Sinatra, Esq.
Sang H. Park, Esq.

If to Lessee, to:

Hynix Semiconductor Inc.
Hynix Youngdong Building 891
Daechi-dong
Kangnam-gu, Seoul 135-738
Korea
Fax: +82 2 3459 3647
Attention: Mr. O.C. Kwon

27.4. Fees and Expenses. All costs and expenses incurred in connection with this Agreement shall be paid by the Party incurring such expenses, except as specifically provided to the contrary in this Agreement.

27.5. Entire Lease; No Third Party Beneficiaries. This Agreement (a) constitutes the entire agreement between the Parties and supersedes all prior agreements and understandings,

both written or oral, between the Parties with respect to the subject matter hereof and (b) is not intended to confer upon any person other than the Parties hereto any rights or remedies hereunder.

27.6. Severability of Provisions. Any term or provision of this Agreement that is held by a court of competent jurisdiction or other authority to be unlawful, invalid, void or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction or other authority declares that any term or provision hereof is unlawful, invalid, void or unenforceable, the Parties agree that the court making such determination shall have the power to reduce the scope, duration, area or applicability of the term or provision, to delete specific words or phrases, or to replace any unlawful, invalid, void or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the unlawful, invalid or unenforceable term or provision.

27.7. Amendment and Modification. This Agreement (for the avoidance of doubt, including Exhibits attached hereto) may be amended, modified and supplemented in any and all respects, but only by a written instrument signed by the Parties expressly stating that such instrument is intended to amend, modify or supplement this Agreement.

27.8. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement.

27.9. Election of Remedies. Neither the exercise of nor the failure to exercise a right or to give notice of a claim under this Agreement shall constitute an election of remedies or limit any Party in any manner in the enforcement of any other remedies that may be available to such Party, whether at law or in equity.

27.10. Language. This Agreement is being originally executed in the English language only. In the event that the Parties agree to have a Korean version of this Agreement following signing, this Agreement may be translated into Korean. The Parties acknowledge that the Korean version of this Agreement shall be for reference purpose only, and in the event of any inconsistency between the two texts, the English version shall control.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, each of the Parties has caused this Lease to be executed by its duly authorized representatives as of the date first above written.

MagnaChip Semiconductor, Ltd.

By: _____

Name:
Title:

Hynix Semiconductor Inc.

By: _____

Name:
Title:

**Exhibit 10.12**

**Execution Copy**

**LAND LEASE AND EASEMENT AGREEMENT**

between

Hynix Semiconductor Inc.

as Lessor

and

MagnaChip Semiconductor, Ltd.

as Lessee

with respect to

certain land located in the Cheong-Ju Complex

in Cheong-Ju, the Republic of Korea

October 6, 2004

/*****/ = Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

**TABLE OF CONTENTS**

**LAND LEASE AND EASEMENT AGREEMENT**

This LAND LEASE AND EASEMENT AGREEMENT (this "Agreement"), dated as of October 6, 2004, is entered into by and between:

(1) Hynix Semiconductor Inc., a company organized and existing under the laws of the Republic of Korea ("Korea") with its registered office at San-136-1, Ami-Ri, Bubal-Eub, Ichon-Si, Kyoungki-Do, Korea ("Lessor"); and

(2) MagnaChip Semiconductor, Ltd., a company organized and existing under the laws of Korea with its registered office at 1 Hyanjeong-dong, Heungduk-gu, Cheongju City, Chung Cheong Bok-do, Korea ("Lessee") (each a "Party", and collectively, the "Parties").

**RECITALS**

WHEREAS, the Parties have entered into a certain business transfer agreement dated as of June 12, 2004 as amended (the "BTA") pursuant to which, among other things, Lessee has agreed to acquire the Acquired Assets (as defined in the BTA) from Lessor subject to the terms and conditions set forth in the BTA;

WHEREAS, the Parties desire to enter into an agreement as contemplated by the BTA whereby Lessor grants lease rights and easement rights to Lessee as to certain parts of parcels of land, which are necessary for Lessee's ownership of certain buildings that are now or hereafter used in the Business (as defined below) and for its operation of facilities necessary for its Business, in accordance with this Agreement; and

WHEREAS, the execution and delivery of this Agreement is a condition to the Closing under the BTA.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter set forth, and intending to be legally bound hereby, each of Lessor and Lessee agrees as follows:

**Article 1. Definitions**

1.1. Unless otherwise defined herein or in the BTA, all capitalized terms shall have the meanings set forth below:

"Access Areas" shall mean the access roads and areas located on the Lease Rights Site I, as more specifically shown on Exhibit B.

"Additional Warehouses" shall have the meaning ascribed to such term in Section 18.1.

"Affiliate" shall have the meaning ascribed to such term in the BTA.

"Amended Section 6.5 of the BTA" shall mean Section 6.5 of the BTA as amended by an First Amendment to Business Transfer Agreement made and entered into on October 6, 2004 by and between Lessor and Lessee.

"Applicable Laws" shall mean all laws, constitutions, statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, consent orders and decrees, policies, guidelines or any interpretations of any of the foregoing, including general principles of civil law and equity, issued by any Governmental Entity having or exercising jurisdiction over or otherwise affecting any Party, the Business or the Land.

"BTA" shall have the meaning ascribed to such term in the Recitals.

"Buildings" shall mean the "R" Building, "C1" Building and "C2" Building, as well as the to be built Gas Warehouse Building and Waste Water Facility Building and such other buildings, if any, and improvements affixed to such buildings now or hereafter owned by Lessee located in the Cheong-Ju Complex, each of which Building is owned by Lessee, as the same may be altered or replaced.

"Business" shall have the meaning ascribed to such term in the BTA including all Permitted Uses.

"Cheong-Ju Complex" shall mean Lessor's manufacturing, testing, packaging and research and development facilities and appurtenant areas located in Cheong-Ju, Korea, as more specifically identified in Exhibit A attached hereto.

"Closing Date" shall have the meaning ascribed to such term in the BTA.

"Confidential Information" shall mean any and all information including technical data, trade secrets or know-how, disclosed by either Party to the other Party in connection with this Agreement, which is marked as "Proprietary" or "Confidential" or is declared by the other Party, whether in writing or orally, to be confidential, or which by its nature would reasonably be considered confidential.

"Consents" shall mean any consents, approvals, waivers or authorizations to be obtained from, or notices to be given to, any persons or entities, and includes Governmental Authorizations.

"Damages" shall mean any and all losses, settlements, expenses, liabilities, obligations, claims, damages (including any governmental penalty or costs of investigation, clean-up and remediation), deficiencies, royalties, interest, costs and expenses (including reasonable attorneys' fees and all other expenses reasonably incurred in investigating, preparing or defending any litigation or proceeding, commenced or threatened incident to the successful enforcement of this Agreement), the extent of which are recoverable under Korean law. Damages also shall include, if applicable, any and all increases in insurance premiums that are reasonably demonstrably attributable to the breach by Lessee or Lessor, as the case may be, of its representations, warranties, agreements and covenants expressly

contained in this Agreement, or negligence, gross negligence, intentional breach or willful misconduct of Lessee or Lessor, as the case may be, for the two following annual policy periods.

"Due Date" shall have the meaning ascribed to such term in Section 4.3.

"Easement Right" shall mean the right to use all necessary and appropriate roads for ingress to, egress from and access to and from all locations at the Cheong Ju Complex and the right to use certain land to own, use or perform maintenance, repair and replacement of utility, pipeline, conduit and wiring systems at the Cheong Ju Complex serving the locations leased by Lessee or owned by Lessor, as the case may be, each of which is on an equal and shared basis with the owner or lessee, as the case may be, of relevant land.

"Easement Site" shall mean Easement Site I and Easement Site II.

"Easement Site I" shall mean the main access roads from public roads to the Lease Right Site I, as more specifically shown on Exhibit B.

"Easement Site II" shall mean the access roads, areas and the parking lots at the Cheong Ju Complex, as more specifically shown on Exhibit B.

"Event of Force Majeure" shall have the meaning ascribed to such term in Section 21.1.

"Excluded Damages" shall mean any punitive damages.

"Execution Date" shall mean the date of this Agreement.

"Expansion Area" shall have the meaning ascribed to such term in Section 17.1.

"Governmental Authorization" shall mean any approval, consent, license, permit, waiver or other authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Entity or otherwise pursuant to any Applicable Law, and any registration with, or report or notice to, any Governmental entity pursuant to any Applicable Law, including those listed on Exhibit C.

"Governmental Entity" shall mean a court, arbitral tribunal, administrative agency or commission or other governmental or other regulatory authority or agency.

"Grace Period" shall have the meaning ascribed to such term in Section 13.1.

"Hynix Building" shall mean any building in the Cheong-Ju Complex other than any of the Buildings.

"Hynix Easement Right" shall mean the Easement Right over the Access Areas on an equally shared basis with Lessee.

"Hynix Land" shall mean the portions of the Cheong-Ju Complex land, excluding the Land.

"Indemnified Person" of a Party shall mean the Party and its Subsidiary and any shareholder, director, officer, employee or agent of the Party or such Subsidiary.

"Invoice" shall have the meaning ascribed to such term in Section 4.2.

"Land" shall mean (a) the Lease Rights Site I, (b) Lease Rights Site II, (c) Easement Site I and (d) Easement Site II located in the Cheong-Ju Complex, as more specifically identified in Exhibit B, all of which are subject to the lease or easement rights under this Agreement.

"Lease Right" shall have the meaning ascribed to such term in Section 2.5.

"Lease Rights Site" shall mean the Lease Rights Site I and the Lease Rights Site II.

"Lease Rights Site I" shall mean the Site and the Access Areas.

"Lease Rights Site II" shall mean certain lots on which the Gas Warehouse Building and the Waste Water Facility Building will be built by Lessee, as more specifically identified in Exhibit B attached hereto.

"Lease Term" shall have the meaning ascribed to such term in Section 3.1.

"Lessee Easement Rights Consents" shall have the meaning ascribed to such term in Section 5.2(e).

"Lessor Easement Rights Consents" shall have the meaning ascribed to such term in Section 5.1(e).

"Lessor Lease Rights Consents" shall have the meaning ascribed to such term in Section 5.1(e).

"Lien" shall mean any lien, charge, claim, agreement to sell, pledge, judgment, security interest, conditional sale agreement or other title retention agreement, lease, mortgage, deed of trust, security agreement, right of first refusal or offer (or other similar right), option, restriction, tenancy, license, covenant, encroachment (whether upon any real property or by any improvement situated on any real property onto any adjoining real property or onto any easement area), right of way, easement, title defect or other encumbrance or title matter or interest in real estate, existing as of the Closing Date.

"Other Costs" shall have the meaning ascribed to such term in Section 4.5.

"Partition Date" shall mean the date on which the Lease Rights Site I is partitioned as a separate parcel and the Lessor acquires the sole legal and beneficial ownership thereto from the Lessee.

"Permitted Uses" shall mean the Business or any other semiconductor, information technology or other technology related business.

"Proceeding" shall mean any action, arbitration, audit, hearing, investigation, litigation or suit (whether civil, criminal, administrative, or investigative) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Entity.

"Rent" shall have the meaning ascribed to such term in Section 4.1.

"Rules and Regulations" shall have the meaning ascribed to such term in Section 2.2.

"Site" shall mean certain lots which are occupied by Building "R", Building "C1", Building "C2", as more specifically identified in Exhibit B, all of which are subject to the lease under this Agreement.

"Subsidiary" shall have the meaning ascribed to such term in the BTA.

"Successor" shall have the meaning ascribed to such term in Section 11.2.

"Turnover Condition" shall have meaning set forth in Section 17.1(d) of this Lease.

"VAT" shall mean the value added tax required to be paid to the relevant Governmental Entity in respect of the lease or grant of easement rights of the Land to Lessee.

"Warrant Issuer" shall have the meaning ascribed to such term in the BTA.

1.2. Rules of Interpretation.

(a) When a reference is made in this Agreement to a section or article, such reference shall be to a section or article of this Agreement unless otherwise clearly indicated to the contrary.

(b) Whenever the words "include", "includes" or "including" are used in this Agreement they shall be deemed to be followed by the words "without limitation."

(c) The words "hereof", "hereto", "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and article, section, paragraph and exhibit references are to the articles, sections, paragraphs and exhibits of this Agreement unless otherwise specified.

(d) The meaning assigned to each term defined herein shall be equally applicable to both the singular and the plural forms of such term, and words denoting any gender shall include all genders. Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning.

(e) A reference to any party to this Agreement or any other agreement or document shall include such party's successors and permitted assigns.

(f) A reference to any legislation or to any provision of any legislation shall include any amendment to, and any modification or re-enactment thereof, any legislative provision substituted therefor and all regulations and statutory instruments issued thereunder or pursuant thereto.

(g) The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provisions of this Agreement.

(h) Headings are for convenience only and do not affect the interpretation of the provisions of this Agreement.

(i) Any Exhibits attached hereto are incorporated herein by reference and shall be considered as part of this Agreement.

**Article 2. Grant of Lease and Easement**

2.1. Subject to Article 3, in consideration of the Rent hereby agreed to be paid to Lessor by Lessee and the agreements and covenants herein made by Lessee and subject to other terms and conditions herein, Lessor hereby (a) leases to Lessee the Lease Rights Site and the one-half of the Easement Site (until the date of registration of the Easement Right on the Easement Site) and (b) grants Lessee the Easement Right to use the Easement Site from the date of the registration of the Easement Right; provided that the Easement Right and the Lease Right on the one-half of the Easement Site granted to Lessee shall be exercisable by Lessee in a manner and to the extent that it is in common with equivalent rights exercisable by Lessor, as owner.

2.2. In consideration of the lease rights and easement rights hereby granted to Lessee by Lessor and the agreements and covenants herein made by Lessor and subject to other terms and conditions herein, for the Lease Term Lessee shall grant to Lessor the Hynix Easement Right over the Access Areas for free; provided that the Hynix Easement Right granted to Lessor shall be exercised by Lessor in a manner and to the extent that allows Lessee to exercise equal right to use the Access Areas based upon Lessee's Lease Rights over the Access Areas.

2.3. In consideration of the Rent hereby agreed to be paid to Lessor by Lessee and the agreements and covenants herein made by Lessee and subject to other terms and conditions herein, Lessor hereby grants to Lessee a right (i) to access to the Cheong-Ju Complex for the purpose of using the Land in accordance with this Agreement, and to pass and repass to and from the Land or any part thereof over and along certain roads, accessways, paths, highways and other thoroughfares within the Cheong-Ju Complex, provided that Lessee shall fully comply in all material respects with all Applicable Laws and the rules and regulations as currently adopted and enforced in the ordinary operation

of the Cheong-Ju Complex and such additional rules and regulations adopted by Lessor and enforced uniformly as to all occupants of the Cheong-Ju Complex which do not materially change the economic structure or effect of the Business (together "Rules and Regulations") and (ii) to use, operate, maintain, repair and replace all of Lessee's utility, pipeline, conduit and wiring systems on the Cheong Ju Complex or any part thereof that serve the Site. In case where it is necessary, (i) Lessee may install utility, pipeline, conduit or wiring systems for the purpose of using the Buildings on Easement Site and Access Areas with Lessor's prior written consent which may not be unreasonably withheld and (ii) Lessor may install such facilities for the purpose of using Hynix Buildings on Access Areas with Lessee's prior written consent which may not be unreasonably withheld.

2.4 In consideration of the Lease Right and the Easement Right hereby granted to Lessee by Lessor and the agreements and covenants herein made by Lessor and subject to other terms and conditions herein, Lessee hereby grants to Lessor a right (i) to access to the Cheong-Ju Complex for the purpose of using the Hynix Land as the owner thereof, and to pass and repass to and from the Land or other part of the Cheong Ju Complex on which Lessee has a lease right or any part thereof over and along certain roads, accessways, paths, highways and other thoroughfares within the Cheong-Ju Complex, provided that Lessor shall fully comply in all material respects with all Applicable Laws and reasonable rules and regulations adopted by Lessee and enforced uniformly as to all occupants of the Cheong-Ju Complex which do not materially change the economic structure of, or have an effect on, Lessor's business and (ii) to use, operate, maintain, repair and replace all of Lessor's utility, pipeline, conduit and wiring systems on the Cheong Ju Complex or any part thereof that serve the Hynix Land.

2.5 Subject to Article 7, Lessor hereby grants to Lessee a right to register the lease under this Agreement ("Lease Right", "*deunggi imchakwon*") over the Lease Rights Site and the one-half of the Easement Site and the Easement Right ("*jiyokkown*") over the Easement Site with the relevant real property registry offices. The Lease Right and the Easement Right shall be effective during the Lease Term, as long as the Buildings remain on the Lease Rights Site and the Lease Rights Site is used for the Permitted Uses in accordance with the terms of this Agreement.

2.6 Subject to Article 7, Lessee hereby grants to Lessor a right to register the Hynix Easement Right over the Access Areas with the relevant real property registry offices.

2.7 Lessee acknowledges and agrees that Lessee has the right to occupy and use the Land only for the Permitted Uses, and upon the terms and conditions set forth in this Agreement.

**Article 3. Term**

3.1. This Agreement shall be effective from the Closing Date.

3.2. Subject to Section 3.4, the lease term for the Lease Right ("Lease Term") shall be indefinite (i) unless otherwise agreed between the Parties, and (ii) as long as the Buildings remain on the Lease Rights Site and are owned by Lessee and Lessee uses the Lease Rights Site for the purpose of the Permitted Uses.

3.3 The Lease Term for the Lease Right on the one-half of the Easement Site shall continue until the Easement Right is registered on the Easement Site.

3.4 Term for the Easement Right on the Easement Site shall continue from the Partition Date to the expiration date of the Lease Term.

3.5 Hynix Easement Right on Access Areas shall be effective from the Partition Date to the expiration date of the Lease Term.

**Article 4. Rent**

4.1. The monthly rent for the Land, exclusive of VAT, (the "Rent") shall be ***/*****/*** per year for ten (10) years, which is ***/*****/*** payable monthly in accordance with Article 4. Commencing on the tenth (10th) anniversary of the Closing Date, or the first day of the immediately succeeding calendar month if the Closing Date is not the first day of a calendar month, and every second (2nd) anniversary of such date (each, a "Calculation Date"), Rent shall be recalculated for the next succeeding two years to increase or decrease by the same percentage as the change in the consumer price index published by the Korean National Statistical Office of the Ministry of Finance and Economy (each, an "Index") or any of its equivalent if an Index is not available, between the Index published most recently prior to the Calculation Date compared to the Index published most recently prior to two years before such Calculation Date. In any event prior to the commencement date on which such recalculated Rent shall be applicable, the Parties, upon the request of either Party, agree to submit a joint application to modify the amount of the Rent registered as of such time into such recalculated amount of the Rent.

4.2. Lessor shall provide an invoice (the "Invoice") to Lessee by the 10th day of each calendar month which shall include the amount of Rent, Other Costs and the corresponding VAT amount payable by Lessee for such month.

4.3. Lessee shall pay in aggregate the Rent, Other Costs and the corresponding VAT amount stated on each Invoice to the Lessor's designated account, or as otherwise designated by Lessor, by means of wire transfer in immediately available funds by 25th day of each calendar month (the "Due Date").

4.4. For any month of the Lease Term which is less than a full calendar month, the amount of Rent (and the corresponding VAT amount) payable by Lessee shall be equal to a pro rata portion of the Rent, based on a ratio of the number of days during such month that the Lease Term is in effect to the total number of days in such month.

4.5. If (a) the Rent is not paid on or before the Due Date or (b) any other amounts payable herein including payments due by either Party with respect to Damages (collectively, the "Other Costs") are not paid when due, after the passage of any applicable grace and/or cure period, Lessee or Lessor, as applicable, shall be liable for and pay interest on the outstanding amounts of the Rent and/or Other Costs at a rate of eight percent (8%) per annum calculated from and including the sixth day after the Due Date until the date Rent and/or Other Costs are received in full by the Party to whom they are due.

/*****/ = Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

4.6. Lessee shall be responsible for payment of any VAT levied on the Rent under this Agreement.

4.7 Notwithstanding anything herein to the contrary, in the event of a bankruptcy filing with respect to Lessee, Lessee shall deposit with Lessee an amount equal to the fees paid by Lessee during the immediately preceding full calendar month under the terms of this Agreement, against which will be credited fees payable by Lessee over the thirty day period following such deposit. Lessee shall renew such deposit each thirty days in each case by reference to the fees paid by Lessee during the full calendar month immediately preceding any such renewal until such bankruptcy protection filing has been accepted by the bankruptcy court. For the avoidance of doubt, Lessee shall not be relieved of responsibility for, and shall pay when due, any fees for services hereunder during any such thirty day period to the extent in excess of the then actual deposit.

**Article 5. Representations, Warranties and Covenants**

5.1. Lessor hereby covenants, represents and warrants to Lessee that all of the representations and warranties contained in this Section 5.1 are true and correct in all material respects as of the Closing Date, and the Partition Date, as the case may be.

(a) Organization. Lessor is a corporation duly organized and validly existing under the laws of Korea and has full power and authority to own and lease the Land.

(b) Authorization. Lessor has full corporate power and authority to execute and deliver this Agreement. The execution, delivery and performance by Lessor of this Agreement have been duly authorized by all corporate actions on the part of Lessor that are necessary to authorize the execution, delivery and performance by Lessor of this Agreement.

(c) Binding Agreement. This Agreement has been duly executed and delivered by Lessor and, assuming due and valid authorization, execution and delivery hereof by Lessee, is a valid and binding obligation of Lessor, enforceable against Lessor in accordance with its terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws of general application affecting enforcement of creditors' rights generally and (ii) the availability of the remedy of injunctive relief may be subject to the discretion of the court before which any proceeding therefor may be brought or the general principle of good faith and fairness provided for in the Korean Civil Code.

(d) Title and Consents. Except as disclosed in Schedule 5.1(d), Lessor is the only legal and beneficial owner of the Land and has requisite power to grant the Lease Rights or the Easement Right hereunder to Lessee and has the requisite power to grant the registration of the Lease Right and the Easement Right on the relevant portions of the Land to Lessee.

(e) Use of Land. Except as disclosed in Schedule 5.1(e), Lessor has obtained all Consent required in connection with the ownership or use of the Land and the granting to Lessee of the rights under this Agreement, and shall obtain such additional Consents necessary or appropriate for the grant of the Lease Rights or the Easement Right, as applicable, and the registration thereof in accordance with Section 7 ("Lessor Lease Rights Consents" or "Lessor Easement Rights Consent", as the case may be). Lessor has provided Lessee with copies of all such Consents and shall provide Lessee with the Lessor Lease Rights Consents related to the registration of Lease Rights on or before the Closing Date and the Lessor Easement Rights Consents related to the registration of the Easement Right on or before the Partition Date, including those listed on Exhibit C. The present condition and use of the Land by Lessor complies with all Applicable Laws in all material respects.

(f) Veolia Lease Right. Lessor shall de-register the registered lease rights in favor of Veolia Water Korea Co., Ltd. (formerly known as Vivendi Water Industrial Development Co., Ltd.) ("Veolia") on the land described in Schedule 5.1(d) ("Veolia Leased Land") and consent to the registration of Lease Right I for the benefit of Lessee on the Veolia Leased Land as soon as possible after the Closing but in no event later than 4 weeks thereafter.

(g) Brokerage. Lessor and its Subsidiaries (as defined in the BTA) have not made any agreement or taken any other action which might cause any Person to become entitled to a broker's or finder's fee or commission as a result of this Agreement.

(h) NO OTHER REPRESENTATIONS. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS AGREEMENT OR THE BTA, NEITHER LESSOR NOR ANY OTHER PERSON OR ENTITY ACTING ON BEHALF OF LESSOR, MAKES ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED. TO THE EXTENT ANY REPRESENTATIONS OR WARRANTIES HEREIN ARE INCONSISTENT WITH ANY REPRESENTATIONS OR WARRANTIES IN THE BTA, THE APPLICABLE REPRESENTATIONS OR WARRANTIES IN THE BTA SHALL CONTROL.

5.2. Lessee hereby covenants, represents and warrants to Lessor that all of the representations and warranties contained in this Section 5.2 are true and correct in all material respects as of the Closing Date, and the Partition Date, as the case may be.

(a) Organization. Lessee is a corporation duly organized and validly existing under the laws of Korea and has full power and authority to carry on its business as heretofore conducted.

(b) Authorization. Lessee has full corporate power and authority to execute and deliver this Agreement. The execution, delivery and performance by Lessee of this Agreement have been duly authorized by all corporate actions on the part of Lessee that are necessary to authorize the execution, delivery and performance by Lessee of this Agreement.

(c) Binding Agreement. This Agreement has been duly executed and delivered by Lessee and, assuming due and valid authorization, execution and delivery hereof by Lessor, is a valid and binding obligation of Lessee, enforceable against Lessee in accordance with its terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws of general application affecting enforcement of creditors' rights generally and (ii) the availability of the remedy of injunctive relief may be subject to the discretion of the court before which any proceeding therefor may be brought or the general principle of good faith and fairness provided for in the Korean Civil Code.

(d) Title and Consents. As of the Partition Date, Lessee has requisite power to grant the easement rights hereunder to Lessor and has the requisite power to grant the registration of the Hynix Easement Right on the relevant portions of the Land to Lessor.

(e) Use of Land. Lessee has obtained all Consents required in connection with the use of the Land and the granting to Lessor of the rights under this Agreement, and shall obtain such additional Consents necessary or appropriate for the grant of the Hynix Easement Right and the registration thereof in accordance with Section 7 ("Lessee Easement Rights Consents"). As of Partition Date, Lessee has provided Lessor with copies of all such Consents and shall provide Lessor with the Lessee Easement Rights Consents on or before the Partition Date, including those listed on Exhibit C. The condition and use of the Access Areas as of the Partition Date by Lessee complies with all Applicable Laws in all material respects.

(f) Construction of Warehouses. Lessee shall construct a Gas Warehouse Building on the Lease Right Site II within two (2) years from the Closing Date and a Waste Water Facility Building on the Lease Rights Site II within one(1) year from the Closing Date.

(g) Brokerage. Lessee has not made any agreement or taken any other action which might cause any Person to become entitled to a broker's or finder's fee or commission as a result of this Agreement.

(h) NO OTHER REPRESENTATIONS. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS AGREEMENT OR THE BTA, NEITHER LESSEE NOR ANY OTHER PERSON OR ENTITY ACTING ON BEHALF OF LESSEE, MAKES ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED. TO THE EXTENT ANY REPRESENTATIONS OR WARRANTIES HEREIN ARE

INCONSISTENT WITH ANY REPRESENTATIONS OR WARRANTIES IN THE BTA, THE APPLICABLE REPRESENTATIONS OR WARRANTIES IN THE BTA SHALL CONTROL.

5.3. Each Party covenants and agrees to endeavor to cooperate with the other Party so as to minimize any interference with the other Party's operation of its business.

5.4. With respect to Lessee's use of the Land, from and after the Closing Date, Lessee shall comply in all material respects with all Applicable Laws applicable to the ordinary operation of Lessee's Business, including the environmental laws, and with the terms of all Government Authorizations relating to Lessee's operation of its Business at the Land or in the Buildings arising after the Closing Date.

5.5. Lessee covenants and agrees to reimburse Lessor, in full and promptly upon demand, if Lessor sustains any material Damages or is reasonably required to expend any money as a result of a default by Lessee hereunder; provided, however, Lessee shall not reimburse Lessor for any damages resulting from (a) reasonable wear and tear to the Land, (b) Lessor's maintenance of the Land as provided for herein, or (c) to the extent such Damages arises from Lessor's gross negligence or intentional misconduct.

5.6. Based on the Lease Right over the Site, Lessee shall grant to Veolia a registered sublease ("*deunggi cheonchawkwon*") on certain portions of the Site, as more specifically depicted in Exhibit D attached hereto, under the terms and conditions substantially the same as those of the Land Use Rights Agreement dated March 27, 2001 entered into by and between Lessor and Veolia.

5.7. Except as disclosed in Schedule 5.1(d), Lessor will deliver actual possession of the Site free and clear of occupancy.

5.8. By the Closing Date, Lessor shall have obtained all necessary and relevant Lessor Lease Rights Consents related to the registration of the Lease Rights. By the Partition Date, Lessee shall have obtained all necessary and relevant Lessee Easement Rights Consents. Lessor shall not permit or suffer future Liens on the Lease Rights Site I.

5.9. Lessor covenants and agrees to reimburse Lessee, in full and promptly upon demand, if Lessee sustains any material Damages or is reasonably required to expend any money as a result of a default by Lessor hereunder; provided, however, Lessor shall not reimburse Lessee for any damages resulting from (a) reasonable wear and tear to the Land, or (b) Lessee's maintenance of the Land as provided for herein, or (c) to the extent such Damage arises from Lessee's gross negligence or intentional misconduct.

**Article 6. Maintenance and Other Expenses**

All costs, expenses and obligations relating to the Site which arise or are attributable to Lessee's occupancy or use of the Site during the Lease Term, shall be paid by Lessee. Lessee hereby assumes all other responsibilities normally identified with the ownership of the Site, such as responsibility for the condition of the premises, such as operation, repair, replacement, maintenance and management of the Site, including repairs to the paved areas and driveways on

the Site. During the Lease Term, if Lessee fails to maintain the Site in good repair and condition for Lessor to obtain the reasonable benefits of the Site, Lessor may so notify Lessee and perform such repair and shall be reimbursed upon demand by Lessee for such costs based on invoices for work actually performed. Without limiting the foregoing, except as otherwise provided in this Agreement, or the other contracts executed by the Parties in connection with the BTA, the Parties agree that Lessor shall not be required or obligated to furnish any services or facilities to the Lease Rights Site. All costs, expenses and obligations relating to the Easement Site and taxes that Lessor should pay, which arise or are attributable to the period of the Lease Term shall be paid by Lessor. Lessor hereby assumes all other responsibilities normally identified with the ownership of the Easement Site, such as a responsibility for the condition of the Easement Site, such as operation, repair, replacement, maintenance and management of the Easement Site, including repairs to the paved areas and driveways on the Easement Site. If Lessor fails to maintain the Easement Site in good repair and condition for Lessee to obtain the reasonable benefit of the Easement Right, Lessee may so notify Lessor and perform such repair and shall be reimbursed upon demand by Lessor for such costs based on invoices for work actually performed, with a right of setoff against next Rent due to the extent not reimbursed.

**Article 7. Registration of the Lease Right and Easement Right.**

7.1. On the Closing Date, Lessor shall consent to the registration of (a) the Lease Right over the Lease Rights Site for the benefit of Lessee, in accordance with Section 2.3 and (b) the lease rights over the one-half of the Easement Site for the benefit of Lessee, subject to Lessor's rights to use the Easement Site as the owner thereof, and shall provide to Lessee all the necessary and appropriate documents normally required of a lessor for the registration of such Lease Right on the Closing Date, including Lessor Lease Rights Consents. Lessee shall be entitled to register, on or after the Closing Date, the rights granted under this Section 7.1 with the pertinent real property registry offices. Such registration shall have, (i) with respect to the Lease Rights Site I and the Easement Site I, first priority during the Lease Term over any Lien on the Lease Rights Site I and the Easement Site I, subject to the subsequent de-registration of such lease rights over the one-half of the Easement Site on the Partition Date and (ii) with respect to the Lease Rights Site II, subordinate to the Liens held by Lessor's creditors. The registration shall include such material matters provided in this Agreement as Lessor and Lessee may agree to register and as permitted to be registered in the real property registry under the Applicable Laws, provided that the terms of such Lease Right shall be the same as the terms and conditions of this Agreement. The expenses and costs of such registration of the Lease Right shall be borne wholly by Lessee.

7.2 On the Partition Date, Lessor shall consent to the registration of the Easement Right over the Easement Site for the benefit of Lessee, in accordance with Section 2.3 and shall provide to Lessee all necessary and appropriate documents normally required of a lessor for the registration of such Easement Right on the Partition Date. Lessee shall be entitled to register, on or after the Partition Date, the Easement Right over the Easement Site granted under this Section 7.2 with the pertinent real property registry offices. Such registration shall have, (a) with respect to the Easement Site I, first priority during the Lease Term over any Lien on the Easement Site I and (b) with respect to Easement Site II, priority subordinated to the Liens held by Lessor's creditors. The registration shall

include such material matters provided in this Agreement as Lessor and Lessee may agree to register and as permitted to be registered in the real property registry under the Applicable Laws, including the matter of the exercise by Lessee of the Easement Right in a manner and to the extent that allows Lessor to exercise a equal rights to use the Easement Site based on its ownership rights to the Easement Site set forth in Section 2.1, provided that the terms of such Easement Right shall be the same as the terms and conditions of this Agreement. The expenses and cost of deregistration and re-registration of rights other than Lease Right over Lease Rights Site and Easement Right over Easement Site shall be borne by the Party incurring such costs and expenses. The expenses and costs of such registration of such Easement Right shall be borne solely by Lessee.

7.3 On the Partition Date, Lessee shall consent to the registration of the Hynix Easement Right over the Access Areas in accordance with Section 2.1 for the benefit of Lessor and shall provide to Lessor all necessary and appropriate documents normally required of a lessor for the registration of such easement rights on the Partition Date. Lessor shall be entitled to register, on or after the Partition Date, such Easement Right over the Access Areas granted under this Section 7.3 with the pertinent real property registry offices. Such registration shall have, with respect to the Access Areas, first priority during the Lease Term over any Lien on the Access Areas. The registration shall include such material matters provided in this Agreement as Lessor and Lessee may agree to register and as permitted to be registered in the real property registry under the Applicable Laws, including the matter of the exercise by Lessee of the Easement Right in a manner and to the extent that allows Lessee to exercise a equal rights to use the Access Areas based on its Lease Rights over the Access Areas set forth in Section 2.2, provided that the terms of such easement rights shall be the same as the terms and conditions of this Agreement. The expenses and costs of such registration of Hynix Easement Right shall be borne solely by Lessor.

**Article 8. [Intentionally Deleted]**

**Article 9. Use and Maintenance**

9.1. Subject to Section 2.7, Lessee shall not occupy or use the Lease Rights Site and the Easement Site for any purpose whatsoever, other than in connection with the operation of the Business, including all Permitted Uses and in compliance with all Applicable Laws and Rules and Regulations.

9.2. Lessee shall, at its sole cost and expense, maintain, or cause to be maintained, during the Lease Term, the Site in equivalent condition to the condition as of the Closing Date, wear and tear, insured casualty and condemnation excepted.

**Article 10. Termination**

10.1. Termination. This Agreement may be terminated at any time during the Lease Term of this Agreement upon the occurrence of any of the following events:

(a) by a Party serving a written notice of termination to the other Party in the event of a material breach or default by such other Party of its obligations hereunder, which default shall not have been cured within sixty (60) days after written notice is provided by the non-breaching Party to the breaching Party; or

(b) by Lessee with ninety (90) days prior written notice to Lessor for any reason whatsoever.

10.2. Upon termination of this Agreement, each Party shall discontinue the use of all Confidential Information provided by the other Party in connection with this Agreement, and shall promptly return to the other Party any and all Confidential Information, including documents originally conveyed to it by the other Party and any copies thereof made thereafter.

10.3. Termination of this Agreement shall be without prejudice to the accrued rights and liabilities of the Parties prior to the termination of this Agreement.

10.4. The respective rights and obligations of the Parties under any Sections which by their nature are intended to extend beyond termination, shall survive the termination or expiry of this Agreement.

10.5. In the event of the termination of this Agreement pursuant to Section 10.1 hereof, a written notice thereof shall forthwith be given to the other Party specifying the provision hereof pursuant to which such termination is made, and Lessee or Lessor (as the case may be) shall only be liable thereafter for (i) Damages suffered as a result of its fraud or willful breach of this Agreement that occurred prior to the termination of this Agreement, or (ii) the obligations and liabilities of the Parties pursuant to this Agreement that accrued prior to the termination of this Agreement.

**Article 11. Sublease and Assignment**

11.1. This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns; provided, however, that no Party hereto will assign its rights or delegate its obligations under this Agreement without the express prior written consent of the other Party hereto, except that (i) Lessee may assign its rights hereunder (other than the lease right over the one-half of the Easement Site allowed from the Closing Date until the Partition Date) as collateral security to any bona fide financial institution engaged in financing in the ordinary course providing financing to the Warrant Issuer or its Subsidiaries and any of the foregoing financial institutions may assign such rights in connection with the sale of Lessee's business in the form then being conducted by Lessee substantially as an entirety; (ii) Lessor and Lessee each may, upon written notice to the other Party (but without the obligation to obtain the consent of such other Party), assign this Agreement or any of its rights and obligations under this Agreement to

any person, entity or organization that succeeds (by purchase, merger, operation of law or otherwise) to all or substantially all of the capital stock, assets or business of such party, all or substantially all of its assets and liabilities or to all or substantially all of the assets and liabilities of the portion of the Party's business to which the subject of this Agreement relates or of a division of Lessee, if such person or entity agrees in writing to assume and be bound by all of the relevant obligations of such Party under this Agreement; and (iii) Lessee may, upon written notice to Lessor (but without the obligation to obtain the consent of Lessor), assign this Agreement or any of its rights and obligations under this Agreement to one or more direct or indirect Subsidiaries of the Warrant Issuer if such Subsidiaries agree in writing to assume and be bound by all of the relevant obligations of Lessee under this Agreement.

11.2. Intentionally Deleted.

11.3. Notwithstanding anything to the contrary, Lessee shall not sublease the Lease Rights Site, in whole or in part, to a third party, except Veolia in accordance with Section 5.6 and the Hynix Easement Right.

**Article 12. Quiet Enjoyment; Indemnification.**

12.1. Without prejudice to Lessor's rights under this Agreement or under the Applicable Laws, so long as Lessee pays the Rent and materially observes all other terms, conditions and covenants hereof, Lessor shall ensure that Lessee has the right to quietly enjoy the Land without hindrance, molestation or interruption during the Lease Term, subject to the terms and conditions of this Agreement.

12.2. Lessor shall indemnify Lessee and its Indemnified Persons (the "Lessee Indemnified Parties"), and hold the Lessee Indemnified Parties harmless from and against, any and all Damages arising out of, resulting from or relating to claims by third parties arising from the negligent acts of Lessor, except to the extent such Damage is caused by the negligence or willful misconduct of any such Lessee Indemnified Party.

12.3. Lessee shall indemnify Lessor and its Indemnified Persons (the "Lessor Indemnified Parties") and hold the Lessor Indemnified Parties harmless from and against, any and all Damages arising out of, resulting from or relating to claims by third parties arising from the negligent acts of Lessee, except to the extent such Damage is caused by the negligence or willful misconduct of any such Lessor Indemnified Party.

12.4. In no event shall a Party be liable for Excluded Damages.

**Article 13. Surrender.**

13.1. Upon the expiration or termination of this Agreement, Lessor and Lessee shall consult in good faith to determine a reasonable grace period (which shall not be more than 6 months) (the "Grace Period") for Lessee to peaceably and quietly vacate and surrender the Land to Lessor. For the avoidance of doubt, Lessee shall be obligated to pay the Rent for the period until the date of surrender of the Land to Lessor.

13.2. During the Grace Period, Lessee shall, among other things, restore the Land to its condition and shape equivalent to that of the Closing Date, wear and tear, insured casualty and condemnation excepted, and as otherwise reasonably acceptable to Lessor by removing at its own expense any additional fixtures, partitions and structural alterations made by Lessee not consented to by Lessor. In the event Lessee fails to vacate, surrender and restore the Land to its condition equivalent to that of the Closing Date, including the presence of any buildings and improvements, reasonable wear and tear and insured casualty excepted, by the end of the Grace Period, Lessor may move, remove or dispose of any fixtures, partitions, structural alterations or other property or belongings remaining on the Land, and all reasonable expenses incurred therefrom shall be borne by Lessee.

**Article 14. Disputes and Governing Law.**

14.1. This Agreement shall be governed by and construed in accordance with the laws of Korea without reference to the choice of law principles thereof.

14.2. The Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to an injunction to prevent any breach of this Agreement and to enforce specifically the terms and provisions of this Agreement by bringing a relevant action in the Seoul Central District Court in Seoul, Korea, in addition to any other remedy to which any Party may be entitled at law or in equity. In addition, the Parties agree that any disputes, claims or controversies between the Parties arising out of or relating to this Agreement, whether in contract, tort, equity or otherwise and whether relating to the meaning, interpretation, effect, validity, performance or enforcement of this Agreement shall be submitted to the exclusive jurisdiction of the Seoul Central District Court in Seoul, Korea. Each of the Parties irrevocably waives, to the fullest extent permitted by law, any objection which it may now, or hereafter, have with respect to the jurisdiction of, or the venue in, the Seoul Central District Court.

**Article 15. Change of Applicable Laws of Korea**

Lessor shall process, and Lessee shall pay for, every zoning requirement or the requirements imposed by the Applicable Laws, which arise from change of conditions caused by Lessee subsequent to the Closing Date from the operation of the Business, as they come into effect during the Lease Term.

**Article 16. Alterations**

Each of the Buildings is now or hereafter shall be owned by Lessee, Lessee has the unfettered right to alter, replace, construct and/or reconstruct the Buildings, and Lessor acknowledges such alteration, replacement, construction or reconstruction shall not be deemed to be a termination of the Business or this Agreement. Lessor shall, upon request by Lessee, either (a) give evidence of this prior consent to such demolition and construction during the Lease Term as long as the applicable Building is to be used for a Permitted Use, and/or (b) issue the requisite consent letter for submission to competent authorities.

**Article 17. Right of First Refusal**

17.1. Lessor is the current occupant of portions of the Hynix Land ("Expansion Area"), Lessee shall have both a Right of First Refusal on the Expansion Area as set forth below:

(a) Right of First Refusal. If Lessor shall receive an offer to lease any portion of the Expansion Area, from time to time, which offer Lessor shall desire to accept, Lessor shall transmit a memorandum of said offer to Lessee. The memorandum shall set forth in detail the terms of the offer, including a description of the area, the rent (including any abatement and escalations), and any other material terms of the offer, to the extent available. Within fifteen (15) days of receiving Lessor's memorandum, Lessee shall, by written notice to Lessor exercise the right (each, a "Right of First Refusal"), (i) to accept such Expansion Area upon the terms and conditions stated in the offer or (ii) to accept such Expansion Area on the terms and conditions set forth in Section 17.1(c) and 17.1(d). Lessee's failure to make the election shall be deemed a rejection of the Expansion Area. Upon Lessee's acceptance of the Expansion Area, the parties shall execute an amendment incorporating the Expansion Area into the Site subject to all of the terms, covenants, and conditions of the Lease, except as modified by the terms of the offer (if Lessee has elected option (i) above). Notwithstanding anything to the contrary in the offer, the terms of the Lease for the Expansion Area shall be as provided in Section 17.1(c) immediately below. Notwithstanding that Lessee should fail or refuse to exercise its Right of First Refusal in the manner herein provided, if the Expansion Area, or any part thereof, is not leased to the prospective tenant contemplated by Lessor's memorandum within the time-period and on terms no more favorable to such tenant than originally offered to Lessee, the Expansion Area shall thereafter continue to be subject to the terms and conditions imposed by this Section 17.1(a) upon third party offers to lease and the first refusal procedure established by this Section 17.1(a) shall be reinstated.

(b) Should Lessee elect to exercise its Right of First Refusal, the terms and conditions of this Lease shall apply to the Expansion Area except as modified by the terms of the offer if Lessee has accepted in Section 17.1(a) option (i) above. Rent for the Expansion Area shall be at the then current square meter rental rate except as modified by the terms of the offer if Lessee has accepted in Section 17.1(a) option (i) above.

(c) Should Lessee exercise its Right of First Refusal, Lessor shall deliver such Expansion Area to Lessee, in Turnover Condition (defined below) whereupon said Expansion Area shall be added to and become a part of the Site and shall be governed in all respects by the terms of this Lease except that (i) as to the Right of First Refusal, the terms of the offer upon which Lessee exercised such right shall govern to the extent inconsistent with the terms of this Agreement and (ii) notwithstanding anything herein to the contrary, the term applicable to such space shall end at the same time, and under the same conditions, as applicable to the Lease Term. As used herein, "Turnover Condition" shall mean broom clean, free of occupants, debris, and movable property.

**Article 18. Additional Warehouse**

18.1 In accordance with Applicable Laws and if any land in the Cheong Ju Complex is available for the construction of one additional warehouse ("First Additional Warehouse"), Lessee may elect to construct a First Additional Warehouse by hiring its own contractors and performing such construction. In such event, Lessor shall provide or engage in the following:

(a) the use or lease of the additional land necessary for the construction of the First Additional Warehouse, which would become part of the Lease Rights Site II; and

(b) the use of access to such additional land and to the completed First Additional Warehouse, which would become part of the Easement Site II.

(c) to undertake the performance for Lessee to obtain second priority Lease Rights for the site of the First Additional Warehouse and second priority Easement Rights for access from a public road along the main road to the site of the First Additional Warehouse consistent with Article 7 of this Agreement.

18.2 In accordance with Applicable Laws and if any land in the Cheong Ju Complex is available for the construction of one other additional warehouse ("Second Additional Warehouse", together with the First Additional Warehouse, the "Additional Warehouses"), upon Lessee's request, the Parties shall discuss in good faith (i) to accommodate such request and (ii) the selection of the site for the Second Additional Warehouse and other required acts. If both Parties agree, Lessor shall provide the undertakings as set forth in Sections 18.1(a), (b) and (c) above.

18.3 This Section shall be deemed as advance consent by Lessor to the site of the Additional Warehouses becoming part of the Lease Rights Site II and having the right of Easement Right II for access from a public road along the main road to the site of the Additional Warehouses.

**Article 19. Insurance.**

19.1. Lessor and Lessee shall each obtain from, keep in force during the Lease Term with, and pay all premiums due to, an insurer(s) holding a Best Rating of B+ or higher, Standard

Commercial General Liability Insurance. The limits of liability of such insurances shall be in an amount not less than One Million Dollars ($1,000,000.00) per occurrence, Personal Injury including death and One Million Dollars ($1,000,000.00) per occurrence, Property Damage Liability or One Million Dollars ($1,000,000.00) combined single limit for Personal Injury and property Damage Liability.

19.2. Lessee shall pay to Lessor the incremental amount of insurance premiums which will be additionally charged to Lessor due to Lessor's grant to Lessee of lease of the Lease Rights Site I and easement right to the Easement Site in accordance with this Agreement.

**Article 20. Signage.**

Upon surrender or vacation of the Leased Premises, Lessee shall have removed all signs it has installed. Lessee shall obtain all applicable Governmental Authorizations for sign and exterior treatments at its sole cost and expense. Lessor consents to the signage as depicted on Exhibit E. If Lessee desires to install signs, decorations, or advertising media, the Parties shall discuss in good faith the installation of such signage.

**Article 21. Force Majeure.**

21.1. Neither Party shall be liable to the other Party for failure of or delay in the performance of any obligations under this Agreement due to causes reasonably beyond its control including (i) war, insurrections, riots, explosions, inability to obtain raw materials due to then current market situation; (ii) natural disasters and acts of God, such as violent storms, earthquakes, floods, and destruction by lightning; (iii) the intervention of any Governmental Entity or changes in relevant laws or regulations which restrict or prohibit either Party's performance of its obligations under this Agreement or implementation of this Agreement; or (iv) strikes, lock-outs and work-stoppages, which are beyond the reasonable control of the Party claiming the benefit (each, an "Event of Force Majeure"). Upon the occurrence of an Event of Force Majeure, the affected Party shall notify the other Party as soon as possible of such occurrence, describing the nature of the Event of Force Majeure and the expected duration thereof. Notwithstanding the foregoing, Lessee shall be under continuing obligation to make the payments required hereunder for any Rent, Other Costs and the corresponding VAT payable by Lessee, which was payable by Lessee prior to the occurrence of an Event of Force Majeure.

21.2. If a Party is unable, by reason of an Event of Force Majeure, to perform any of its obligations under this Agreement, then such obligation shall be suspended to the extent and for the period that the affected Party is unable to perform. If this Agreement requires an obligation to be performed by a specified date, such date shall be extended for the period during which the relevant obligation is suspended due to such an Event of Force Majeure under this Agreement.

**Article 22. Confidentiality.**

22.1. Confidentiality. Neither Party shall, except as expressly permitted by the terms of this Agreement, disclose to any third party the terms and conditions of this Agreement, the

existence of this Agreement and any Confidential Information which either Party obtains from the other Party in connection with this Agreement and/or use such Confidential Information for any purposes whatsoever other than those contemplated hereunder provided, however, that this Agreement (and its terms and conditions) may be disclosed and filed publicly in connection with a public offering of securities by Lessee or its Affiliates. "Confidential Information" shall mean any and all information including technical data, trade secrets or know-how, disclosed by either Party to the other Party in connection with this Agreement, which is marked as "Proprietary" or "Confidential" or is declared by the other Party, whether in writing or orally, to be confidential, or which by its nature would reasonably be considered confidential.

22.2. The obligation of confidentiality in Section 22.1 shall not apply to any information that: (a) was known to the other Party without an obligation of confidentiality prior to its receipt thereof from the disclosing Party; (b) is or becomes generally available to the public without breach of this Agreement, other than as a result of a disclosure by the recipient Party, its representatives, its Affiliates or the representatives of its Affiliates in violation of this Agreement; (c) is rightfully received from a third party with the authority to disclose without obligation of confidentiality and without breach of this Agreement; or (d) is required by law or regulation to be disclosed by a recipient Party or its representatives (including by oral question, interrogatory, subpoena, civil investigative demand or similar process), provided that written notice of any such disclosure shall be provided to the disclosing Party in advance. If a Party determines that it is required to disclose any information pursuant to applicable law (including the requirements of any law, rule or regulation in connection with a public offering of securities by Lessor or its Affiliates) or receives any demand under lawful process to disclose or provide information of the other Party that is subject to the confidentiality provisions hereof, such Party shall notify the other Party prior to disclosing and providing such information and shall cooperate at the expense of the requesting Party in seeking any reasonable protective arrangements requested by such other Party. Subject to the foregoing, the Party that receives such request may thereafter disclose or provide information to the extent required by such law or by lawful process.

**Article 23. Miscellaneous.**

23.1. Exercise of Right. A Party may exercise a right, power or remedy at its discretion, and separately or concurrently with another right, power or remedy. A single or partial exercise of a right, power or remedy by a Party does not prevent a further exercise of that or of any other right, power or remedy. A failure to exercise a right, power or remedy or a delay in exercising a right, power or remedy by a Party does not prevent such Party from exercising the same right thereafter.

23.2. Extension; Waiver. At any time during the Lease Term, each of Lessor and Lessee may (a) extend the time for the performance of any of the obligations or other acts of the other or (b) waive any inaccuracies in the representations and warranties of the other contained in this Agreement or in any document delivered pursuant to this Agreement. Any agreement on the part of a Party to any such extension or waiver shall be valid only if set

forth in an instrument in writing signed on behalf of such Party. The failure of any Party to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of those rights. Any rights under this Agreement may not be waived except in writing signed by the Party granting the waiver or varied except in writing signed by the Parties.

23.3. Notices. Any notice, request, demand, waiver, consent, approval or other communication which is required or permitted to be given to any Party shall be in writing and shall be deemed duly given only upon delivery to the Party personally (including by reputable overnight courier service), when telecopied (with confirmation of transmission having been received) during normal business hours or three days after being mailed by registered or certified mail (return receipt requested), with postage and registration or certification fees thereon prepaid, addressed to the Party at its address set forth below (or at such other address for a party as shall be specified by such Party by like notice):

If to Lessor, to:

Hynix Semiconductor Inc.
Hynix Youngdong Building
891 Daechi-dong, Gangnam-gu
Seoul 135-738, Korea
Attention: O.C. Kwon
Telephone: 82-2-3459-3006
Facsimile: 82-2-3459-5955

If to Lessee, to:

MagnaChip Semiconductor, Ltd.
1 Hyangjeong-dong
Heungduk-gu
Cheongju City
Chung Cheong Bok-do
Korea
Telephone:

Attention: Dr. Youm Huh
Facsimile: +82-43-270-2134

with a copy to:

Dechert LLP
30 Rockefeller Plaza
New York, New York 10112
Telephone: (212) 698-3500
Facsimile: (212) 698-3599
Attention: Geraldine A. Sinatra, Esq.
Sang H. Park, Esq.

23.4. Fees and Expenses. All costs and expenses incurred in connection with this Agreement shall be paid by the Party incurring such expenses, except as specifically provided to the contrary in this Agreement.

23.5. Entire Lease; No Third Party Beneficiaries. This Agreement (a) constitutes the entire agreement between the Parties and supersedes all prior agreements and understandings, both written or oral, between the Parties with respect to the subject matter hereof and (b) is not intended to confer upon any person other than the Parties hereto any rights or remedies hereunder.

23.6. Severability of Provisions. Any term or provision of this Agreement that is held by a court of competent jurisdiction or other authority to be unlawful, invalid, void or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction or other authority declares that any term or provision hereof is unlawful, invalid, void or unenforceable, the Parties agree that the court making such determination shall have the power to reduce the scope, duration, area or applicability of the term or provision, to delete specific words or phrases, or to replace any unlawful, invalid, void or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the unlawful, invalid or unenforceable term or provision.

23.7. Amendment and Modification. This Agreement (for the avoidance of doubt, including Exhibits attached hereto) may be amended, modified and supplemented in any and all respects, but only by a written instrument signed by the Parties expressly stating that such instrument is intended to amend, modify or supplement this Agreement.

23.8. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement.

23.9. Election of Remedies. Neither the exercise of nor the failure to exercise a right or to give notice of a claim under this Agreement shall constitute an election of remedies or limit any Party in any manner in the enforcement of any other remedies that may be available to such Party, whether at law or in equity.

23.10. Language. This Agreement is being originally executed in the English language only. In the event that the Parties agree to have a Korean version of this Agreement following signing, this Agreement may be translated into Korean. The Parties acknowledge that the Korean version of this Agreement shall be for reference purposes only, and in the event of any inconsistency between the two texts, the English version shall control.

23.11. No Merger. It is the intention of the Lessor to lease the Land to the Lessee free of any merger of the fee estate and leasehold estate or any other interests that may be held contemporaneously by Lessor, or any of them, and Lessee. No such merger will occur until such time as the Lessee executes a written instrument specifically effecting such merger and duly records the same.

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed by its duly authorized representatives as of the date first above written.

Hynix Semiconductor Inc.

By: _____

Name:
Title:

MagnaChip Semiconductor, Ltd.

By: _____

Name:
Title:

**Exhibit 10.13**

Execution Copy

**WAFER FOUNDRY SERVICE AGREEMENT**

between

Hynix Semiconductor Inc.

and

MagnaChip Semiconductor, Ltd.

October 6, 2004

/*****/ = Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

**TABLE OF CONTENTS**

**WAFER FOUNDRY SERVICE AGREEMENT**

This WAFER FOUNDRY SERVICE AGREEMENT (this "Agreement"), dated as of October 6, 2004, is entered into by and between:

(1) Hynix Semiconductor Inc., a company organized and existing under the laws of the Republic of Korea ("Korea") with its registered office at San-136-1, Ami-Ri, Bubal-Eub, Ichon-Si, Kyoungki-Do, Korea (the "Purchaser"); and

(2) MagnaChip Semiconductor, Ltd., a company organized and existing under the laws of Korea with its registered office at 1, Hyangjeong-Dong, Heungduk-Gu, Cheongju-Si, Chungcheongbuk-Do, Korea ("Supplier") (each a "Party", and collectively the "Parties").

**RECITALS**

WHEREAS, the Parties have entered into a certain business transfer agreement dated June 12, 2004, as amended (the "BTA") pursuant to which, among other things, the Supplier has agreed to acquire the Acquired Assets (as defined in the BTA) from the Purchaser subject to the terms and conditions set forth in the BTA;

WHEREAS, the Parties desire to enter into an agreement as contemplated by the BTA whereby the Supplier will provide certain foundry services to the Purchaser in accordance with the terms and conditions of this Agreement; and

WHEREAS, the execution and delivery of this Agreement is a condition to the Closing under the BTA.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter set forth, and intending to be legally bound hereby, the Parties agree as follows:

**Article 1. Definitions**

1.1. Unless otherwise defined herein, all capitalized terms shall have the meanings set forth below:

"Actual Yield" shall have the meaning ascribed to such term in Section 8.1.

"Affiliate" shall have the meaning ascribed to such term in the BTA.

"Base Plan" shall have the meaning ascribed to such term in Section 2.1.

"BTA" shall have the meaning ascribed to such term in the Recitals.

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which banks in Seoul are authorized or obligated by relevant law to close.

"Closing" shall have the meaning ascribed to such term in the BTA.

"Closing Date" shall have the meaning ascribed to such term in the BTA.

"Confidential Information" shall have the meaning ascribed to such term in Section 13.1.

"C2 Building" shall have the meaning ascribed to such term in Article 4.

"Damages" shall have the meaning ascribed to such term in Section 11.1.

"Defective Products" shall have the meaning ascribed to such term in Article 6.

"Event of Force Majeure" shall have the meaning ascribed to such term in Article 16.

"Forecast" shall have the meaning ascribed to such term in Section 2.4.

"Foundry Designs" shall mean the circuit design or layout of the Products provided by the Purchaser to the Supplier for the manufacture and supply of the Products.

"Foundry Specifications" shall mean the specifications provided by the Purchaser to the Supplier for the manufacture and supply of the Products, which are set forth in Exhibit A attached hereto and which may be amended by mutual written agreement between the Parties. The Parties acknowledge and agree that Supplier cannot amend the Foundry Specifications without giving ninety (90)-day prior written notice to the Purchaser and obtaining Purchaser's written consent to such amendment which may not be unreasonably withheld.

"Indemnified Party" shall have the meaning ascribed to such term in Section 11.1.

"Indemnifying Party" shall have the meaning ascribed to such term in Section 11.1.

"Intellectual Property" shall have the meaning ascribed to such term in the BTA.

"Invoice Date" shall have the meaning ascribed to such term in Article 7.

"Invoice Period" shall have the meaning ascribed to such term in Article 7.

"Licensed Materials" shall mean any and all Intellectual Property of the Purchaser or one or more Subsidiaries of the Purchaser, and/or third party Intellectual Property, which is necessary for the Supplier to provide the services which the Supplier is obligated to provide pursuant to the terms of this Agreement.

"Operating Day" shall mean any Business Day on which both Parties are operating its respective businesses.

"Potentially Defective Products" shall have the meaning ascribed to such term in Article 6.

"Products" shall mean certain fabricated wafers designed by the Purchaser and manufactured and supplied by the Supplier in accordance with the Foundry Specifications and Foundry Designs which are set forth in Exhibit B attached hereto, the prototypes of which have been qualified under the Purchaser's test for mass-production. The Parties agree that the list of Products on Exhibit B may be amended from time to time by mutual written agreement between the Parties.

"Purchase Orders" shall have the meaning ascribed to such term in Section 3.1.

"RMA Policy" shall have the meaning ascribed to such term in Section 9.2.

"Run Sheet" shall have the meaning ascribed to such term in Section 5.1.

"Subsidiary" shall have the meaning ascribed to such term in the BTA.

"Supplier Inspection Criteria" shall have the meaning ascribed to such term in Section 5.1.

"Term" shall have the meaning ascribed to such term in Section 14.1.

"Unit Price" shall have the meaning ascribed to such term in Section 3.1.

1.2. Rules of Interpretation.

(a) When a reference is made in this Agreement to a section or article, such reference shall be to a section or article of this Agreement unless otherwise clearly indicated to the contrary.

(b) Whenever the words "include", "includes" or "including" are used in this Agreement they shall be deemed to be followed by the words "without limitation."

(c) The words "hereof", "hereto", "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and article, section, paragraph and exhibit references are to the articles, sections, paragraphs and exhibits of this Agreement unless otherwise specified.

(d) The meaning assigned to each term defined herein shall be equally applicable to both the singular and the plural forms of such term, and words denoting any gender shall include all genders. Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning.

(e) A reference to any party to this Agreement or any other agreement or document shall include such party's successors and permitted assigns.

(f) A reference to any legislation or to any provision of any legislation shall include any amendment to, and any modification or re-enactment thereof, any legislative provision substituted therefor and all regulations and statutory instruments issued thereunder or pursuant thereto.

(g) The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provisions of this Agreement.

(h) Headings are for convenience only and do not affect the interpretation of the provisions of this Agreement.

(i) Any Exhibits attached hereto are incorporated herein by reference and shall be considered as a part of this Agreement.

**Article 2. Base Plan and Forecasting**

2.1. During the Term of this Agreement, the Purchaser shall purchase from the Supplier, and the Supplier shall sell to the Purchaser, at a minimum, the quantities of the Products set forth in the base plan attached hereto as Exhibit C (the "Base Plan"). Subject to the terms and conditions of this Agreement, the Supplier shall manufacture and make available for the Purchaser such quantities of the Products as set forth in the Base Plan in accordance with Foundry Specifications and Foundry Designs.

2.2. In the event the Purchaser fails to purchase from the Supplier more than ***/*****/*** of the minimum volume of the Products specified in the Base Plan for any given one month period thereunder due to reasons attributable to the Purchaser, the Purchaser shall pay to the Supplier, as its sole liability therefor, within 30 days after the end of the relevant one month period, by wire transfer of immediately available funds, an amount equal to the product of (a) ***/*****/*** per wafer (in case of failure to purchase the Products specified in the Base Plan for any given one month period in 2004) or ***/*****/*** per wafer (in case of the failure to purchase the Products specified in the Base Plan for any given one month period in 2005), as applicable, and (b) the volume of such non-purchased Products which is less than ***/*****/*** of the minimum volume for the relevant one month period.

2.3 In the event the Supplier fails to supply the Products specified in the Base Plan due to gross negligence, willful misconduct or bad faith of the Supplier in any given one month period provided thereunder, the Supplier shall first supply such non-supplied volume of the Products specified in the Base Plan by the end of the immediately following month period. In the event the Supplier fails to supply such non-supplied volume as provided in the immediately preceding sentence, the Supplier shall pay to the Purchaser, within thirty (30) days after the end of such immediately following month period, by wire transfer of immediately available funds, an amount equal to the product of (a) ***/*****/*** per wafer for any given one month period in 2004 and 2005 and (b) the volume of such non-supplied Products for the relevant one month period. Provided, however, that in the event that,

/*****/ = Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

before the Closing Date, the Purchaser fails to load wafers for the manufacturing of the minimum volume of the Products so that the Supplier can supply to the Purchaser the minimum volume of the Products for the first and second months from the Closing Date, the Supplier shall have no responsibility to pay to the Purchaser an amount set forth in this Section 2.3 for failure of supplying the minimum volume of the Products during such two months after the Closing Date.

2.4 By the first Business Day of each calendar month, the Purchaser shall provide the Supplier with a three (3) month rolling forecast, by month, of its estimated requirements of the Products for the following full three (3) calendar month period (specifying the mix of Products being planned) in writing (the "Forecast"). The Parties acknowledge and agree that the Forecast is being provided for reference and planning purposes only, and the actual quantity of Products being ordered and purchased by Purchaser for a particular month shall be as set forth in the applicable Purchaser Order for such month.

**Article 3. Ordering Procedures**

3.1 The Purchaser shall, from time to time, place to the Supplier purchase orders for the Products (the "Purchase Orders") based on the Base Plan, which orders shall include the descriptions of the applicable Products, the mix of Products being ordered, the unit price of the Products (the "Unit Price"), quantity, delivery date and other relevant information. Unless otherwise mutually agreed in writing by the Parties, all such Purchase Orders shall be provided to the Supplier at least sixty (60) days prior to the requested delivery date by the Purchaser. Each such Purchase Order placed by the Purchaser shall be deemed to have been accepted by the Supplier unless the Supplier provides a written notice of rejection, amendment or counter-offer of such Purchase Order within two (2) Business Days from its receipt of such Purchase Order.

3.2 Any additional orders of the Products in excess of the quantities set forth in the Base Plan shall be on an individual purchase order basis at prices to be separately negotiated and agreed in writing by the Parties.

**Article 4. Pricing**

The Unit Price supplied hereunder shall be ***/*****/*** for the year 2004, and ***/*****/*** for the year 2005, per wafer; provided that if the Supplier's variable costs for the manufacture and supply of the Products, of which amount and items consisting thereof are specified in Exhibit D, increase or decrease at any time by ***/*****/*** or more, then upon mutually satisfactory evidence to both Parties of such increase or decrease provided by either Party, the Unit Price shall be increased or decreased, as applicable, from time to time to reflect such increases or decreases in the Supplier's variable costs. The Unit Price shall be exclusive of ***/******/***. The Unit Price shall be on an ex warehouse Supplier's facility located in C2 Building located at Supplier's manufacturing facility in Cheongju, Korea ("C2 Building").

/*****/ = Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

**Article 5. Delivery; Acceptance**

5.1. The Supplier shall inspect the Products, prior to each delivery thereof, at the Supplier's facilities to determine whether the Products meet each of the criteria (the "Supplier Inspection Criteria") set forth on the "run-sheet" for the Products (the "Run-Sheet") and, if the Products satisfy all of the Supplier Inspection Criteria, the Supplier shall place a "stamp of approval" on the package in which such Products are to be delivered to Purchaser.

5.2. Subject to Section 5.1, unless otherwise designated by the Purchaser in writing, delivery shall be ex warehouse Supplier's facility located in the C2 Building, and the Supplier shall deliver the Products to the Purchaser on or before the delivery date as provided in the relevant Purchase Order or according to such changes made thereto pursuant to Section 3.2. Once the Products are delivered to the Purchaser at Supplier's facility located in the C2 Building or any other place designated by Purchaser in writing, delivery shall be deemed completed and the title to, and the risk of loss of, the Products shall pass to the Purchaser. The Purchaser may request that the Products be delivered to a location designated by the Purchaser. If the Supplier agrees to deliver the Products to such location designated by the Purchaser, then the Purchaser shall bear all costs and expenses incurred in connection with handling, adequate insurance and transportation of the Products, then the Supplier shall deliver the Products from the Supplier's facility located in the C2 Building to the location designated by the Purchaser. In the event the Supplier fails to deliver the Products on or before the delivery date as provided in the relevant Purchase Order, or to the location designated by the Purchaser pursuant to this Section 5.2, the Supplier shall pay a delay charge of eight percent (8%) per annum of the total Unit Price of the non-delivered Products per day.

5.3. Any default or delay by the Supplier in delivering the Products in part under a Purchase Order shall not affect the delivery of the remaining Products under such Purchase Order or any other Purchase Orders, so that the Supplier shall continue to deliver the Products in accordance with the unaffected part of such Purchase Orders.

5.4. The Supplier shall deliver the Products with a packing list, the stamp of approval placed on each package of the Products delivered to the Purchaser, the Run Sheet and such other documents as separately agreed in writing by the Supplier and the Purchaser.

**Article 6. Visual Inspection; Defective Products**

Upon completion of the manufacturing process of the Products, the Supplier shall provide a written notice thereof to the Purchaser. After receiving such notice from the Supplier, the Purchaser shall perform a visual inspection of such manufactured Products at C2 Building which will consist of an inspection of the Products to look for obvious damage to the manufactured Products. In the event that any Product is determined to be damaged as a result of such visual inspection by the Purchaser (the "Potentially Defective Products"), the Purchaser shall notify the Supplier of the Potentially Defective Products in writing together with the results of the visual inspection. Immediately after receiving such notice from the Purchaser, the Supplier shall conduct joint examination of the Potentially Defective Products with the Purchaser at C2 Building and confirm whether any of the Potentially Defective Products contains such obvious damage arising from a cause attributable to the Supplier (the "Defective Products"). For the

purpose of the Purchaser's visual inspection in this Article 6, the Supplier shall provide the Purchaser with sufficient space and assistance as reasonably requested by the Purchaser. Upon the Supplier's such confirmation, the Purchaser shall return the Defective Products to the Supplier's facility located in C2 Building at the Supplier's expense. The Supplier shall, at Purchaser's option, either: (i) promptly replace the Defective Products and deliver the replacement Products to the Purchaser by no later than the immediately following calendar month and bear the expenses for such replacement of the Defective Products including expenses for all necessary freight, duties, insurance and other costs incidental to such replacement, or (ii) give credit to the Purchaser in the amount of the applicable purchase price for the Defective Products. The Products delivered to the Purchaser shall be deemed to have been accepted by the Purchaser if the Purchaser fails to give such notice of the Potentially Defective Products to the Supplier within two (2) days from the delivery by the Supplier of the Products to the Purchaser. The Parties acknowledge and agree that the Supplier shall immediately destroy all of the Defective Products at its sole expense and shall provide the Purchaser with a written certificate signed by an authorized officer verifying thereof to the reasonable satisfaction to the Purchaser.

**Article 7. Payment**

On the fifteenth day and the last day of each calendar month (each such day, "Invoice Date"), the Supplier shall invoice the Purchaser in Korean Won for the price of the Products delivered during the period from the immediately preceding Invoice Date (in case of the first Invoice Date after the date hereof, the date hereof) until the immediately preceding date of such Invoice Date ("Invoice Period") specifying the quantity of Products delivered during the applicable Invoice Period and the price of the Products determined in accordance with Article 4 hereof. The Purchaser shall pay the invoiced amount and the corresponding value added tax amount to the Supplier's designated account by means of a wire transfer in immediately available funds within thirty (30) days after the receipt of the Supplier's invoice by the Purchaser. If the Purchaser fails to make any payment due hereunder by the date it is due, the Purchaser shall pay to the Supplier, in addition to the amount of such payment due, a late charge of eight (8%) percent per annum of the outstanding amount, prorated to reflect the pro rata portion of such late charge for the period from the due date of the payment until finally paid. All payments under this Agreement shall be made in Korean Won.

**Article 8. Yield**

8.1. The minimum yield per wafer of each Product set forth in Exhibit B attached hereto delivered by the Supplier shall be as follows: (a) for the "128M Sync(C)" Product, the minimum yield per wafer shall be ***/*****/***; and (b) for the "64M Sync(G)" Product, the minimum yield per wafer shall be ***/*****/***. If, as a result of a completed probe-test and wafer sorting by the Purchaser, the actual yield per wafer of any Product (the "Actual Yield") is determined by the Purchaser to be less than such minimum yield per wafer, the Purchaser shall notify the Supplier thereof in writing along with the detailed result of such probe-testing and wafer sorting within one (1) month from its receipt of the Products. Within three (3) Business Days from the receipt of such notice by the Supplier, the Supplier shall conduct joint test of such Products with the Purchaser at C2 Building and confirm whether the Actual Yield of such Products is less than such minimum yield.

/*****/ = Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

8.2. In the event that the Actual Yield per wafer is determined by the Purchaser and confirmed by the Supplier to be less than the minimum yield as set forth in Section 8.1 with respect to a particular Product, then the Supplier shall provide additional Products to the Purchaser to make up the difference between the minimum yield and the Actual Yield by supplying the Products, the volume of which is equal to the sum of difference between the minimum yield and the Actual Yield. For the purpose of determination of quantity of such additional Products under this Section 8.2, any fraction that is five-tenths (0.5) or higher shall be rounded up to one (1), and any fraction that is lower than five-tenths (0.5) shall be rounded down to zero (0).

8.3. In the event that the Actual Yield per wafer of any Product is determined by the Purchaser, and confirmed by the Supplier, to be less than ***/*****/*** per wafer or per lot, the relevant Products shall be deemed as Defective Products and shall be subject to the remedies set forth in Article 6 for Defective Products. For the avoidance of doubt, if any Product is determined by the Purchaser to be less than ***/*****/*** per lot, all of the Products included in such lot shall be deemed as Defective Products and shall be subject to the remedies set forth in Article 6 for Defective Products.

**Article 9. Supplier Representations, Warranties and Covenants**

9.1. The Supplier warrants to the Purchaser that the Products will be free from material defects in materials and workmanship and shall conform to the Foundry Specifications and the Foundry Designs for a period of ***/*****/*** following the date of delivery of the Products, provided that in no event shall the Supplier be responsible in any way for any defects arising out of or resulting from the Foundry Specifications, the Foundry Designs or the Licensed Materials.

9.2. In the event that any Product is found to be defective during such ***/*****/*** period as set forth in Section 9.1, the Purchaser shall promptly, but prior to the expiration of such ***/*****/*** period, notify the Supplier thereof in writing with a detailed description of the defects for purposes of the Supplier's inspection. Upon receiving such notice, the Parties shall follow the Return Material Authorization Policy (the "RMA Policy") set forth in Exhibit E attached hereto and shall take such actions as are set forth in the RMA Policy.

9.3. Notwithstanding anything to the contrary, the Supplier shall not be liable to the Purchaser or to any third party for any defects in the Products that have been caused by any act or omission of Purchaser, including the Purchaser's misuse or unauthorized modification or alternation of the Products, or by any defect in the Licensed Materials.

9.4. The Supplier represents that it has sufficient production capacity for the supply of the Products to the Purchaser and to meet the Purchaser's needs for the Products as set forth in the Base Plan.

9.5. **EXCEPT FOR THE WARRANTIES SET FORTH IN THIS ARTICLE 9, THE SUPPLIER MAKES NO WARRANTIES, EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, AND EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.**

/*****/ = Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

**Article 10. Purchaser Representations, Warranties and Covenants**

Notwithstanding any other provision to the contrary, the Supplier shall not be liable to the Purchaser for any failure of or delay in the performance of any obligations under this Agreement caused by (i) a failure of the Purchaser to provide the Licensed Materials to the Supplier' (ii) a failure of the Purchaser to be able to use the Licensed Materials due to a claim that the Licensed Materials, or the Supplier's use of Licensed Materials infringes or violates any rights of any third party(ies); or (iii) a failure of the Licensed Materials to operate in accordance with the then-current documentation for such Licensed Materials.

**Article 11. Indemnification**

11.1. Each Party (the "Indemnifying Party") shall defend, indemnify and hold harmless the other Party (the "Indemnified Party") for, and shall pay to the other Party the amount of, any loss, liability, claim, damage excluding indirect, special and consequential damages, expense (including reasonable attorneys' fees) (collectively, "Damages"), arising from any breach of any representation, warranty, agreement or covenant made by the Indemnifying Party under this Agreement.

11.2. The Supplier shall defend, indemnify and hold harmless the Purchaser for, and shall pay to the Purchaser the Damages arising from: (a) any claim, suit, proceeding or action brought by any third party against the Purchaser in relation to infringement upon any Intellectual Property rights of such third party; or (b) any claim, suit, proceeding or action brought by any third party under the Product Liability Act of Korea. The Purchaser shall promptly notify the Supplier in writing of such claim, suit, preceeding or action, allow the Supplier to participate in the defense or any related settlement action at the Supplier's cost, and fully cooperate with the Supplier in such defense or related settlement action.

11.3. Notwithstanding anything to the contrary contained herein, the Supplier shall not be liable to the Purchaser or any third party for any claim, suit, proceeding or action based upon the Foundry Specifications and/or the Foundry Designs; arising or resulting from a claim that the Licensed Materials, the Supplier's use of Licensed Materials or exercise of the rights and licenses granted under this Agreement infringes or violates any rights of any third party(ies); or arising or resulting from a failure of the Licensed Materials to operate in accordance with the then-current documentation for such Licensed Materials.

**Article 12. Limitation of Liability**

**DURING THE TERM OF THIS AGREEMENT AND THEREAFTER, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES FOR ANY REASON WHATSOEVER ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, INCLUDING DAMAGES FOR ANY LOSS OF PROFIT, DEATH OF, OR INJURY TO PERSON WITH REGARD TO THE USE OF THE PRODUCTS.**

**IN NO EVENT SHALL THE LIABILITY OF THE SUPPLIER TO THE PURCHASER ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR THE SERVICES PROVIDED HEREUNDER EXCEED, IN THE AGGREGATE, THE TOTAL FEES PAID BY THE PURCHASER TO THE SUPPLIER FOR THE PARTICULAR SERVICES OR PRODUCT(S) WITH RESPECT TO WHICH SUCH LIABILITY RELATES (OR IN THE CASE OF ANY LIABILITY NOT RELATED TO A PARTICULAR PORTION OF THE SERVICES OR PRODUCT(S), THE TOTAL FEES PAID BY THE PURCHASER TO THE SUPPLIER UNDER THE APPLICABLE PORTION OF THIS AGREEMENT), WHETHER SUCH LIABILITY IS BASED ON AN ACTION IN CONTRACT, WARRANTY, STRICT LIABILITY OR TORT (INCLUDING, WITHOUT LIMITATION, NEGLIGENCE) OR OTHERWISE.**

**THE PARTIES AGREE THAT THIS AGREEMENT IS SOLELY FOR THE BENEFIT OF THE PARTIES HERETO AND NO PROVISION OF THIS AGREEMENT SHALL BE DEEMED TO CONFER UPON ANY OTHER PERSON OR ENTITY ANY REMEDY, CLAIM, LIABILITY, REIMBURSEMENT, CAUSE OF ACTION OR OTHER RIGHT WHATSOEVER. THE RESPECTIVE PARTIES' ENTIRE LIABILITY UNDER THIS AGREEMENT OR ARISING FROM THE SERVICES AND/OR PRODUCTS PROVIDED HEREUNDER SHALL BE SUBJECT TO THE LIMITATIONS CONTAINED IN THIS ARTICLE 12.**

## Article 13. Confidentiality

13.1. During the term of this Agreement and for two (2) years after the termination or expiration of this Agreement, neither Party shall, except as expressly permitted by the terms of this Agreement, disclose to any third party the terms and conditions of this Agreement, the existence of this Agreement and any Confidential Information which either Party obtains from the other Party in connection with this Agreement and/or use such Confidential Information for any purposes whatsoever other than those contemplated hereunder; provided, however, that this Agreement (and its terms and conditions) may be disclosed and filed publicly in connection with a public offering of securities by Supplier or its Affiliates, "Confidential Information" shall mean any and all information including technical data, trade secrets or know-how, disclosed by either Party to the other Party in connection with this Agreement, which are marked as "Proprietary" or "Confidential" or are informed by the other Party, whether written or oral, as confidential.

13.2. The obligation of confidentiality in Section 13.1 shall not apply to any information that: (a) was known to the other Party without an obligation of confidentiality prior to its receipt thereof from the disclosing Party; (b) is or becomes generally available to the public without breach of this Agreement, other than as a result of a disclosure by the recipient Party, its representatives, its Subsidiary (in case recipient Party is Purchaser) or its Affiliates (in case recipient Party is Supplier) or the representatives of its Subsidiaries or Affiliates, as the case may be, in violation of this Agreement; (c) is rightfully received from a third party with the authority to disclose without obligation of confidentiality and without breach of this Agreement; or (d) is required by law or regulation to be disclosed by a recipient Party or its representatives (including by oral question, interrogatory,

subpoena, civil investigative demand or similar process), provided that written notice of any such disclosure shall be provided to the disclosing Party in advance. If it is required to disclose any information pursuant to applicable law in connection with initial public offering of Warrant Issuer or its Subsidiaries in the relevant jurisdiction or receives any demand under lawful process to disclose or provide information of the other Party that is subject to the confidentiality provisions hereof, such Party shall notify the other Party prior to disclosing and providing such information and shall cooperate at the expense of the requesting Party in seeking any reasonable protective arrangements requested by such other Party. Subject to the foregoing, the Party that receives such request may thereafter disclose or provide information to the minimum extent required by such law or by lawful process.

**Article 14. Term and Termination**

14.1. This Agreement shall become effective from the Closing Date and shall continue in full force and effect until August 31, 2005, unless otherwise earlier terminated pursuant to this Agreement, and may be extended by one (1) year by mutual written agreement of the Parties at least ninety (90) days prior to the expiration of the original term (the "Term").

14.2. This Agreement may be terminated at any time during the Term of this Agreement by serving a written notice thereof to the other Party upon occurrence of any of following events:

(a) if the other Party becomes insolvent or a petition under bankruptcy or insolvency law is instituted by or against the other Party and, if instituted against the other Party, such petition is not dismissed within sixty (60) days after its institution;

(b) by mutual written agreement of both Parties;

(c) if the other Party makes an assignment for the benefit of creditors or takes any similar action under applicable bankruptcy or insolvency law;

(d) in the event of a material breach or default by a Party of its obligations hereunder, which default shall not have been cured within thirty (30) days after written notice is provided by the non-breaching Party to the breaching Party; or

(e) if the other Party is or comes incapable of performing any of its obligations under this Agreement due to an Event of Force Majeure lasting for longer than forty five (45) days.

**Article 15. Effect of Termination**

15.1. Except for the termination pursuant to Sections 14.2 (b) or (e), in the event the Supplier is the terminating Party, the Supplier shall have the option, at its sole discretion, to supply all or a portion of the Products for which the Purchase Orders have already been accepted by the Supplier and/or to nullify all or a portion of such accepted Purchase Orders.

15.2. Except for the termination pursuant to Sections 14.2 (b) or (e), in the event the Purchaser is the terminating Party, the Supplier shall secure the supply of the Products under the same terms and conditions hereof for a period of six (6) months after the date of termination, provided that the Purchaser may, at its sole discretion, cancel all or a portion of the Purchase Orders already made.

15.3. Upon termination of this Agreement, each Party shall discontinue the use of all Confidential Information provided by the other Party in connection with this Agreement, and shall promptly return to the other Party any and all Confidential Information, including documents originally conveyed to it by the other Party and any copies thereof made thereafter.

15.4. Termination of this Agreement shall be without prejudice to the accrued rights and liabilities of the Parties prior to the termination of this Agreement.

15.5. Sections 2.2, 2.3 and 19.3 and Articles 11, 12, 13, 15 and 18 shall survive the termination of this Agreement.

15.6 For the purpose of this Article 15, a Party incapable of performing its obligations under this Agreement due to an Event of Force Majeure shall not be construed as a defaulting Party.

**Article 16. Force Majeure**

Neither Party shall be liable to the other Party for failure of or delay in the performance of any obligations under this Agreement due to causes reasonably beyond its control including: (i) war, fire, insurrections, riots, explosions and inability to obtain raw materials due to then current market situation; (ii) natural disasters and acts of God, such as violent storms, earthquakes, floods, and destruction by lightning; (iii) the intervention of any governmental authority or changes in the relevant laws or regulations which restrict or prohibit either Party's performance of its obligations under this Agreement or implementation of this Agreement; or (iv) strikes, lock-outs and work-stoppages (each, an "Event of Force Majeure"). Upon the occurrence of an Event of Force Majeure, the affected Party shall notify the other Party as soon as possible of such occurrence, describing the nature of the Event of Force Majeure and the expected duration thereof. Notwithstanding the foregoing, the Purchaser shall be under a continuing obligation to make payments for the Products which have already been supplied to the Purchaser prior to the occurrence of an Event of Force Majeure.

**Article 17. Assignment**

This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns; provided, however, that no Party will assign its rights or delegate its obligations under this Agreement without the express prior written consent of the other Party, except that (i) the Supplier may assign its rights hereunder as collateral security to any bona fide financial institution engaged in financing in the ordinary course providing financing to the Warrant Issuer or its Subsidiaries and any of the foregoing financial institutions may assign such rights in connection with a sale of the Supplier in the form then being conducted

by the Supplier substantially as an entirety; (ii) the Purchaser and the Supplier each may, upon written notice to the other Party (but without the obligation to obtain the consent of such other Party), assign this Agreement or any of its rights and obligations under this Agreement to any person, entity or organization that succeeds (by purchase, merger, operation of law or otherwise) to all or substantially all of the capital stock, assets or business of such party, all or substantially all of its assets and liabilities or to all or substantially all of the assets and liabilities of the portion of the Party's business to which the subject of this Agreement relates or of a division of the Supplier, if such person or entity agrees in writing to assume and be bound by all of the relevant obligations of such Party under this Agreement; and (iii) the Supplier may, upon written notice to the Purchaser (but without the obligation to obtain the consent of the Purchaser), assign this Agreement or any of its rights and obligations under this Agreement to one or more direct or indirect Subsidiaries of the Warrant Issuer.

**Article 18. Governing Law and Dispute Resolution**

18.1. This Agreement shall be governed by and construed in accordance with the laws of Korea without reference to the choice of law principles thereof.

18.2. The Parties agree that the Parties shall be entitled to an injunction to prevent any breach of this Agreement and to enforce specifically the terms and provisions of this Agreement by bringing a relevant action in the Seoul District Court located in Seoul, Korea, in addition to any other remedy to which any Party may be entitled at law or in equity. The Parties further agree that any disputes, claims or controversies between the Parties arising out of or relating to this Agreement, whether in contract, tort, equity or otherwise and whether relating to the meaning, interpretation, effect, validity, performance or enforcement of this Agreement shall be submitted to the exclusive jurisdiction of the Seoul District Court.

**Article 19. Miscellaneous**

19.1. Exercise of right. A Party may exercise a right, power or remedy at its discretion, and separately or concurrently with another right, power or remedy. A single or partial exercise of a right, power or remedy by a Party does not prevent a further exercise of that or of any other right, power or remedy. A failure to exercise a right, power or remedy or a delay in exercising a right, power or remedy by a Party does not prevent such Party from exercising the same right thereafter.

19.2. Extension; Waiver. At any time during the Term, each of the Purchaser and the Supplier may (a) extend the time for the performance of any of the obligations or other acts of the other or (b) waive any inaccuracies in the representations and warranties of the other contained in this Agreement or in any document delivered pursuant to this Agreement. Any agreement on the part of a Party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Party. The failure of any Party to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of those rights. Any rights under this Agreement may not be waived except in writing signed by the Party granting the waiver or varied except in writing signed by the Parties.

19.3. Notices. Any notice, request, demand, waiver, consent, approval or other communication which is required or permitted to be given to any Party shall be in writing and shall be deemed duly given only upon delivery to the Party personally (including by reputable overnight courier service), when telecopied (with confirmation of transmission having been received) during normal business hours or three days after being mailed by registered or certified mail (return receipt requested), with postage and registration or certification fees thereon prepaid, addressed to the Party at its address set forth below (or at such other address for a party as shall be specified by such Party by like notice):

If to the Purchaser, to:

Hynix Semiconductor Inc.
Hynix Youngdong Building
891 Daechi-dong, Gangnam-gu
Seoul 135-738, Korea
Attention: Mr. O.C. Kwon
Facsimile: 82-2-3459-5955

If to the Supplier, to:

MagnaChip Semiconductor, Ltd.
1 Hyangjeong-dong
Heungduk-gu
Cheongju City
Chung Cheong Bok-do, Korea
Facsimile: 82-43-270-2134
Attention: Dr. Youm Huh

with a copy to:

Dechert LLP
30 Rockefeller Plaza
New York, NY 10112
Telephone: (212) 698-3500
Facsimile: (212) 698-3599
Attention: Geraldine A. Sinatra, Esq.
Sang H. Park, Esq.

19.4. Fees and Expenses. All costs and expenses incurred in connection with this Agreement shall be paid by the Party incurring such expenses, except as specifically provided to the contrary in this Agreement.

19.5. Entirety; No Third Party Beneficiaries. This Agreement (a) constitutes the entire agreement between the Parties and supersedes all prior agreements and understandings, both written or oral, between the Parties with respect to the subject matter hereof and (b) is not intended to confer upon any person other than the Parties hereto any rights or remedies hereunder.

19.6. Severability of Provisions. Any term or provision of this Agreement that is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction or other authority declares that any term or provision hereof is invalid, void or unenforceable, the Parties agree that the court making such determination shall have the power to reduce the scope, duration, area or applicability of the term or provision, to delete specific words or phrases, or to replace any invalid, void or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision.

19.7. Amendment and Modification. This Agreement (for the avoidance of doubt, including Exhibits attached hereto) may be amended, modified and supplemented in any and all respects, but only by a written instrument signed by the Parties expressly stating that such instrument is intended to amend, modify or supplement this Agreement.

19.8. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement.

19.9. Election of Remedies. Neither the exercise of nor the failure to exercise a right or to give notice of a claim under this Agreement shall constitute an election of remedies or limit any Party in any manner in the enforcement of any other remedies that may be available to such Party, whether at law or in equity.

19.10. Language. This Agreement is being originally executed in the English language only. In the event that the Parties agree to have a Korean version of this Agreement following signing, this Agreement may be translated into Korean. The Parties acknowledge that the Korean version of this Agreement shall be for reference purposes only, and in the event of any inconsistency between the two texts, the English version shall control.

19.11 Relationship of the Parties. The Supplier shall perform all services hereunder as an independent contractor. This Agreement does not create a fiduciary or agency relationship between the Purchaser and the Supplier, each of which shall be and at all times remain independent companies for all purposes hereunder. Nothing in this Agreement is intended to make either Party a general or special agent, joint venturer, partner or employee of the other for any purpose.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed by its duly authorized representatives as of the date first above written.

Hynix Semiconductor Inc.

By: _____

Name:
Title:

MagnaChip Semiconductor, Ltd.

By: _____

Name:
Title:

**Exhibit 10.14**

Execution Copy

**MASK PRODUCTION AND SUPPLY AGREEMENT**

between

Hynix Semiconductor Inc.

and

MagnaChip Semiconductor, Ltd.

October 6, 2004

/*****/ = Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

**TABLE OF CONTENTS**

**MASK PRODUCTION AND SUPPLY AGREEMENT**

This WAFER MASK PRODUCTION AND SUPPLY AGREEMENT (this "Agreement"), dated as of October 6 , 2004 (this "Agreement"), is entered into by and between:

(1) Hynix Semiconductor Inc., a company organized and existing under the laws of the Republic of Korea ("Korea") with its registered office at San-136-1, Ami-Ri, Bubal-Eub, Ichon-Si, Kyoungki-Do, Korea (the "Supplier"); and

(2) MagnaChip Semiconductor, Ltd., a company organized and existing under the laws of Korea with its registered office at 1, Hyangjeong-Dong, Heungduk-Gu, Cheongju-Si, Chungcheongbuk-Do, Korea (the "Purchaser") (each a "Party", and collectively the "Parties").

**RECITALS**

WHEREAS, the Parties have entered into a certain business transfer agreement dated June 12, 2004, as amended (the "BTA") pursuant to which, among other things, the Purchaser has agreed to acquire the Acquired Assets (as defined in the BTA) from the Supplier subject to the terms and conditions set forth in the BTA;

WHEREAS, the Parties desire to enter into an agreement as contemplated by the BTA whereby the Supplier will supply certain photomask products to the Purchaser in accordance with the terms and conditions of this Agreement; and

WHEREAS, the execution and delivery of this Agreement is a condition to the Closing under the BTA.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter set forth, and intending to be legally bound hereby, the Parties agree as follows:

**Article 1. Definitions**

1.1. Unless otherwise defined herein, all capitalized terms shall have the meanings set forth below:

"Affiliate" shall have the meaning ascribed to such term in the BTA.

"BTA" shall have the meaning ascribed to such term in the Recitals.

"Business Day" shall mean any day other than a Saturday, Sunday, or a day on which banks in Seoul are authorized or obligated by relevant laws to close.

"Closing" shall have the meaning ascribed to such term in the BTA.

"Closing Date" shall have the meaning ascribed to such term in the BTA.

“Confidential Information” shall have the meaning ascribed to such term in Section 11.1

“C2 Building” shall have the meaning ascribed to such term in Section 4.2

“Damages” shall have the meaning ascribed to such term in Section 9.1.

“Defective Products” shall have the meaning ascribed to such term in Article 6.

“Event of Force Majeure” shall have the meaning ascribed to such term in Article 14.

“Indemnified Party” shall have the meaning ascribed to such term in Section 9.1.

“Indemnifying Party” shall have the meaning ascribed to such term in Section 9.1.

“Intellectual Property” shall have the meaning ascribed to such term in the BTA.

“Invoice Date” shall have the meaning ascribed to such term in Section 7.1.

“Invoice Period” shall have the meaning ascribed to such term in Section 7.1.

“Mask Designs” shall mean the circuit design or layout of the Products provided by the Purchaser to the Supplier for the manufacture and supply of the Products, which shall be included as part of the Purchase Order from the Purchaser.

“Mask Specifications” shall mean the design specifications provided by the Purchaser to the Supplier for the manufacture and supply of the Products, which shall be included as part of the Purchase Order from the Purchaser.

“Monthly Guaranteed Volume” shall have the meaning ascribed to such term in Article 2.

“Operating Day” shall mean any Business Day on which both Parties are operating its respective businesses.

“Potentially Defective Products” shall have the meaning ascribed to such term in Article 6.

“Products” shall mean certain photomask products designed by the Purchaser and manufactured and supplied by the Supplier in accordance with the Mask Specifications and Mask Designs for integrated circuit products manufactured by the Purchaser, which may be amended from time to time by mutual written agreement between the Parties.

“Purchase Orders” shall have the meaning ascribed to such term in Section 3.1.

“RMA Policy” shall have the meaning ascribed to such term in Section 8.2.

“Run-Sheet” shall have the meaning ascribed to such term in Section 5.1.

“Subsidiary” shall have the meaning ascribed to such term in the BTA.

"Supplier Inspection Criteria" shall have the meaning ascribed to such term in Section 5.1.

"Term" shall have the meaning ascribed to such term in Section 12.1.

"Unit Price" shall have the meaning ascribed to such term in Section 4.1.

1.2. Rules of Interpretation.

(a) When a reference is made in this Agreement to a section or article, such reference shall be to a section or article of this Agreement unless otherwise clearly indicated to the contrary.

(b) Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation."

(c) The words "hereof", "hereto", "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and article, section, paragraph and exhibit references are to the articles, sections, paragraphs and exhibits of this Agreement unless otherwise specified.

(d) The meaning assigned to each term defined herein shall be equally applicable to both the singular and the plural forms of such term, and words denoting any gender shall include all genders. Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning.

(e) A reference to any party to this Agreement or any other agreement or document shall include such party's successors and permitted assigns.

(f) A reference to any legislation or to any provision of any legislation shall include any amendment to, and any modification or re-enactment thereof, any legislative provision substituted therefor and all regulations and statutory instruments issued thereunder or pursuant thereto.

(g) The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provisions of this Agreement.

(h) Headings are for convenience only and do not affect the interpretation of the provisions of this Agreement.

**Article 2. Monthly Guaranteed Volume**

During the Term of this Agreement, subject to Article 3, the Supplier shall sell to the Purchaser such quantity of the Products ordered by the Purchaser, consisting of certain sets of the Products up to ***/*****/*** of the Products per month (the "Monthly Guaranteed Volume"), unless otherwise agreed in writing between the Parties.

**Article 3. Ordering Procedures**

The Purchaser shall, from time to time, place to the Supplier purchase orders for the Products (the "Purchase Orders") based on the Monthly Guaranteed Volume set forth in Article 2 hereof, which orders shall include the descriptions of the Products, the Mask Design, the Mask Specifications, quantity specifying the sets of the Products, delivery date and other relevant information. Unless otherwise mutually agreed in writing by the Parties, all Purchase Orders shall be provided to the Supplier at least thirty (30)Business Days prior to the requested delivery date by the Purchaser. Each Purchase Order, as placed by the Purchaser, shall be deemed to have been accepted by the Supplier unless the Supplier provides a written notice of rejection, amendment or counter-offer of the Purchase Order within two (2) Business Days from its receipt of the Purchase Order. For the avoidance of doubt, all Purchase Orders shall be made in sets of the Products unless the total number of the Products ordered in sets falls short of the Monthly Guaranteed Volume for each given one month.

**Article 4. Pricing**

4.1. The unit price of the Products (the "Unit Price") supplied hereunder shall be determined on a ***/*****/*** in accordance with the following formula:

For each process technology:

***/*****/***.

4.2. The Unit Price shall be exclusive of ***/*****/***. The Unit Price shall be on an ex warehouse Supplier's facility located in the C2 Building located at Supplier's manufacturing facility in Cheongju, Korea ("C2 Building").

**Article 5. Delivery**

5.1. The Supplier shall inspect the Products, prior to each delivery thereof, at the Supplier's facilities to determine whether the Products meet each of the criteria (the "Supplier Inspection Criteria") set forth on the "run-sheet" for the Products (the "Run-Sheet") and, if the Products satisfy all of the Supplier Inspection Criteria, the Supplier shall place a "stamp of approval" on the package in which such Products are to be delivered to Purchaser.

5.2. Subject to Section 5.1, unless otherwise designated by the Purchaser in writing, delivery will be ex warehouse Supplier's facility located in the C2 Building in Cheongju, Korea, and the Supplier shall deliver the Products to the Purchaser on or before the delivery date as provided in the relevant Purchase Order. Once the Products are delivered to Supplier's

/*****/ = Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

facility located in the C2 Building in Cheongju, Korea or any other place designated by Purchaser in writing, delivery shall be deemed completed and the title to, and the risk of loss of, the Products shall pass to the Purchaser. The Purchaser may request that the Products be delivered to a location designated by the Purchaser. If the Supplier agrees to deliver the Products to such location designated by the Purchaser, then the Purchaser shall bear all costs and expenses incurred in connection with handling, adequate insurance and transportation of the Products from the Supplier's facility located in the C2 Building in Cheongju, Korea, to the location designated by the Purchaser. In the event the Supplier fails to deliver the Products on or before the delivery date as provided in the relevant Purchase Order, or to the location designated by the Purchaser pursuant to this Section 5.2, the Supplier shall pay a delay charge of eight percent (8%) per annum of the total Unit Price of the non-delivered Products per day.

5.3. Any default or delay by the Supplier in delivering the Products in part under a Purchase Order shall not affect the delivery of the remaining Products under such Purchase Order or any other Purchase Orders, so that the Supplier shall continue to deliver the Products in accordance with the unaffected part of such Purchase Orders.

5.4. The Supplier shall deliver the Products with a packing list, the stamp of approval placed on each package of the Products delivered to the Purchaser, the Run Sheet and such other documents as separately agreed in writing by the Supplier and the Purchaser.

**Article 6. Acceptance**

Upon completion of the manufacturing process of the Products, the Supplier shall provide a written notice thereof to the Purchaser. After receiving such notice from the Supplier, the Purchaser shall perform a visual inspection of such delivered Products which will consist of an inspection of the Products to look for obvious damage to the delivered Products. In the event that any Product is determined to be damaged as a result of such visual inspection by the Purchaser (the "Potentially Defective Products"), the Purchaser shall notify the Supplier of the Potentially Defective Products in writing together with the results of the visual inspection. Immediately after receiving such notice from the Purchaser, the Supplier shall conduct joint examination of the Potentially Defective Products with the Purchaser at the place where the potentially Defective Products are located and confirm whether any of the Potentially Defective Products contains such obvious damage arising from a cause attributable to the Supplier (the "Defective Products"). For the purpose of the Purchaser's visual inspection in this Article 6, the Supplier shall provide the Purchaser with sufficient space and assistance as reasonably requested by the Purchaser. Upon such confirmation by the Supplier, the Purchaser shall return the Defective Products to the Supplier's facility located in C2 Building in Cheongju, Korea at the Supplier's expense. The Supplier shall, at Purchaser's option, either: (i) promptly replace the Defective Products and deliver the replacement Products to the Purchaser by no later than the immediately following calendar month and bear the expenses for such replacement of the Defective Products including expenses for all necessary freight, duties, insurance and other costs incidental to such replacement, or (ii) give credit to the Purchaser in the amount of the applicable purchase price for the Defective Products. The Products delivered to the Purchaser shall be deemed to have been accepted by the Purchaser if the Purchaser fails to give such notice of the Potentially Defective Products to the Supplier within two (2) days from the delivery by the

Supplier of the Products to the Purchaser. The Parties acknowledge and agree that the Supplier shall immediately destroy all of the Defective Products at its sole expense and shall provide the Purchaser with a written certificate signed by an authorized officer verifying such to the reasonable satisfaction to the Purchaser.

**Article 7. Payment**

7.1. On the fifteenth day of each calendar month (the "Invoice Date"), the Supplier shall invoice the Purchaser in Korean Won for the price of the Products delivered during the period from the immediately preceding Invoice Date (in case of the first Invoice Date after the date hereof, the date hereof) until the immediately preceding date of such Invoice Date ("Invoice Period") specifying the quantity of Products delivered during the applicable Invoice Period and the price of the Products determined in accordance with Article 4 hereof. The Purchaser shall pay the invoiced amount and the corresponding value added tax amount to the Supplier's designated account by means of a wire transfer in immediately available funds within thirty (30) days after the receipt of the Supplier's invoice by the Purchaser. If the Purchaser fails to make any payment due hereunder by the date it is due, the Purchaser shall pay to the Supplier, in addition to the amount of such payment due, a late charge of eight (8%) percent per annum of the outstanding amount, prorated to reflect the pro rata portion of such late charge for the period from the due date of the payment until finally paid. All payments under this Agreement shall be made in Korean Won.

**Article 8. Supplier Representations, Warranties and Covenants**

8.1. The Supplier warrants to the Purchaser that the Products will be free from material defects in materials and workmanship and shall conform to the Mask Specifications and the Mask Designs for a period of ***/*****/*** following the date of delivery of the Products, provided that in no event shall the Supplier be responsible in any way for any defects arising out of or resulting from the Mask Specifications and/or the Mask Designs.

8.2. In the event that any Product is found to be defective during such ***/*****/*** period as set forth in Section 8.1, the Purchaser shall promptly, but prior to the expiration of such ***/*****/*** period, notify the Supplier thereof in writing by a detailed description of the defects for purposes of the Supplier's inspection. Upon receiving such notice, the Parties shall follow the Return Material Authorization Policy (the "RMA Policy") set forth in Exhibit A attached hereto and shall be to take such actions as are set forth in the RMA Policy.

8.3. Notwithstanding anything to the contrary, the Supplier shall not be liable to the Purchaser or to any third party for any defects in the Products that have been caused by any act or omission of Purchaser, including the Purchaser's misuse or unauthorized modification or alternation of the Products.

8.4. The Supplier represents that it has sufficient production capacity for the supply of the Products to the Purchaser and to meet the Purchaser's needs for the Products as set forth in the Monthly Guaranteed Volume.

/*****/ = Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

8.5. **EXCEPT FOR THE WARRANTIES SET FORTH IN THIS ARTICLE 8, THE SUPPLIER MAKES NO WARRANTIES, EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, AND EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.**

**Article 9. Indemnification**

9.1. Each Party (the "Indemnifying Party") shall defend, indemnify and hold harmless the other Party (the "Indemnified Party") for, and shall pay to the other Party the amount of, any loss, liability, claim, damage (excluding indirect, special and consequential damages), expense (including reasonable attorneys' fees) (collectively, "Damages"), arising from any breach of any representation, warranty, agreement or covenant made by the Indemnifying Party in this Agreement.

9.2. The Supplier shall defend, indemnify and hold harmless the Purchaser for, and shall pay to the Purchaser the Damages arising from: (a) any claim, suit, proceeding or action brought by any third party against the Purchaser in relation to infringement upon any Intellectual Property rights of such third party; or (b) any claim, suit, proceeding or action brought by any third party under the Product Liability Act of Korea. The Purchaser shall promptly notify the Supplier in writing of such claim, suit, preceeding or action, allow the Supplier to participate in the defense or any related settlement action at the Supplier's cost, and fully cooperate with the Supplier in such defense or related settlement action.

9.3. Notwithstanding anything to the contrary contained herein, the Supplier shall not be liable to the Purchaser or any third party for any claim, suit, proceeding or action based upon the Mask Specifications and/or the Mask Designs.

**Article 10. Limitation of Liability**

**DURING THE TERM OF THIS AGREEMENT AND THEREAFTER, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES FOR ANY REASON WHATSOEVER ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, INCLUDING DAMAGES FOR ANY LOSS OF PROFIT, DEATH OF, OR INJURY TO PERSON WITH REGARD TO THE USE OF THE PRODUCTS.**

**IN NO EVENT SHALL THE LIABILITY OF THE SUPPLIER TO THE PURCHASER ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR THE SERVICES PROVIDED HEREUNDER EXCEED, IN THE AGGREGATE, THE TOTAL FEES PAID BY THE PURCHASER TO THE SUPPLIER FOR THE PARTICULAR SERVICES OR PRODUCT(S) WITH RESPECT TO WHICH SUCH LIABILITY RELATES (OR IN THE CASE OF ANY LIABILITY NOT RELATED TO A PARTICULAR PORTION OF THE SERVICES OR PRODUCT(S), THE TOTAL FEES PAID BY THE PURCHASER TO THE SUPPLIER UNDER THE APPLICABLE PORTION OF THIS AGREEMENT), WHETHER SUCH LIABILITY IS BASED ON AN ACTION IN CONTRACT, WARRANTY, STRICT LIABILITY OR TORT (INCLUDING, WITHOUT LIMITATION, NEGLIGENCE) OR OTHERWISE.**

**THE PARTIES AGREE THAT THIS AGREEMENT IS SOLELY FOR THE BENEFIT OF THE PARTIES HERETO AND NO PROVISION OF THIS AGREEMENT SHALL BE DEEMED TO CONFER UPON ANY OTHER PERSON OR ENTITY ANY REMEDY, CLAIM, LIABILITY, REIMBURSEMENT, CAUSE OF ACTION OR OTHER RIGHT WHATSOEVER. THE RESPECTIVE PARTIES' ENTIRE LIABILITY UNDER THIS AGREEMENT OR ARISING FROM THE SERVICES AND/OR PRODUCTS PROVIDED HEREUNDER SHALL BE SUBJECT TO THE LIMITATIONS CONTAINED IN THIS ARTICLE 10.**

## Article 11. Confidentiality

11.1. During the term of this Agreement and for two (2) years after the termination or expiration of this Agreement, neither Party shall, except as expressly permitted by the terms of this Agreement, disclose to any third party the terms and conditions of this Agreement, the existence of this Agreement and any Confidential Information which either Party obtains from the other Party in connection with this Agreement and/or use such Confidential Information for any purposes whatsoever other than those contemplated hereunder; provided, however, that this Agreement (and its terms and conditions) may be disclosed and filed publicly in connection with a public offering of securities by Purchaser or its Affiliates. "Confidential Information" shall mean any and all information including technical data, trade secrets or know-how, disclosed by either Party to the other Party in connection with this Agreement, which are marked as "Proprietary" or "Confidential" or are informed by the other Party , whether written or oral, as confidential.

11.2. The obligation of confidentiality in Section 11.1 shall not apply to any information that: (a) was known to the other Party without an obligation of confidentiality prior to its receipt thereof from the disclosing Party; (b) is or becomes generally available to the public without breach of this Agreement, other than as a result of a disclosure by the recipient Party, its representatives, its Subsidiary (in case recipient Party is Purchaser) or its Affiliate (in case recipient Party is Supplier) or the representatives of its Subsidiaries or Affiliates, as the case may be, in violation of this Agreement; (c) is rightfully received from a third party with the authority to disclose without obligation of confidentiality and without breach of this Agreement; or (d) is required by law or regulation to be disclosed by a recipient Party or its representatives (including by oral question, interrogatory, subpoena, civil investigative demand or similar process), provided that written notice of any such disclosure shall be provided to the disclosing Party in advance. If it is required to disclose any information pursuant to applicable law in connection with initial public offering of Warrant Issuer or its Subsidiaries in the relevant jurisdiction or receives any demand under lawful process to disclose or provide information of the other Party that is subject to the confidentiality provisions hereof, such Party shall notify the other Party prior to disclosing and providing such information and shall cooperate at the expense of the requesting Party in seeking any reasonable protective arrangements requested by such other Party. Subject to the foregoing, the Party that receives such request may thereafter disclose or provide information to the minimum extent required by such law or by lawful process.

**Article 12. Term and Termination**

12.1. Unless specified otherwise in this Article 12, this Agreement shall become effective from the Closing Date and shall continue in full force and effect for two (2) years (the "Initial Services Period"), unless otherwise earlier terminated pursuant to this Agreement, and may be extended by one (1) year at the Purchaser's option by giving written notice to the Supplier at least ninety (90) days prior to the expiration of the original term (the "Term").

12.2. This Agreement may be terminated at any time during the Term of this Agreement by serving a written notice thereof to the other Party upon occurrence of any of the following events:

(a) if the other Party becomes insolvent or a petition under bankruptcy or insolvency law is instituted by or against the other Party and, if instituted against the other Party, such petition is not dismissed within sixty (60) days after its institution;

(b) by mutual written agreement of both Parties;

(c) if the other Party makes an assignment for the benefit of creditors or takes any similar action under applicable bankruptcy or insolvency law;

(d) in the event of a material breach or default by a Party of its obligations hereunder, which default shall not have been cured within thirty (30) days after written notice is provided by the non-breaching Party to the breaching Party; or

(e) if the other Party is or comes incapable of performing any of its obligations under this Agreement due to an Event of Force Majeure lasting for longer than forty five (45) days.

**Article 13. Effect of Termination**

13.1. Except for the termination pursuant to Sections 12.2 (b) or (e), in the event the Supplier is the terminating Party, the Supplier shall have the option, at its sole discretion, to supply all or a portion of the Products for which the Purchase Orders have already been accepted by the Supplier and/or to nullify all or a portion of such accepted Purchase Orders.

13.2. Except for the termination pursuant to Sections 12.2 (b) or (e), in the event the Purchaser is the terminating Party, the Supplier shall secure the supply of the Products under the same terms and conditions hereof for a period of six (6) months after the date of termination, provided that the Purchaser may, at its sole discretion, cancel all or a portion of the Purchase Orders already made.

13.3. Upon termination of this Agreement, each Party shall discontinue the use of all Confidential Information provided by the other Party in connection with this Agreement, and shall promptly return to the other Party any and all Confidential Information, including documents originally conveyed to it by the other Party and any copies thereof made thereafter.

13.4. Termination of this Agreement shall be without prejudice to the accrued rights and liabilities of the Parties prior to the termination of this Agreement.

13.5. Section 17.3 and Articles 9, 10, 11, 13 and 16 shall survive the termination of this Agreement.

13.6 For the purpose of this Article 13, a Party incapable of performing its obligations under this Agreement due to an Event of Force Majeure shall not be construed as a defaulting Party.

**Article 14. Force Majeure**

Neither Party shall be liable to the other Party for failure of or delay in the performance of any obligations under this Agreement due to causes reasonably beyond its control including (i) war, insurrections, riots, explosions and inability to obtain raw materials due to then current market situation; (ii) natural disasters and acts of God, such as violent storms, earthquakes, floods, and destruction by lightning; (iii) the intervention of any governmental authority or changes in relevant laws or regulations which restrict or prohibit either Party's performance of its obligations under this Agreement or implementation of this Agreement; or (iv) strikes, lock-outs and work-stoppages (each, an "Event of Force Majeure"). Upon the occurrence of an Event of Force Majeure, the affected Party shall notify the other Party as soon as possible of such occurrence, describing the nature of the Event of Force Majeure and the expected duration thereof. Notwithstanding the foregoing, the Purchaser shall be under continuing obligation to make payments for the Products which have already been supplied to the Purchaser prior to the occurrence of an Event of Force Majeure.

**Article 15. Assignment**

This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns; provided, however, that no Party will assign its rights or delegate its obligations under this Agreement without the express prior written consent of the other Party, except that (i) the Purchaser may assign its rights hereunder as collateral security to any bona fide financial institution engaged in financing in the ordinary course providing financing to the Warrant Issuer or its Subsidiaries and any of the foregoing financial institutions may assign such rights in connection with a sale of the Purchaser in the form then being conducted by the Purchaser substantially as an entirety, (ii) the Supplier and the Purchaser each may, upon written notice to the other Party (but without the obligation to obtain the consent of such other Party), assign this Agreement or any of its rights and obligations under this Agreement to any person, entity or organization that succeeds (by purchase, merger, operation of law or otherwise) to all or substantially all of the capital stock, assets or business of such Party, all or substantially all of its assets and liabilities or to all or substantially all of the assets and

liabilities of the portion of the Party's business to which the subject of this Agreement relates or of a division of the Purchaser, if such person or entity agrees in writing to assume and be bound by all of the relevant obligations of such Party under this Agreement and (iii) the Purchaser may, upon written notice to the Supplier (but without the obligation to obtain the consent of the Supplier), assign this Agreement or any of its rights and obligations under this Agreement to one or more direct or indirect Subsidiaries of the Warrant Issuer. The Supplier shall not utilize any subcontractor or supplementary provider in performing its obligations under this Agreement without the Purchaser's prior written consent.

**Article 16. Governing Law and Dispute Resolution**

16.1. This Agreement shall be governed by and construed in accordance with the laws of Korea without reference to the choice of law principles thereof.

16.2. The Parties agree that the Parties shall be entitled to an injunction to prevent any breach of this Agreement and to enforce specifically the terms and provisions of this Agreement by bringing a relevant action in the Seoul District Court located in Seoul, Korea, in addition to any other remedy to which any Party may be entitled at law or in equity. The Parties further agree that any disputes, claims or controversies between the Parties arising out of or relating to this Agreement, whether in contract, tort, equity or otherwise and whether relating to the meaning, interpretation, effect, validity, performance or enforcement of this Agreement shall be submitted to the non-exclusive jurisdiction of the Seoul District Court.

**Article 17. Miscellaneous**

17.1. Exercise of Right. A Party may exercise a right, power or remedy at its discretion, and separately or concurrently with another right, power or remedy. A single or partial exercise of a right, power or remedy by a Party does not prevent a further exercise of that or of any other right, power or remedy. A failure to exercise a right, power or remedy or a delay in exercising a right, power or remedy by a Party does not prevent such Party from exercising the same right thereafter.

17.2. Extension; Waiver. At any time during the Term, each of the Supplier and the Purchaser may (a) extend the time for the performance of any of the obligations or other acts of the other or (b) waive any inaccuracies in the representations and warranties of the other contained in this Agreement or in any document delivered pursuant to this Agreement. Any agreement on the part of a Party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Party. The failure of any Party to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of those rights. Any rights under this Agreement may not be waived except in writing signed by the Party granting the waiver or varied except in writing signed by the Parties.

17.3. Notices. Any notice, request, demand, waiver, consent, approval or other communication which is required or permitted to be given to any Party shall be in writing and shall be deemed duly given only upon delivery to the Party personally (including by reputable

overnight courier service), when telecopied (with confirmation of transmission having been received) during normal business hours or three days after being mailed by registered or certified mail (return receipt requested), with postage and registration or certification fees thereon prepaid, addressed to the Party at its address set forth below (or at such other address for a party as shall be specified by such Party by like notice):

If to the Supplier, to:

Hynix Semiconductor Inc.
Hynix Youngdong Building
891 Daechi-dong, Gangnam-gu
Seoul 135-738, Korea
Attention: Mr. O.C. Kwon
Facsimile: 82-2-3459-5955

If to the Purchaser, to:

MagnaChip Semiconductor, Ltd.
1 Hyangjeong-dong
Heungduk-gu
Cheongju City
Chung Cheong Bok-do, Korea
Facsimile: 82-43-270-2134
Attention: Dr. Youm Huh

with a copy to:

Dechert LLP
30 Rockefeller Plaza
New York, NY 10112
Telephone: (212) 698-3500
Facsimile: (212) 698-3599
Attention: Geraldine A. Sinatra, Esq.
Sang H. Park, Esq.

17.4. Fees and Expenses. All costs and expenses incurred in connection with this Agreement shall be paid by the Party incurring such expenses, except as specifically provided to the contrary in this Agreement.

17.5. Entirety; No Third Party Beneficiaries. This Agreement (a) constitutes the entire agreement between the Parties and supersedes all prior agreements and understandings, both written or oral, between the Parties with respect to the subject matter hereof and (b) is not intended to confer upon any person other than the Parties hereto any rights or remedies hereunder.

17.6. Severability of Provisions. Any term or provision of this Agreement that is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction or other authority declares that any term or provision hereof is invalid, void or unenforceable, the Parties agree that the court making such determination shall have the power to reduce the scope, duration, area or applicability of the term or provision, to delete specific words or phrases, or to replace any invalid, void or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision.

17.7. Amendment and Modification. This Agreement may be amended, modified and supplemented in any and all respects, but only by a written instrument signed by the Parties hereto expressly stating that such instrument is intended to amend, modify or supplement this Agreement.

17.8. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement.

17.9. Election of Remedies. Neither the exercise of nor the failure to exercise a right or to give notice of a claim under this Agreement shall constitute an election of remedies or limit any Party in any manner in the enforcement of any other remedies that may be available to such Party, whether at law or in equity.

17.10. Language. This Agreement is being originally executed in the English language only. In the event that the Parties agree to have a Korean version of this Agreement following signing, this Agreement may be translated into Korean. The Parties acknowledge that the Korean version of this Agreement shall be for reference purpose only, and in the event of any inconsistency between the two texts, the English version shall control.

17.11. Relationship of the Parties. The Supplier shall perform all services hereunder as an independent contractor. This Agreement does not create a fiduciary or agency relationship between the Purchaser and the Supplier, each of which shall be and at all times remain independent companies for all purposes hereunder. Nothing in this Agreement is intended to make either Party a general or special agent, joint venturer, partner or employee of the other for any purpose.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed by its duly authorized representatives as of the date first above written.

Hynix Semiconductor Inc.

By: _____

Name:
Title:

MagnaChip Semiconductor, Ltd.

By: _____

Name:
Title:

**Exhibit 10.15**

**Execution Copy**

# GENERAL SERVICE SUPPLY AGREEMENT

between

Hynix Semiconductor Inc.

and

MagnaChip Semiconductor, Ltd.

October 6, 2004

**TABLE OF CONTENTS**

**GENERAL SERVICE SUPPLY AGREEMENT**

This GENERAL SERVICE SUPPLY AGREEMENT (this "Agreement"), dated as of October 6, 2004 (the "Effective Date"), is entered into by and between:

(1) Hynix Semiconductor Inc., a company organized and existing under the laws of the Republic of Korea ("Korea") with its registered office at San-136-1, Ami-Ri, Bubal-Eub, Ichon-Si, Kyoungki-Do, Korea ("Hynix"); and

(2) MagnaChip Semiconductor, Ltd., a company organized and existing under the laws of Korea with its registered office at 1, Hyangjeong-Dong, Heungduk-Gu, Cheongju-Si, Chungcheongbuk-Do, Korea ("NewCo") (each a "Party" and collectively the "Parties").

**RECITALS**

WHEREAS, the Parties have entered into a certain business transfer agreement dated June 12, 2004, as amended (the "BTA") pursuant to which, among other things, NewCo has agreed to acquire the Acquired Assets (as defined in the BTA) from Hynix subject to the terms and conditions set forth in the BTA;

WHEREAS, the Parties desire to enter into an agreement as contemplated by the BTA whereby Hynix and NewCo will provide to each other certain services related to goods, utilities and facilities in accordance with the terms and conditions of this Agreement which are required or desirable for the transition, setting-up or continuing operation of the applicable Party's business; and

WHEREAS, the execution and delivery of this Agreement is a condition to the Closing under the BTA.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter set forth, and intending to be legally bound hereby, the Parties agree as follows:

**Article 1. Definitions**

1.1. Unless otherwise defined herein, all capitalized terms shall have the meanings set forth below:

"Affiliate" shall have the meaning ascribed to such term in the BTA.

"AUP" shall mean the agreed-upon-procedures which Samil PricewaterhouseCoopers (formerly Samil Accounting Corporation) has performed in connection with the financial statements attached in Schedule 2.4 of the BTA.

"BTA" shall have the meaning ascribed to such term in the Recitals.

"Business" shall have the meaning ascribed to such term in the BTA. Any reference to the "conduct of the Business" or the "operation of the Business" shall refer to the conduct or operation of the Business as conducted as of the execution date of the BTA.

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which banks in Seoul are authorized or obligated by relevant law to close.

"CAO Operation Support Services" shall mean on-the-job training of personnel so that such personnel can provide services related to accounting, finance, administration and control of human resources (but excluding planning and decision functions of human resources), which have been historically provided to the Business.

"Chemical Procurement Services" shall mean the sale by Hynix to NewCo of such quantities of CPD-18 in a state of Developer 2.38% CPD2000 (Developer 20%) and produced by mixing with de-ionized water (the "Chemical") as are requested by NewCo from time to time to meet the requirements of NewCo's business, and the services related to such sale in which every morning Hynix will pick up from such locations within the Hynix Complex in Cheongju, Korea as may be designated by NewCo from time to time such drums which NewCo has deposited there for these Services and the following morning Hynix will deliver to the same locations each such drum refilled with the Chemical.

"Closing" shall have the meaning ascribed to such term in the BTA.

"Closing Date" shall have the meaning ascribed to such term in the BTA.

"Confidential Information" shall have the meaning ascribed to such term in Section 15.1.

"Coordinating Committee" shall have the meaning ascribed to such term in Section 6.1.

"Daesung" shall mean Daesung Industrial Gas Co., Ltd., a company organized and existing under the laws of Korea and a party to the Daesung Agreements.

"Daesung Agreements" shall mean all agreements entered into between Hynix and Daesung under which Daesung supplies gas to Hynix by constructing and operating, at Daesung's own cost and responsibility, on-site gas plants within the Hynix Complex in Cheongju, Korea.

"Damages" shall mean any and all losses, settlements, expenses, liabilities, obligations, claims, damages (including any governmental penalty or costs of investigation, clean-up and remediation), deficiencies, royalties, interest, costs and expenses (including reasonable attorneys' fees and all other expenses reasonably incurred in investigating, preparing or defending any litigation or proceeding, commenced or threatened incident to the successful enforcement of this Agreement), the extent of which are recoverable under Korean law. For the purposes of Articles 11 and 12, Damages also shall include any and all increases in insurance premiums that are reasonably demonstrably attributable to the breach by NewCo or Hynix, as the case may be, of its representations, warranties, agreements and covenants expressly contained in this Agreement, or negligence, gross negligence, intentional breach or willful misconduct of NewCo or Hynix, as the case may be, for the two following annual policy periods.

"Environmental Safety & Facility Monitoring Services" shall mean the services related to wastewater treatment, sewage management (to the extent it is not supplied as a part of the Vivendi Services), fire emergency service and drills/training, facility monitoring service, radiation and in-house clinic, which have been historically provided to the Business.

"Event of Force Majeure" shall have the meaning ascribed to such term in Section 9.1.

"Governmental Authorization" shall mean any approval, consent, license, permit, waiver or other authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Entity or otherwise pursuant to any applicable laws, or any registration with, or report or notice to, any Governmental Entity pursuant to any applicable laws.

"Governmental Entity" shall mean a court, arbitral tribunal, administrative agency or commission or other governmental or other regulatory authority or agency.

"Hynix Complex" shall mean the Hynix and/or NewCo manufacturing, testing, packaging, research and development and other facilities located at Ichon, Cheongju, Gumi, and Seoul, Korea.

"Hynix Utilities and Infrastructure Support Services" shall mean the services related to electricity (154kV substation and substation of the Korea Electric Power Corporation), water, fuel (city gas and light oil), bulk gasses (of the type historically provided under the Daesung Agreements) and de-ionized water (to the extent it is not supplied by Vivendi as a part of the Vivendi Services), which have been historically provided to the Business in Cheongju, Korea.

"Indemnified Party" shall have the meaning ascribed to such term in Section 11.1.

"Indemnifying Party" shall have the meaning ascribed to such term in Section 11.1.

"Joint Purchasing Services" shall mean, to the extent permitted by applicable law, such cooperation and coordination between the Parties, including by means of information sharing and joint purchasing from the same vendors, as is necessary or advisable to achieve such benefits including volume discounts, cost reductions and efficiency in gathering market information in the purchase of equipment, silicon wafers, photo chemicals and other raw materials and spare parts, which have been historically provided to the Business.

"Leased Premises" shall have the meaning ascribed to such term in Section 3.14(a).

"Long-Term Service" shall mean each of the Vivendi Services and each of the services related to (a) electricity (154kV substation), electricity (substation of the Korea Electric Power Corporation), bulk gasses and de-ionized water (to the extent it is not supplied as a part of the Vivendi Services), which are part of the Hynix Utilities and Infrastructure Support Services; (b) use of and services related to dormitory (including sewage and waste management and disposal services), Hynix culture center, security cameras,

security guard house, commuting bus, cafeteria, communication systems including leased lines, company broadcasting system (other than content), company house (Poolen Apartments, Sawon Apartments and *sa-rang-bang*) and leased apartments (Woojung apartments), sports field, tennis courts and parking lot (near women's dormitories) and reserve troops in Cheongju, Korea, and use of and services relating to Highla Condominiums, Korea Condominiums and, subject to then applicable union contracts and restrictions, other condominiums existing as of the date hereof, which are part of the Welfare Facility Services; and (c) wastewater treatment and sewage management (to the extent they are not supplied as a part of the Vivendi Services), fire emergency service and drills/training and in-house clinic, which are part of the Environmental Safety & Facility Monitoring Services.

"Maintenance Activities" shall have the meaning ascribed to such term in Section 5.1.

"Mask Services" shall mean certain services relating to the Products as defined in the Mask Production and Supply Agreement between the Parties, dated the date hereof, including defect inspection, repair and cleaning of such Products.

"NewCo Utilities and Infrastructure Support Services" shall mean the services related to management of water tank, supply of assembly utility and waste management, which have been historically used or received by Hynix (other than in connection with the Business) in connection with Hynix's use of the R, C1, C2, C3 and Assembly buildings in Cheongju, Korea.

"Notice of Sale" shall have the meaning ascribed to such term in Section 4.5.

"Notice Period" shall have the meaning ascribed to such term in Section 4.5.

"Offered Assets" shall have the meaning ascribed to such term in Section 4.5.

"Permitted Business" shall mean the Business or any other semiconductor, information technology or other technology related business.

"Service Facilities" shall mean those facilities at the Hynix Complex and those assets that are used for or relate to the provision of the Services.

"Services" shall mean such services related to goods, facilities and utilities which are required or desirable for transition, setting-up or continuing operation of the applicable Party's business and consisting of each of the services constituting the Vivendi Services, Hynix Utilities and Infrastructure Support Services, NewCo Utilities and Infrastructure Support Services, Welfare Facility Services, Environmental Safety & Facility Monitoring Services, Mask Services, CAO Operation Support Services, Chemical Procurement Services, Joint Purchasing Services and the other services described herein.

"Subsidiaries" shall have the meaning ascribed to such term in the BTA.

"Term" shall have the meaning ascribed to such term in Article 2.

"Third Party Supplier(s)" shall mean Daesung and/or Vivendi, as applicable, which provide certain services to Hynix for Hynix's provision of such Services hereunder.

"Third Party Supplier Agreement(s)" shall mean the Daesung Agreement and/or the Vivendi Water and Wastewater Services Agreement, as applicable, and any replacements or modifications thereof from time to time.

"Unprotected Long-Term Services" shall mean each of the services related to (a) security cameras, security guard house, commuting bus, cafeteria, communication systems including leased lines, company broadcasting system, company house (Poolen Apartments, Sawon Apartments and *sa-rang-bang*) and leased apartments (Woojung apartments), sports field, tennis courts and parking lot (near the women's dormitories) and reserve troops in Cheongju, Korea, and Highla Condominiums, Korea Condominiums and, subject to then applicable union contracts and restrictions, other condominiums existing as of the date hereof, which are part of the Welfare Facility Services; and (b) fire emergency service and drills/training and in-house clinic, which are part of the Environmental Safety & Facility Monitoring Services.

"Vivendi" shall mean Veolia Water Industrial Development Co., Ltd. (formerly known as "Vivendi Water Industrial Development Co., Ltd."), organized and existing under the laws of Korea and a party to the Vivendi Water and Wastewater Services Agreement.

"Vivendi Services" shall mean the services related to de-ionized water supply and wastewater disposal in the Hynix Complex located in Cheongju, Korea and in Gumi, Korea, and all such other services provided by Vivendi to Hynix under the Vivendi Water and Wastewater Service Agreement.

"Vivendi Water and Wastewater Services Agreement" shall mean the Water and Wastewater Services Agreement dated March 29, 2001 entered into by and between Hynix (then named Hyundai Electronics Industries Co., Ltd.) and Vivendi, as the same may be amended from time to time.

"Warrant Issuer" shall have the meaning ascribed to such term in the BTA.

"Welfare Facility Services" shall mean such welfare and facility services, including the use of and services related to (a) dormitories (including sewage and waste management and disposal services), Hynix culture center, security cameras, security guard house, commuting bus, cafeteria, communication systems, company broadcasting system (other than content), company house (Poolen Apartments, Sawon Apartments and *sa-rang-bang*) and leased apartments (Woojong apartments), sports fields, tennis courts and parking lot (near women's dormitories), and reserve troops in the Hynix Complex located in Cheongju, Korea; (b) leased apartments, dormitory (including sewage and waste management and disposal services), cafeteria, gymnasium, parking lot, communication systems, pavilion/PR center/audience room, kindergarten, reserve troops, security and sports field in the Hynix Complex located in Ichon, Korea; (c) reserve troops, postal and package delivery (among Cheongju, Ichon and Youngdong), security card key system and communication systems in the Hynix Complex located in Youngdong Building,

Seoul, Korea, which have been historically provided to the Business; and (d) Highla Condominiums, Korea Condominiums and, subject to then applicable union contracts and restrictions, other condominiums existing as of the date hereof owned by Hynix.

1.2. Rules of Interpretation.

(a) When a reference is made in this Agreement to a section or article, such reference shall be to a section or article of this Agreement unless otherwise clearly indicated to the contrary.

(b) Whenever the words "include", "includes" or "including" are used in this Agreement they shall be deemed to be followed by the words "without limitation."

(c) The words "hereof", "hereto", "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and article, section, paragraph, exhibit and schedule references are to the articles, sections, paragraphs, exhibits and schedules of this Agreement unless otherwise specified.

(d) The meaning assigned to each term defined herein shall be equally applicable to both the singular and the plural forms of such term, and words denoting any gender shall include all genders. Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning.

(e) A reference to any party to this Agreement or any other agreement or document shall include such party's successors and permitted assigns.

(f) A reference to any legislation or to any provision of any legislation shall include any amendment to, and any modification or re-enactment thereof, any legislative provision substituted therefor and all regulations and statutory instruments issued thereunder or pursuant thereto.

(g) The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provisions of this Agreement.

(h) Headings are for convenience only and do not affect the interpretation of the provisions of this Agreement.

(i) Any Exhibits attached hereto are incorporated herein by reference and shall be considered as a part of this Agreement.

**Article 2. Term of Agreement; Duration of Services**

2.1. This Agreement shall become effective on the Effective Date and continue in full force and effect for so long as any Service is being provided hereunder, unless earlier terminated in accordance with Article 10 (the "Term").

2.2. Unless specified otherwise in this Article 2, each of the Services shall be provided from the Effective Date until the date that is one (1) year after the Effective Date (the "Initial Service Period"), unless otherwise earlier terminated pursuant to this Agreement. Unless specified otherwise in this Article 2, after the Initial Service Period for a Service, such Service shall be provided for one additional one (1) year period NewCo notifies Hynix in writing of its desire not to renew the provision of such Service at least sixty (60) days prior to the expiration of the Initial Service Period or the Service is earlier terminated pursuant to this Agreement.

2.3. The provision of Services in the Hynix Complex located in Youngdong Building, Seoul, and Ichon, Korea, respectively, will terminate after the applicable lease for the Hynix Complex located in Youngdong Building, Seoul, and Ichon, Korea, respectively, terminates, provided, however, that with respect to the leased apartments in Ichon, Korea, NewCo or the NewCo employee (as applicable) shall have the right to early termination of such leased apartment without penalty and shall, subject to the regulations of Hynix concerning the leased apartments, have the option to renew a leased apartment for one additional term.

2.4. Each Long-Term Service shall be provided for the Initial Service Period and for successive additional one (1) year periods, unless NewCo notifies Hynix in writing of its desire not to renew the provision of such Long-Term Service at least sixty (60) days prior to the expiration of the Initial Service Period or any annual anniversary thereof or the Long-Term Service is earlier terminated pursuant to this Agreement.

2.5. NewCo and Hynix shall, for a period of one year from the date hereof, cooperate with each other and negotiate in good faith with Vivendi regarding, and use commercially reasonable efforts to enter into, separate water and wastewater services agreements with Vivendi under which Vivendi shall directly provide NewCo and Hynix with services that are identical to the services provided by Vivendi to Hynix under the Vivendi Water and Wastewater Services Agreement, with terms at least as favorable as those on which the services are currently provided to Hynix. To the extent that NewCo is able to enter into such an agreement, Hynix will no longer be obligated to provide such services as are provided directly from Vivendi to NewCo under such agreement. To the extent that NewCo is unable to receive the applicable services directly from Vivendi, Hynix shall remain obligated to provide Vivendi Services to NewCo in accordance with the terms and conditions of this Agreement. NewCo and Hynix shall, for a period of one year from the date hereof, cooperate with each other and negotiate in good faith with Daesung regarding, and use commercially reasonable efforts to enter into, separate gas agreements with Daesung under which Daesung shall directly provide NewCo and Hynix with services that are identical to the services provided by Daesung to Hynix under the Daesung Agreements, with terms at least as favorable as those on which the services currently are

provided to Hynix. To the extent that NewCo is able to enter into such an agreement, Hynix will no longer be obligated to provide such services as are provided directly from Daesung to NewCo under such agreement. To the extent that NewCo is unable to receive the applicable services directly from Daesung, Hynix shall remain obligated to provide such services to NewCo in accordance with the terms and conditions of this Agreement.

2.6. NewCo Utilities and Infrastructure Support Services shall be provided for the Initial Service Period and for successive one (1)-year periods, unless Hynix notifies NewCo in writing of its desire not to renew the provision of the NewCo Utilities and Infrastructure Support Services at least sixty (60) days prior to the expiration of the Initial Service Period or any annual anniversary thereof or the NewCo Utilities and Infrastructure Support Services are earlier terminated pursuant to this Agreement.

2.7. Notwithstanding any other provision of this Agreement to the contrary, each Party may terminate the provision of any Service, in whole or in part, by providing the other Party with sixty (60) days prior notice of such termination (or such shorter time period of notice as is specified for such Service in Exhibit A). The terminating Party shall not be obligated to pay the other Party the service fees attributable to such cancelled Service(s), or part thereof, to the extent such fees are for services provided for any period beginning on or after the effective date of such termination.

2.8. Chemical Procurement Services shall be provided from the Effective Date until the date that is five (5) years after the Effective Date, and thereafter for so long as Hynix has the capacity to provide such Service, unless otherwise earlier terminated pursuant to this Agreement.

2.9. With respect to the Services related to the company broadcasting system under the Welfare Facility Services relating to production and development of content, such services shall be provided from the Effective Date until the date that is five (5) years after the Effective Date, unless otherwise earlier terminated pursuant to this Agreement.

2.10. The Mask Services shall be provided from the Effective Date until the date that is five (5) years after the Effective Date, unless otherwise earlier terminated pursuant to this Agreement.

**Article 3. Services and Fees**

3.1. Hynix shall provide, or cause the applicable Third Party Supplier to provide, NewCo with the Vivendi Services, Hynix Utilities and Infrastructure Support Services, Welfare Facility Services, Environmental Safety & Facility Monitoring Services, Mask Services, CAO Operation Support Services and Chemical Procurement Services, and NewCo shall receive such Services from Hynix, for the periods determined in accordance with Article 2. NewCo shall provide Hynix with the NewCo Utilities and Infrastructure Support Services, and Hynix shall receive such Services from NewCo, for the periods determined in accordance with Article 2.

3.2. The Parties shall each provide the Joint Purchasing Services to the other at no cost to the other and, to the extent permitted by applicable law, shall jointly purchase equipment,

silicon wafers, photo chemicals and other materials or spare parts if such joint purchasing would reduce the cost of any such item. For such purpose, Hynix and NewCo shall form a joint purchasing steering committee composed of an equal number of representatives designated by each Party to, to the extent permitted by applicable laws, coordinate information sharing and the joint purchasing of equipment, silicon wafers, photo chemicals and other raw materials and spare parts.

3.3. The fees for the Environmental Safety & Facility Monitoring Services, Hynix Utilities and Infrastructure Support Services, NewCo Utilities and Infrastructure Support Services, Welfare Facility Services and Chemical Procurement Services shall be determined in accordance with Exhibits B, C.1, C.2, E and F, respectively. Until the expiration and/or termination of the Vivendi Water and Wastewater Service Agreement, the fees for the Vivendi Services shall be determined in accordance with Exhibit D.

3.4. Hynix shall provide NewCo with the CAO Operation Support Services, at no additional cost, for the period set forth in Article 2. Hynix shall provide NewCo with the Mask Services at actual cost incurred for the period set forth in Article 2.

3.5. Upon the expiration of the Vivendi Water and Wastewater Service Agreement, Hynix will be entitled to receive certain assets (the "Vivendi Assets") from Vivendi used in connection with the provision of services under such agreement. In such case, upon NewCo's request, Hynix shall promptly transfer, assign and convey to NewCo, at no additional cost, those Vivendi Assets which are listed on Exhibit D hereto. Upon the early termination of the Vivendi Water and Wastewater Service Agreement, Hynix also will be entitled to receive the Vivendi Assets from Vivendi used in connection with the provision of services under such agreement. In such case, upon NewCo's request, Hynix shall promptly transfer, assign and convey to NewCo those Vivendi Assets which are listed on Exhibit D hereto at the same price paid by Hynix to Vivendi for such Vivendi Assets under the Vivendi Water and Wastewater Services Agreement. To the extent that there are any benefits provided to either Party under the Vivendi Water and Wastewater Service Agreement, both Parties shall work in good faith to divide such benefits between them in an equitable manner.

3.6. With respect to the Welfare Facility Services related to the dormitories, NewCo shall provide Hynix with the names and identities of NewCo's employees who intend to use such Welfare Facility Services as soon as reasonably practical in advance of the first day of such use.

3.7. NewCo agrees that it shall, and shall cause NewCo's directors, officers, employees, agents, representatives or any other permitted users of the Welfare Facility Services to, abide by all reasonable safety and administrative rules and regulations of Hynix related to the Welfare Facility Services, if any.

3.8. Subject to Section 3.14, Hynix and NewCo shall have equal rights for the use of all relevant facilities for the Welfare Facility Services. NewCo and its directors, officers and employees shall, at all times, receive the benefits of the Welfare Facility Services on terms and conditions that are as favorable as those enjoyed by Hynix, and its directors, officers and employees at such time without any additional incremental cost to NewCo or its directors, officers or employees.

3.9. Hynix shall provide, at no additional cost, NewCo and NewCo's representatives with access at all reasonable times to any historical data relating to the Business that NewCo may request. In furtherance of the forgoing, at the reasonable request of NewCo, Hynix shall provide NewCo and NewCo's representatives with access to, or shall otherwise provide to NewCo and NewCo's representatives, electronic data in electronic form relating to the Business. NewCo shall provide, at no additional cost, Hynix and Hynix's representatives with access at all reasonable times to any historical data relating to Hynix's business, except for information relating to the Business, that Hynix may request. Neither Party shall, for a period of six years after the date hereof, destroy any such data without giving the other Party at least 30 days prior written notice, during which time the other Party shall have the right (subject to Article 15) to examine, remove, to the extent not prohibited by operation of applicable law, or make and retain a copy of, any such data prior to destruction. Nothing herein shall limit or modify or be deemed to limit or modify the Parties' rights and obligations under Section 6.2 of the BTA.

3.10. If either Party receives any payment after the Closing Date to which the other Party is entitled pursuant to the BTA, such Party shall promptly (and in no event later than ten (10) Business Days after receipt of such payment) remit such payment to the other Party.

3.11. In addition to the Services set forth herein, Hynix and NewCo acknowledge and agree that there may be additional services which have not been identified but which historically have been provided by Hynix to the Business and which shall continue to be required or desired by NewCo. If, within one year of the Closing Date, any such additional services are identified and requested reasonably in advance by NewCo, Hynix shall provide such additional services to NewCo in a manner consistent with the other Services, at a price no greater than actual cost, and, to the extent applicable, calculated by taking into account the AUP. Any such additional services which are consistent with the type and subject matter of other Long-Term Services under this Agreement shall be deemed to be Long-Term Services for the purposes of Article 2 and any other such additional services shall be provided until the second anniversary of the date hereof, subject to Section 2.7. With respect to additional services which historically have not been provided by Hynix with respect to the Business ("New Service"), at the request of NewCo, the Parties will discuss in good faith the provision of any such New Service by Hynix to NewCo.

3.12. Any fees for the Services to be provided hereunder are set forth on the applicable Exhibit and there are no other fees for the Services except as set forth thereon. To the extent applicable, calculations hereunder shall be made by taking into account the AUP.

3.13. Notwithstanding anything herein to the contrary, but subject to the last sentence of Section 3.11, the Parties acknowledge and agree that it is their mutual intent that the fees for the Services provided hereunder shall be no greater than the actual cost reasonably incurred to provide such Services. The Parties agree to cooperate in good faith in furtherance of the foregoing, including by adjusting the fees from time to time if

necessary in order to effectuate this intent and by conducting, at the request of either Party, an audit of the fees in each calendar year during which services are provided (at a time within the first six months of the succeeding calendar year mutually agreed to in good faith) to compare the costs actually incurred to provide the Services hereunder during such period with the fees paid for such Services. The audited Party may dispute the results of any such audit, provided that the audited Party shall notify the requesting Party in writing of such disputed results within 30 days of the audited Party's receipt of the results of the audit. In the event of any such dispute, Hynix and NewCo shall attempt to reconcile their differences and any resolution by them as to any disputed amounts shall be final, binding and conclusive on Hynix and NewCo. If Hynix and NewCo are unable to reach a resolution to such effect of all disputed amounts within 30 days of receipt of the audited Party's written notice of dispute to the requesting Party, NewCo and Hynix shall submit the amounts remaining in dispute for resolution to the Independent Accounting Firm, which shall, within 30 days after such submission, determine and report to Hynix and NewCo with respect to the amounts disputed. The findings of the Independent Accounting Firm shall be final, binding and conclusive on Hynix and NewCo. If the results of any such audit as finally determined indicate that the requesting Party has, in the aggregate with respect to all costs audited, paid more than the amount otherwise required to have been paid pursuant to this Agreement, the audited Party shall promptly (and in no event later than 30 days from the date of such determination) refund the amount of such overpayment to the requesting Party. If the results of any such audit as finally determined indicate that the requesting Party has, in the aggregate with respect to all costs audited, paid less than the amount otherwise required to have been paid pursuant to this Agreement, the requesting Party shall promptly (and in no event later than 30 days from the date of such determination) pay the amount of such underpayment to the audited Party. For any individual deficiency or overpayment indicated by the results of any such audit as finally determined, the Party owing the payment shall pay to the other Party, in addition to such payment due, interest thereon at a rate of eight (8%) percent per annum of such deficiency or overpayment for the period from the date of such deficiency or overpayment until the date finally paid or reimbursed, as the case may be. The total costs involved in any such audit shall be paid by: (i) the requesting Party, in the case that the audit demonstrates a deviation in the aggregate with respect to all audited costs of less than 5% from the amount otherwise required to have been paid pursuant to this Agreement, (ii) both Parties equally, in the case that the audit demonstrates a deviation from 5% to 10% and (iii) the audited Party, in the event that the audit demonstrates a deviation greater than 10%. Each Party shall use its commercially reasonable efforts to minimize the costs incurred to provide the Services. The Parties agree that the audit contemplated hereunder shall be conducted only once in each calendar year for all of the following agreements entered into by and between the Parties and/or their Affiliates as of the date hereof: General Service Supply Agreement, R&D Equipment Utilization Agreement, IT & FA Service Agreement, Taiwan Overseas Sales Services Agreement, U.S. Overseas Sales Services Agreement, Japan Overseas Sales Services Agreement, U.K. Overseas Sales Services Agreement and Hong Kong Overseas Sales Services Agreement.

3.14. (a) Hynix and NewCo shall have the right to use up to 54.7% and 45.3%, respectively, of the units in each dormitory and apartment in Cheongju, Korea

which is a part of the Welfare Facility Services. Each Party shall have the right to use such additional amount of the units in each such dormitory or apartment as the Parties may agree from time to time. In order to secure NewCo's right described in the first sentence of this Section 3.14 (a), on or after the Effective Date, NewCo shall have the right to register lease rights (the "Lease Rights") over 45.3% of the total floor area of each dormitory in the Hynix Complex in Cheongju, Korea (the "Leased Premises") with the relevant real property registry offices for the Term, such Lease Right registration having priority over any lien or encumbrance established on such dormitories other than statutory liens and liens established thereon as of one (1) day prior to the Closing Date by Hynix's financing creditors; provided, however, that with respect to the women's dormitory, Hynix shall conduct the registration to preserve ownership with respect to the women's dormitory within one (1) year from the Effective Date and shall thereafter register the Lease Rights over 45.3% of the total floor area of the women's dormitory having priority over any lien or encumbrance established on the women's dormitory other than statutory liens and liens to be established thereon by Hynix's financing creditors. Hynix shall take any action necessary to maintain or cause to be maintained the priority of the Lease Right, subordinate only to such Hynix's senior financing and statutory liens, with respect to the Leased Premises during the Term. Hynix shall provide to NewCo all necessary documents normally required of a lessor for the registration of the Lease Right on the Leased Premises on the Effective Date. For the avoidance of doubt, the Parties agree and acknowledge that notwithstanding the registration of the Lease Rights pursuant to this Section 3.14(a), NewCo shall not have the right to exclusively use the Leased Premises and the Parties shall have the right to use all dormitories in existence as of the date hereof on a pro rata shared basis as indicated in the first sentence of this Section 3.14(a).

(b) With respect to the leased apartments in Ichon, Korea which are a part of the Welfare Facility Services, only the employees of NewCo who reside in such apartments on the date hereof or who apply to Hynix for occupancy within one day prior to the Closing Date shall be eligible to occupy such apartments.

3.15. Hynix shall provide e-mail forwarding services for NewCo employees for up to six (6) months from the Closing Date at no additional cost so that any e-mail addressed to the former Hynix e-mail account of a NewCo employee shall automatically forward to the NewCo e-mail account of such NewCo employee. Each NewCo employee shall be entitled to use the same telephone numbers and fax numbers as it used prior to the Closing Date and NewCo shall also be entitled to use the same telephone numbers and fax numbers as were used by the Business prior to the Closing Date.

3.16. With respect to the sports field and the parking lot near the women's dormitories as set forth on Exhibit G, Hynix may cease to provide these facilities to NewCo on three months prior written notice in the event Hynix determines to put such space to a different use or sells such facilities, but if such facilities are replaced with a substitute recreational facility or parking lot, respectively, such facilities shall be made available to NewCo and its employees as part of the Welfare Facilities Services to the extent such substitute

facilities are available to Hynix or its employees. If Hynix makes any other sports field or parking lot available to Hynix employees in lieu of the removed facilities, such other sports field and parking lot shall be made available to NewCo and its employees as part of the Welfare Facilities Services.

3.17. Hynix may, on three months prior written notice to NewCo, remove the tennis courts set forth in Exhibit G in Cheongju, Korea, but only in the event that such tennis courts are replaced with a substitute recreational facility, such facility to be made available to NewCo and its employees as part of the Welfare Facilities Services.

3.18. With respect to the Highla Condominiums, Korea Condominiums and, subject to then applicable union contracts and restrictions, other condominiums existing as of the date hereof under the Welfare Facilities Services, Hynix shall make such condominiums available to NewCo employees on the same terms applicable to Hynix employees. There shall be no additional fees paid by NewCo's employees with regard to such condominiums except the usage fees paid by the employee using such condominiums, which shall be consistent with fees paid by Hynix employees.

3.19. With respect to fire emergency drills/training under the Environmental Safety & Facility Monitoring Services, the Parties shall cooperate in good faith in determining the scheduling of such drills and training at mutually agreeable times.

3.20. Beginning upon the expiration and/or early termination of the Vivendi Water and Wastewater Service Agreement, each Party will cooperate and coordinate with each other as is reasonably necessary or advisable for the joint operation of the Vivendi Assets, including entering into an agreement with a third party service provider, in order that both Parties receive services that are identical to the services provided by Vivendi as of the expiration and/or early termination of the Vivendi Water and Wastewater Service Agreement. Beginning upon the the expiration and/or early termination of the Vivendi Water and Wastewater Service Agreement, each Party shall provide back up services to the other Party with respect to the Vivendi Services, including use of de-ionized water systems, waste water treatment facilities and other applicable facilities.

**Article 4. Supply of the Services; Right of First Refusal**

4.1. The obligations of Hynix to provide each of the Vivendi Services, and the part of the Hynix Utilities and Infrastructure Support Services provided by Daesung, set forth in this Agreement shall be subject, to the extent applicable, to the terms and conditions of the applicable Third Party Supplier Agreements; provided that NewCo shall be entitled to participate in any negotiations that Hynix may have with any third party supplier regarding the provision of services by such third party supplier, including any renewal, replacement, modification or termination of any third party supplier agreement and Hynix shall not agree to any renewal, replacement, modification or termination of the Vivendi Water and Wastewater Service Agreement or Daesung Agreements without NewCo's prior written consent (which consent shall not be unreasonably withheld).

4.2. Unless Hynix otherwise agrees and subject to Article 13, NewCo shall use the Services for the sole purpose of operating and maintaining NewCo's business and may not sell, transfer, supply or grant access to any of the Services to any third party without Hynix's prior written consent (which shall not be unreasonably withheld).

4.3. All Services under this Agreement shall be performed in compliance with all applicable laws and regulations in all material respects, in a manner, to the extent and at a time, substantially consistent with past practice and in the manner, extent and time in which the applicable Party performs similar services for its own benefit (including with respect to using employees with similar levels and experience). The Parties agree to take timely and adequate action to correct any deficiency in the performance of any Service.

4.4. The Parties shall cooperate in good faith to increase overall site safety and reduce insurance costs.

4.5. In the event that Hynix wishes to sell or otherwise dispose of all or any part of its assets ("Offered Assets") that are used for or relate to the provision of the Services at any time during the Term, Hynix shall first make an offer for the sale of such Offered Assets to NewCo by giving NewCo a written notice setting forth the price and other terms and conditions thereof ("Notice of Sale"). NewCo shall notify Hynix in writing whether NewCo accepts or rejects such offer made in the Notice of Sale within thirty (30) days after the receipt thereof (such thirty-day period, the "Notice Period"). Unless NewCo accepts in writing such offer made in the Notice of Sale prior to the expiration of the Notice Period, Hynix shall be free to sell or otherwise dispose of such Offered Assets offered through the Notice of Sale to a third party within thirty (30) days from the date of expiration of the Notice Period; provided, however, that such sale or disposal to a third party shall not be made under terms and conditions more favorable than the offer made to NewCo in the Notice of Sale. If Hynix sells or otherwise disposes of any of such Offered Assets, it shall nonetheless continue to provide NewCo with the Services in accordance with this Agreement without any other change in the terms and conditions thereof; provided, however, that Hynix shall not be obligated to provide an Unprotected Long-Term Service following the fifth anniversary of the date hereof if NewCo has rejected the offer made in a Notice of Sale with respect to the assets used to provide such Unprotected Long-Term Service.

**Article 5. Maintenance of the Services**

5.1. During the Term of this Agreement if Hynix or any third party supplier (including Third Party Suppliers) has scheduled, or otherwise has planned to undertake inspection, testing, preventative maintenance, corrective maintenance, repairs, replacement, improvement or other similar activities to all or any portion of the Service Facilities (collectively, the "Maintenance Activities"), Hynix or the relevant third party supplier, as applicable, may, for the duration of such Maintenance Activities, interrupt, suspend or curtail the provision of relevant Services to the extent that the Maintenance Activities for the affected parts of the Service Facilities are necessary or advisable. In the event that Hynix is required to perform corrective maintenance, repairs due to malfunction or non-routine inspection due to a suspected malfunction, Hynix shall give NewCo prior written notice of such

activities to the extent reasonably possible. In the event that Hynix proposes to conduct any other Maintenance Activities, Hynix shall give NewCo as much prior written notice as reasonably possible of such activities, which in any event shall not be less than 30 days prior written notice, and Hynix shall consult with NewCo prior to undertaking or permitting to occur any such Maintenance Activity. Upon Hynix's receipt of any notice of any Maintenance Activities by any third party suppliers, Hynix promptly shall provide NewCo written notice thereof and shall consult with NewCo to the extent reasonably possible prior to permitting any such Maintenance Activities to occur.

5.2. If NewCo receives such notice as set forth in Section 5.1, then to the extent that the affected Services are insufficient to meet NewCo's requirements for NewCo's use thereof in accordance with the terms and conditions hereof, Hynix shall (i) to the extent Hynix has alternative sources available internally, provide alternate sources for the affected Services for the duration of the Maintenance Activities, (ii) to the extent that Hynix obtains any alternate sources for such Services, Hynix shall make available a pro-rata share of these alternate sources to NewCo, and (iii) if the foregoing are not available or are insufficient to meet NewCo's requirements, Hynix shall cooperate with NewCo to locate alternate sources for such Services. To the extent the foregoing alternate sources are provided by Hynix, there shall be no incremental cost or expense to NewCo. To the extent the foregoing alternate sources are provided by third-parties, NewCo shall bear the actual costs of the services it uses.

**Article 6. Coordinating Committee**

6.1. Within thirty (30) days after the Effective Date, the Parties shall establish a coordinating committee (the "Coordinating Committee") which shall consist of four (4) members, two (2) of which shall be appointed by Hynix and two (2) of which shall be appointed by NewCo. Each Party, upon prior written notice to the other Party, may from time to time remove or replace any member appointed by such Party.

6.2. Except as the Parties may otherwise agree in writing, the Coordinating Committee shall have the power and the responsibility under this Agreement to:

(a) act as a forum for the liaison between the Parties with respect to the day-to-day implementation of this Agreement;

(b) subject to Article 14, seek to resolve disputes; and

(c) undertake such other functions as the Parties may agree in writing.

**Article 7. Payments for the Services**

7.1. Hynix shall invoice NewCo on the tenth (10th) day (except that for the Vivendi Services this shall be the fourteenth (14) day, until the expiration and/or termination of the Vivendi Water and Wastewater Service Agreement) of each calendar month for the fees for the Environmental Safety & Facility Monitoring Services, Hynix Utilities and Infrastructure Support Services (except for the fees for electricity (substation of the Korea Electric Power Corporation), water and fuel, which will be invoiced as set forth in the

third sentence of this Section 7.1), Vivendi Services, Welfare Facility Services and Chemical Procurement Services, provided during the immediately preceding calendar month specifying the Services provided during that month and the amount of fees for such Services calculated in accordance with Exhibits B, C, D, E and F, respectively, and Article 3. By the twenty-fifth (25th) day of each calendar month so invoiced (except with respect to the Vivendi Services for which the due date will be the twenty-fourth (24th) day of each calendar month so invoiced, until the expiration and/or termination of the Vivendi Water and Wastewater Service Agreement), NewCo shall pay the invoiced amount and value added tax thereto to Hynix's designated account by means of a wire transfer in cash. In addition, by the fifth (5th) day prior to the due date for the fees for electricity (substation of the Korea Electric Power Corporation), water and fuel supplied by Hynix to NewCo as part of the Hynix Utilities and Infrastructure Support Services as such due date is set forth on the relevant invoice therefor, Hynix shall invoice NewCo for the fees for such Services in the amounts for which such fees are set forth on the relevant invoice issued by relevant agencies and NewCo shall pay such invoiced amount and value added tax thereto to Hynix's designated account by means of a wire transfer in cash by one (1) Business Day prior to such due date.

7.2. NewCo shall invoice Hynix on the tenth (10th) day of each calendar month for the fees for the NewCo Utilities and Infrastructure Support Services provided during the immediately preceding calendar month specifying the Services provided during that month and the amount of fees for such Services calculated in accordance with Exhibit C. By the twenty-fifth (25th) day of each calendar month so invoiced, Hynix shall pay the invoiced amount and value added tax thereto to NewCo's designated account by means of a wire transfer in cash.

7.3. All payments hereunder shall be made in Korean Won.

7.4. If a Party fails to make any payment due hereunder by the date it is due, such non-paying Party shall pay the other party, in addition to the amount of such payment due, a late charge of eight (8%) percent per annum of the outstanding amount, prorated to reflect a pro rata portion of such late charge for the period from the due date of the payment until finally paid.

7.5. Notwithstanding any dispute on the amount of payment under this Agreement, each Party shall continue to perform its obligations hereunder (including obligations to make payments of the amounts included on the invoices for the Services which are not disputed in good faith) and be entitled to exercise its rights under this Agreement; provided, however, that if a Party fails to pay in full the portion of sums invoiced by the other which are not disputed by the invoiced Party in good faith for three (3) calendar months after such sums become due, the invoicing Party may suspend or curtail the applicable Services for which payment was not made until such payment is made in full. Any invoice amount which remains disputed after thirty (30) days shall be referred to the Coordinating Committee in accordance with Section 14.2.

7.6. Each Party shall, at the request of the other Party, provide the other Party with relevant data and records for the determination of such Party's compliance with its obligations

under this Agreement (other than with respect to calculation of fees hereunder which is governed by Section 3.13); provided that a Party may make no more than one such request per calendar quarter and any such request must be reasonably specific. In this regard, each Party shall prepare and maintain proper books and records of all matters pertaining to the Services under this Agreement. Subject to Article 15 and the first sentence of this Section 7.6, upon seven (7) days prior written notice, either Party, or its authorized representatives, may examine during normal business hours, the books, records and documents of the other Party to the extent reasonably necessary for verification of compliance under this Agreement; provided, however, that if a Party is to provide such books and records to the other Party for such Party's examination and photocopying purposes, the other Party may blackout any information contained in such books and records that relates to the other Party other than information that is required for the determination of the other Party's compliance with its obligations under this Agreement.

7.7. Notwithstanding anything herein to the contrary, in the event of a bankruptcy filing with respect to NewCo, NewCo shall deposit with Hynix an amount equal to the fees paid by NewCo during the immediately preceding full calendar month under the terms of this Agreement, against which will be credited fees payable by NewCo over the thirty day period following such deposit. NewCo shall renew such deposit each thirty days in each case by reference to the fees paid by NewCo during the full calendar month immediately preceding any such renewal until such bankruptcy protection filing has been accepted by the bankruptcy court. For the avoidance of doubt, NewCo shall not be relieved of responsibility for, and shall pay when due, any fees for services hereunder during any such thirty day period to the extent in excess of the then actual deposit.

**Article 8. Representations, Warranties and Covenants**

8.1. Each Party hereby represents and warrants to the other Party that all of the statements contained in this Section 8.1 are true and correct with respect to such Party as of the Effective Date and at all times thereafter during the Term.

(a) Organization. Such Party is duly incorporated and validly existing under the laws of Korea and has full power and authority to perform its respective obligations herein.

(b) Authorization. Such Party has full corporate power and authority to execute and deliver this Agreement. The execution, delivery and performance by such Party of this Agreement have been duly authorized by all corporate actions on the part of such Party that are necessary to authorize the execution, delivery and performance by such Party of this Agreement.

(c) Binding Agreement. This Agreement has been duly executed and delivered by such Party and, assuming due and valid authorization, execution and delivery hereof by the other Party, is a valid and binding obligation of such Party, enforceable against such Party in accordance with its terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent

conveyance and other similar laws of general application affecting enforcement of creditors' rights generally and (ii) the availability of the remedy of injunctive relief may be subject to the discretion of the court before which any proceeding therefor may be brought or the general principle of good faith and fairness provided for in the Korean Civil Code.

(d) No Violation of Laws or Agreements. The execution, delivery and performance of this Agreement does not, (i) contravene any provision of the articles of incorporation or bylaws, or other similar organizational documents, of such Party; or (ii) violate, conflict with, result in a breach of, or constitute a default (or an event which might, with the passage of time or the giving of notice, or both, constitute a default) under any agreement to which such Party is a party or by which it is bound.

(e) Governmental Authorizations. Such Party has obtained all required Governmental Authorizations in connection with the supply of the Services.

8.2. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS AGREEMENT OR IN THE BTA, NEITHER PARTY NOR ANY OTHER PERSON OR ENTITY ACTING ON BEHALF OF SUCH PARTY, MAKES ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED (INCLUDING ANY REPRESENTATION OR WARRANTY FOR SUFFICIENCY, SATISFACTORY RESULT OR FITNESS FOR PARTICULAR PURPOSE WITH RESPECT TO THE SERVICES PROVIDED HEREUNDER).

8.3. Each Party covenants and agrees to endeavor to cooperate with the other Party so as to minimize any interference with the other Party's operation of its business.

**Article 9. Force Majeure**

9.1. Neither Party shall be liable to the other Party for failure of or delay in the performance of any obligations under this Agreement due to causes reasonably beyond its control including (i) war, insurrections, riots, explosions and inability to obtain raw materials due to then current market situations; (ii) natural disasters and acts of God, such as violent storms, earthquakes, floods and destruction by lightning; (iii) the intervention of any governmental authority or changes in relevant laws or regulations which restrict or prohibit either Party's performance of its obligations under this Agreement or implementation of this Agreement; or (iv) strikes, lock-outs and work-stoppages (each, an "Event of Force Majeure"). Upon the occurrence of an Event of Force Majeure, the affected Party shall notify the other Party as soon as reasonably possible of such occurrence, describing the nature of the Event of Force Majeure and the expected duration thereof. Notwithstanding the foregoing, the Party receiving Services hereunder shall be under a continuing obligation to make payments for such Services which have already been supplied to the Party prior to the occurrence of an Event of Force Majeure.

9.2. If a Party is unable, by reason of an Event of Force Majeure, to perform any of its obligations under this Agreement, then such obligations shall be suspended to the extent

and for the period that the affected Party is unable to perform. If this Agreement requires an obligation to be performed by a specified date, such date shall be extended for the period during which the relevant obligation is suspended due to such an Event of Force Majeure under this Agreement.

9.3. Notwithstanding anything to the contrary contained herein, a third party supplier's (including Third Party Suppliers) failure to meet its obligations in accordance with the applicable third party supplier agreement (including Third Party Supplier Agreements) shall not constitute an Event of Force Majeure and Hynix shall be liable to NewCo for any breach of this Agreement resulting from such failure; provided that any such liability to NewCo shall be limited to the extent that such third party supplier's liability to Hynix is limited under the applicable third party supplier agreement; provided, further, that any such liability to NewCo shall be limited to the amount that Hynix actually recovers from such third party supplier. In the case of a material breach by a third party supplier, and in the event that NewCo incurs Damages resulting from such breach of the applicable third party supplier agreement material to NewCo, Hynix shall use commercially reasonable efforts to vigorously pursue all available actions for Damage compensation from any such third party supplier. In the event Hynix receives any compensation for Damages from the third party supplier for any breach, Hynix shall pay to NewCo a pro rata portion of such Damages received from the third party supplier based on the amount of Damages suffered by NewCo relative to the aggregate amount of Damages suffered by both Parties. Each Party shall be responsible for a portion of the reasonable and documented expenses of any such actions for Damage compensation in proportion to the allocation of any recovery of Damages pursuant to the preceding sentence; provided that the Parties shall cooperate in good faith to minimize such expenses and consult with each other in advance with respect to the conduct of any such action.

9.4. To the extent that the Services affected due to a third party's failure to meet its obligations under the applicable third party supplier agreement are insufficient to meet NewCo's requirements for NewCo's use thereof in accordance with the terms and conditions hereof, Hynix shall (i) to the extent Hynix has alternative sources available internally, provide such alternate sources for the affected Services for the duration the Services are affected, (ii) to the extent that Hynix obtains any alternate sources for such Services, Hynix shall make available a pro-rata share of such alternate sources to NewCo, and (iii) if the foregoing are not available or are insufficient to meet NewCo's requirements, Hynix shall cooperate with NewCo to locate alternate sources for such Services. To the extent the foregoing alternate sources are provided by Hynix, there shall be no incremental cost or expense to NewCo. To the extent the foregoing alternate sources are provided by third parties, NewCo shall bear the actual costs of the services it uses. To the extent that any service which both Parties utilize for their respective businesses remains partially available during an Event of Force Majeure (e.g., Hynix makes some quantity of service available but not the usual amount or Hynix otherwise accesses an alternative source of some quantity of service), each Party shall receive, to the extent practically possible, equal provision of such service up to the amount it would otherwise receive if there were no Event of Force Majeure.

**Article 10. Termination; Effect of Termination**

10.1. Termination. This Agreement may be terminated at any time during the Term upon occurrence of any of the following:

(a) by the non-breaching Party serving a written notice thereof to the other Party and the Coordinating Committee in the event of a material breach or default by the other Party of its obligations hereunder, which default shall not have been cured by other Party, or otherwise resolved by the Coordinating Committee, within sixty (60) days after written notice is provided by the non-breaching Party to the other Party and the Coordinating Committee; or

(b) by Hynix's serving sixty (60) days prior written notice thereof to NewCo if NewCo ceases to conduct any Permitted Business (provided that an assignment pursuant to Article 13 shall not trigger the application of this provision in so far as such assignee does not cease to conduct any Permitted Business).

10.2. Upon termination of this Agreement, each Party shall discontinue the use of all Confidential Information provided by the other Party in connection with this Agreement, and shall promptly return to the other Party any and all Confidential Information, including documents originally conveyed to it by the other Party and any copies thereof made thereafter.

10.3. Except as provided in this Section 10.3 and Section 10.4, following the termination or expiration of this Agreement all obligations and liabilities of the Parties under or arising from this Agreement shall cease and be of no effect, and neither Party shall have any liability under or arising from this Agreement as a consequence of the termination or expiration of this Agreement in accordance with Section 10.1 except for fraud or willful breach of this Agreement. Notwithstanding the foregoing, termination of this Agreement shall be without prejudice to the accrued rights and liabilities of the Parties prior to the termination of this Agreement.

10.4. The respective rights and obligations of the Parties under Sections 3.9, 3.10 and 3.11 and Articles 11, 14 and 15 and other Sections which by their nature are intended to extend beyond termination, shall survive the termination or expiry of this Agreement.

**Article 11. Indemnification**

11.1. Subject to Article 12 hereof, each Party (the "Indemnifying Party") shall defend, indemnify and hold harmless the other Party (and its shareholders, partners, members, directors, officers, employees, agents and representatives) (collectively, the "Indemnified Party") from and against, and shall pay to the Indemnified Party the amount of any Damages arising from any breach of any representation, warranty, agreement or covenant made by the Indemnifying Party under this Agreement or the negligence, gross negligence or willful misconduct of the Indemnifying Party.

**Article 12. Limitation on Liability**

12.1. Notwithstanding anything to the contrary herein, neither Party shall have any liability whatsoever to the other Party, and the other Party shall have no rights or remedies whatsoever (in each case whether in contract, tort, including negligence, or otherwise), for or in connection with any failure to provide (a) any Services in accordance with this Agreement to the extent such failure is attributable to the occurrence of an Event of Force Majeure or (b) electricity, except to the extent such failure is attributable to the Party's gross negligence, willful misconduct or intentional breach.

12.2. Notwithstanding anything to the contrary, no Party shall be liable to the other Party, whether by way of indemnity or otherwise, for any punitive damages, whether any such damages arise out of contract, equity, tort (including negligence), strict liability or otherwise arising out of, or related to, this Agreement and each Party hereby waives, to the fullest extent permitted by law, all rights with respect to punitive damages.

12.3. Notwithstanding anything to the contrary contained herein, the liability of each Party (the "Breaching Party") hereunder for Damages resulting from the Breaching Party's breach of this Agreement or its negligence, gross negligence or willful misconduct shall be limited to (a) in the event that the Breaching Party proves that such breach was the result of the negligence of the Breaching Party and no other reason or, in the case of a tort claim, the Indemnifying Party proves that such Damages resulted from the negligence of the Indemnifying Party and no other reason, the aggregate amount received by the Breaching Party in fees hereunder for the calendar year prior to the year of determination for the Service affected by such breach and (b) in all other events, including if the breach was the result of gross negligence, willful misconduct or intentional breach, the maximum amount permitted by Korean law.

12.4. If any Indemnified Party is at any time entitled to recover under any third-party policy of insurance (excluding any self-insurance that is not reinsured with a third party), in respect of any Damages for which indemnification is sought under Article 11, the Indemnified Party shall, at the request of the Indemnifying Party, use its commercially reasonable efforts to enforce such recovery for the benefit of the Indemnifying Party and, upon recovery under such policy, reduce the amount of Damages for which it is seeking indemnification under Article 11 by the amount actually recovered under the policy (net of all costs, charges and expenses of the Indemnified Party in connection with such recovery).

12.5. Each Party shall subscribe for and maintain in effect, at its own expense, such insurance covering the Damages incurred from any electricity failure, with such amounts and other terms as a reasonably prudent business would maintain under like circumstances.

**Article 13. Assignment**

13.1. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns; provided, however, that no Party will assign its rights or delegate its obligations under this Agreement without the express prior

written consent of the other Party, except that (i) NewCo may assign its rights hereunder as collateral security to any bona fide financial institution engaged in financing in the ordinary course providing financing to the Warrant Issuer or its Subsidiaries and any of the foregoing financial institutions may assign such rights in connection with a sale of NewCo in the form then being conducted by NewCo substantially as an entirety; (ii) Hynix and NewCo each may, upon written notice to the other Party (but without the obligation to obtain the consent of such other Party), assign this Agreement or any of its rights and obligations under this Agreement to any person, entity or organization that succeeds (by purchase, merger, operation of law or otherwise) to all or substantially all of the capital stock, assets or business of such party, to all or substantially all of its assets and liabilities or to all or substantially all of the assets and liabilities of the portion of the Party's business to which the subject of this Agreement relates or of a division of the Party, if such person or entity agrees in writing to assume and be bound by all of the relevant obligations of such Party under this Agreement; and (iii) NewCo may, upon written notice to Hynix (but without the obligation to obtain the consent of Hynix), assign this Agreement or any of its rights and obligations under this Agreement to one or more direct or indirect Subsidiaries of Warrant Issuer.

13.2. Notwithstanding anything to the contrary contained herein, Hynix may be entitled to utilize any subcontractor or supplementary provider in performing all or any parts of its obligations under this Agreement without any prior written consent of NewCo; provided that Hynix remains liable under this Agreement for the performance of all of its obligations.

**Article 14. Governing Law; Dispute Resolution**

14.1. This Agreement shall be governed by and construed in accordance with the laws of Korea without reference to the choice of law principles thereof.

14.2. Each Party seeking the resolution of a dispute arising under this Agreement must provide written notice of such dispute to the other Party, which notice shall describe the nature of such dispute. All such disputes shall be referred initially to the Coordinating Committee for resolution. Decisions of the Coordinating Committee under this Section 14.2 shall be made by unanimous vote of all members and shall be final and legally binding on the Parties. If a dispute is resolved by the Coordinating Committee, then the terms of the resolution and settlement of such dispute shall be set forth in writing and signed by both Parties. In the event that the Coordinating Committee does not resolve a dispute within thirty (30) days of the submission thereof, such dispute shall be resolved in accordance with Section 14.3. Notwithstanding the foregoing, Hynix and NewCo shall each continue to perform its obligations under this Agreement during the pendency of such dispute in accordance with this Agreement.

14.3. The Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to an injunction to prevent any breach of this Agreement and to enforce specifically the terms and provisions of this Agreement by bringing a relevant action in the Seoul Central

District Court in Seoul, Korea, in addition to any other remedy to which any Party may be entitled at law or in equity. In addition, the Parties agree that any dispute, claims or controversy between the Parties arising out of or relating to this Agreement, whether in contract, tort, equity or otherwise and whether relating to the meaning, interpretation, effect, validity, performance or enforcement of this Agreement, which is not resolved by the Coordinating Committee pursuant to Section 14.2 may be submitted to the exclusive jurisdiction of the Seoul Central District Court, in Seoul, Korea. Each of the Parties irrevocably waives, to the fullest extent permitted by law, any objection which it may now, or hereafter, have with respect to the jurisdiction of, or the venue in, the Seoul Central District Court.

**Article 15. Confidentiality**

15.1. Neither Party shall, except as expressly permitted by the terms of this Agreement, disclose to any third party the terms and conditions of this Agreement, the existence of this Agreement and any Confidential Information which either Party obtains from the other Party in connection with this Agreement and/or use such Confidential Information for any purposes whatsoever other than those contemplated hereunder; provided, however, that this Agreement (and its terms and conditions) may be disclosed and filed publicly in connection with a public offering of securities by NewCo or its Affiliates. "Confidential Information" shall mean any and all information including technical data, trade secrets or know-how, disclosed by either Party to the other Party in connection with this Agreement, which is marked as "Proprietary" or "Confidential" or is declared by the other Party, whether in writing or orally, to be confidential, or which by its nature would reasonably be considered confidential.

15.2. The obligation of confidentiality in Section 15.1 shall not apply to any information that: (a) was known to the other Party without an obligation of confidentiality prior to its receipt thereof from the disclosing Party; (b) is or becomes generally available to the public without breach of this Agreement, other than as a result of a disclosure by the recipient Party, its representatives, its Affiliates or the representatives of its Affiliates in violation of this Agreement; (c) is rightfully received from a third party with the authority to disclose without obligation of confidentiality and without breach of this Agreement; or (d) is required by law or regulation to be disclosed by a recipient Party or its representatives (including by oral question, interrogatory, subpoena, civil investigative demand or similar process), provided that written notice of any such disclosure shall be provided to the disclosing Party in advance. If a Party determines that it is required to disclose any information pursuant to applicable law (including the requirements of any law, rule or regulation in connection with a public offering of securities by NewCo or its Affiliates) or receives any demand under lawful process to disclose or provide information of the other Party that is subject to the confidentiality provisions hereof, such Party shall notify the other Party prior to disclosing and providing such information and shall cooperate at the expense of the requesting Party in seeking any reasonable protective arrangements requested by such other Party. Subject to the foregoing, the Party that receives such request may thereafter disclose or provide information to the extent required by such law or by lawful process.

**Article 16. Miscellaneous**

16.1. Exercise of Right. A Party may exercise a right, power or remedy at its discretion, and separately or concurrently with another right, power or remedy. A single or partial exercise of a right, power or remedy by a Party does not prevent a further exercise of that or of any other right, power or remedy. A failure to exercise a right, power or remedy or a delay in exercising a right, power or remedy by a Party does not prevent such Party from exercising the same right thereafter.

16.2. Extension; Waiver. At any time during the Term, each of Hynix and NewCo may (a) extend the time for the performance of any of the obligations or other acts of the other or (b) waive any inaccuracies in the representations and warranties of the other contained in this Agreement or in any document delivered pursuant to this Agreement. Any agreement on the part of a Party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Party. The failure of any Party to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of those rights. Any rights under this Agreement may not be waived except in writing signed by the Party granting the waiver or varied except in writing signed by the Parties.

16.3. Notices. Any notice, request, demand, waiver, consent, approval or other communication which is required or permitted to be given to any Party shall be in writing and shall be deemed duly given only upon delivery to the Party personally (including by reputable overnight courier service), when telecopied (with confirmation of transmission having been received) during normal business hours or three days after being mailed by registered or certified mail (return receipt requested), with postage and registration or certification fees thereon prepaid, addressed to the Party at its address set forth below (or at such other address for a party as shall be specified by such Party by like notice):

If to Hynix, to:

Hynix Semiconductor Inc.
Hynix Youngdong Building
891 Daechi-dong, Gangnam-gu
Seoul 135-738, Korea
Attention: Mr. O.C. Kwon
Facsimile: 82-2-3459-5955

If to NewCo, to:

MagnaChip Semiconductor, Ltd.
1 Hyangjeong-dong
Heungduk-gu
Cheongju City
Chung Cheong Bok-do, Korea
Facsimile: 82-43-270-2134
Attention: Dr. Youm Huh

with a copy to:

Dechert LLP
30 Rockefeller Plaza
New York, NY 10112
Telephone: (212) 698-3500
Facsimile: (212) 698-3599
Attention: Geraldine A. Sinatra, Esq.
Sang H. Park, Esq.

16.4. Fees and Expenses. All costs and expenses incurred in connection with this Agreement shall be paid by the Party incurring such expenses, except as specifically provided to the contrary in this Agreement.

16.5. Entirety; No Third Party Beneficiaries. This Agreement (a) constitutes the entire agreement between the Parties and supersedes all prior agreements and understandings, both written or oral, between the Parties with respect to the subject matter hereof and (b) is not intended to confer upon any person other than the Parties hereto any rights or remedies hereunder.

16.6. Severability of Provisions. Any term or provision of this Agreement that is held by a court of competent jurisdiction or other authority to be unlawful, invalid, void or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction or other authority declares that any term or provision hereof is unlawful, invalid, void or unenforceable, the Parties agree that the court making such determination shall have the power to reduce the scope, duration, area or applicability of the term or provision, to delete specific words or phrases, or to replace any unlawful, invalid, void or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the unlawful, invalid or unenforceable term or provision.

16.7. Amendment and Modification. This Agreement (for the avoidance of doubt, including Exhibits attached hereto) may be amended, modified and supplemented in any and all respects, but only by a written instrument signed by the Parties expressly stating that such instrument is intended to amend, modify or supplement this Agreement.

16.8. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement.

16.9. Election of Remedies. Neither the exercise of nor the failure to exercise a right or to give notice of a claim under this Agreement shall constitute an election of remedies or limit any Party in any manner in the enforcement of any other remedies that may be available to such Party, whether at law or in equity.

16.10. Language. This Agreement is being originally executed in the English language only. In the event that the Parties agree to have a Korean version of this Agreement following

signing, this Agreement may be translated into Korean. The Parties acknowledge that the Korean version of this Agreement shall be for reference purposes only, and in the event of any inconsistency between the two texts, the English version shall control.

16.11. Relationship of the Parties. Each Party shall perform its obligations hereunder as an independent contractor. This Agreement does not create a fiduciary or agency relationship between Hynix and NewCo, each of which shall be and at all times remain independent companies for all purposes hereunder. Nothing in this Agreement is intended to make either Party a general or special agent, joint venturer, partner or employee of the other for any purpose.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed by its duly authorized representatives as of the date first above written.

Hynix Semiconductor Inc.

By: _____

Name:
Title:

MagnaChip Semiconductor, Ltd.

By: _____

Name:
Title:

**Exhibit 10.16**

Execution Copy

**IT & FA SERVICE AGREEMENT**

Between

Hynix Semiconductor Inc.

and

MagnaChip Semiconductor, Ltd.

October 6, 2004

**TABLE OF CONTENTS**

# IT & FA SERVICE AGREEMENT

This IT & FA Service Agreement (this "Agreement"), dated October 6, 2004, is entered into by and between:

(1) Hynix Semiconductor Inc., a company organized and existing under the laws of the Republic of Korea ("Korea") with its registered office at San-136-1, Ami-Ri, Bubal-Eub, Ichon-Si, Kyoungki-Do, Korea ("Hynix"); and

(2) MagnaChip Semiconductor, Ltd., a company organized and existing under the laws of Korea with its registered office at 1, Hyangjeong-Dong, Heungduk-Gu, Cheongju-Si, Chungcheongbuk-Do, Korea ("NewCo") (each a "Party", and collectively the "Parties").

## RECITALS

WHEREAS, the Parties have entered into a certain business transfer agreement dated as of June 12, 2004, as amended (the "BTA") pursuant to which, among other things, NewCo has agreed to acquire the Acquired Assets (as defined in the BTA) from Hynix subject to the terms and conditions set forth in the BTA;

WHEREAS, Hynix owns, develops, operates and maintains certain information technology ("IT") and factory automation ("FA") infrastructure, and after the Closing NewCo will own or use certain IT infrastructure and FA infrastructure;

WHEREAS, the Parties desire to enter into an agreement as contemplated by the BTA whereby Hynix will provide to NewCo certain services related to IT and FA in accordance with the terms and conditions of this Agreement which are required or desirable for the transition, setting-up or continuing operation of NewCo's business; and

WHEREAS, the execution and delivery of this Agreement is a condition to Closing under the BTA.

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements hereinafter set forth, and intending to be legally bound hereby, the Parties agree as follows:

## Article 1. Definition

1.1 Unless otherwise defined herein, all capitalized terms used herein shall have the meaning set forth below:

"Affiliate" shall have the meaning ascribed to such term in the BTA.

"AUP" shall mean the agreed-upon-procedures which Samil PricewaterhouseCoopers (formerly Samil Accounting Corporation) has performed in connection with the financial statements attached in Schedule 2.4 of the BTA.

"BTA" shall have the meaning ascribed to such term in the Recitals.

"Business" shall have the meaning ascribed to such term in the BTA. Any reference to the "conduct of the Business" or the "operation of the Business" shall refer to the conduct or operation of the Business as conducted as of the execution date of the BTA.

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which banks in Seoul are authorized or obligated by relevant law to close.

"CAD" shall mean computer aided design.

"CAD System" shall mean the CAD hardware, including server, workstation and network equipment, and CAD software owned by NewCo and located at NewCo's facilities at Cheong-Ju, Gumi, Ichon and/or Seoul, Korea.

"Closing" shall have the meaning ascribed to such term in the BTA.

"Closing Date" shall have the meaning ascribed to such term in the BTA.

"Confidential Information" shall have the meaning ascribed to such term in Section 16.1.

"Coordinating Committee" shall have the meaning ascribed to such term in Section 7.1.

"Damages" shall mean any and all losses, settlements, expenses, liabilities, obligations, claims, damages (including any governmental penalty or costs of investigation, clean-up and remediation), deficiencies, royalties, interest, costs and expenses (including reasonable attorneys' fees and all other expenses reasonably incurred in investigating, preparing or defending any litigation or proceeding, commenced or threatened incident to the successful enforcement of this Agreement), the extent of which are recoverable under Korean law. For the purposes of Articles 12 and 13, Damages also shall include any and all increases in insurance premiums that are reasonably demonstrably attributable to the breach by NewCo or Hynix, as the case may be, of its representations, warranties, agreements and covenants expressly contained in this Agreement, or negligence, gross negligence, intentional breach or willful misconduct of NewCo or Hynix, as the case may be, for the two following annual policy periods.

"Event of Force Majeure" shall have the meaning ascribed to such term in Section 10.1.

"FA" shall have the meaning ascribed to such term in the Recitals.

"FA Infrastructure" shall mean NewCo's FA related infrastructural facilities located at NewCo's manufacturing facilities at Cheong-Ju and/or Gumi, Korea consisting of process/production and manufacturing information system, quality information system, FA operation system, automated material handling system, automated feed-back system and planning and scheduling system.

"FA Network" shall mean NewCo's FA related network, including cables, hubs, routers, switches, servers and software.

"FA Services" shall mean each of the FA related services which are required or desirable for the transition, setting-up or continuing operation of NewCo's business, including each of the services constituting FA Internet/WAN Services, FA Infrastructure Services and FA Network Services described in Exhibit A hereto.

"Governmental Authorization" shall mean any approval, consent, license, permit, waiver or other authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Entity or otherwise pursuant to any applicable laws, and any registration with, or report or notice to, any Governmental Entity pursuant to any applicable laws.

"Governmental Entity" shall mean a court, arbitral tribunal, administrative agency or commission or other governmental or other regulatory authority or agency.

"HIT" shall mean Hyundai Information Technology Co. Ltd., a company organized and existing under the laws of Korea, which is a party to the HIT Agreement.

"HIT Agreement" shall mean the Information System Operating Agreement dated July, 2003 entered into by and between Hynix and HIT, as amended from time to time in accordance with the terms thereof.

"Indemnified Party" shall have the meaning ascribed to such term in Section 12.1.

"Indemnifying Party" shall have the meaning ascribed to such term in Section 12.1.

"IT" shall have the meaning ascribed to such term in the Recitals.

"IT Infrastructure" shall mean NewCo's IT related infrastructure located at NewCo's facilities at Cheong-Ju, Gumi, Ichon and/or Seoul, Korea, including the following systems: SAP, Manufacturing Cost, Groupware, ESH, HeSS, TPMS, B2Bi, QRA Reliability, Internet Mail System, CQSS, PIOS, EDDS, CSS, EDI, Patent Registration, KMS, S-QRA, G-QRA, QRA MMSP, SEMS, SQCS, FSS, SQMS, CSM_S, SCM, CRM and such other IT related systems and equipment owned by NewCo.

"IT Network" shall mean NewCo's IT related network, including cables, hubs, routers, switches, servers and software.

"IT Services" shall mean each of the IT related services which are required or desirable for the transition, setting-up or continuing operation of NewCo's business, including each of the services constituting IT Infrastructure Services, IT Network Services, IT OA Equipment Services, IT CAD System Services and IT Usage and Support Services described in Exhibit A hereto.

"Joint Network" shall have the meaning ascribed to such term in Section 3.2.

"Maintenance Activities" shall have the meaning ascribed to such term in Section 6.1.

"Network Separation" shall have the meaning ascribed to such term in Section 3.2.

"Notice of Sale" shall have the meaning ascribed to such term in Section 5.1.

"OA" shall mean office automation.

"OA Equipment" shall mean NewCo's OA related hardware and software, including personal computers, printers, monitors and scanners, located at NewCo's facilities at Cheongju, Gumi, Ichon and/or Seoul, Korea.

"Offered Assets" shall have the meaning ascribed to such term in Section 5.1.

"Other Third Party Suppliers" shall mean those third party suppliers set forth on Exhibit B.

"Permitted Business" shall mean the Business or any other semiconductor, information technology or other technology related business.

"R&D" shall mean research and development.

"SAP" shall mean a certain enterprise resource planning software manufactured by SAP AG.

"Service Assets" shall mean those assets that are used for or relate to the provision of the Services, including Hynix's network related equipment described in Section 3.2.

"Services" shall mean each of the IT Services, FA Services and certain other services to be provided pursuant to this Agreement. Services may be added or excluded from time to time by mutual written agreement between Hynix and NewCo.

"Synopsys" shall mean Synopsys International Limited, a company organized and existing under the laws of the Republic of Ireland, which is a party to the Synopsys Agreements.

"Synopsys Agreements" shall mean the Volume Purchase Agreement dated January 23, 2003 and the Purchase Letter Supplement dated April 1, 2004, each by and between Hynix and Synopsys and as amended from time to time in accordance with the terms thereof.

"Term" shall have the meaning ascribed to such term in Article 2.

"Third Party Suppliers" shall mean HIT and the Other Third Party Suppliers.

"Third Party Supplier Agreements" shall mean the HIT Agreement and certain other agreements entered into by and between the relevant Other Third Party Suppliers and Hynix (as set forth on Exhibit B hereto).

"Warrant Issuer" shall have the meaning ascribed to such term in the BTA.

1.2 Rules of Interpretation.

(a) When a reference is made in this Agreement to a section or article, such reference shall be to a section or article of this Agreement unless otherwise clearly indicated to the contrary.

(b) Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation."

(c) The words "hereof", "herein", "hereto" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and article, section, paragraph, exhibit and schedule references are to the articles, sections, paragraphs, exhibits and schedules of this Agreement unless otherwise specified.

(d) The meaning assigned to each term defined herein shall be equally applicable to both the singular and the plural forms of such term, and words denoting any gender shall include all genders. Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning.

(e) A reference to any party to this Agreement or any other agreement or document shall include such party's successors and permitted assigns.

(f) A reference to any legislation or to any provision of any legislation shall include any amendment to, and any modification or re-enactment thereof, any legislative provision substituted therefor and all regulations and statutory instruments issued thereunder or pursuant thereto.

(g) The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provisions of this Agreement.

(h) Headings are for convenience only and do not affect the interpretation of the provisions of this Agreement.

(i) Any Exhibits attached hereto are incorporated herein by reference and shall be considered as part of this Agreement.

**Article 2. Term of Agreement; Duration of Services**

2.1 This Agreement shall become effective on the Closing Date and shall continue in full force and effect for so long as any service is being provided hereunder, unless earlier terminated in accordance with Article 11 (the "Term").

2.2 Unless specified otherwise in this Article 2, each of the Services shall be provided from the Closing Date until the date that is one (1) year after the Closing Date (the "Initial Service Period"), unless otherwise earlier terminated pursuant to this Agreement. After the Initial Service Period for a Service, such Service shall be provided for one additional one (1) year period (the "Extended Service Period"), unless NewCo notifies Hynix in writing of its desire not to renew the provision of such Service at least thirty (30) days prior to the expiration of the Initial Service Period or the Service is earlier terminated pursuant to this Agreement.

2.3 Notwithstanding any other provision of this Agreement to the contrary, subject to Sections 2.4 and 2.5, NewCo may terminate the provision of any Service, in whole or in part, by providing Hynix with sixty (60) days prior notice of such termination (or such shorter period of notice as is specified for such Service on Exhibit A). NewCo shall not be obligated to pay Hynix the service fees attributable to such cancelled Service(s), or part thereof, to the extent such fees are for services provided for any period beginning on or after the effective date of such termination.

2.4 Subject to Sections 4.2 and 4.3, with respect to any Service for which Hynix is utilizing any Third Party Supplier in performing Hynix's obligations under this Agreement, NewCo may terminate such Service only to the extent permitted under the applicable Third Party Supplier Agreement or as otherwise agreed by the applicable Third Party Supplier; provided that Hynix shall provide NewCo with written notice of the expiration date of the applicable Third Party Supplier Agreement ("Expiration Notice") twenty (20) Business Days prior to (i) the deadline of the renewal notice period stipulated under such applicable Third Party Supplier Agreement or (ii) the expiration date, whichever is earlier, and NewCo shall have the right to terminate the provision of any such Service at the end of the then current term of the applicable Third Party Supplier Agreements by providing Hynix with notice of termination within at least ten (10) Business Days after receipt of the Expiration Notice. Notwithstanding the foregoing, all Services, whether provided directly by Hynix or through a Third Party Supplier, shall terminate at the end of the Initial Service Period or the Extended Service Period, as the case may be.

2.5 With respect to the Services described in Paragraph II.E.2 of Exhibit A relating to Hynix's data warehouse system, NewCo may not terminate such Services during the Initial Service Period, unless earlier terminated in accordance with Article 11. NewCo may terminate such Services with 60 days prior written notice at any time after the Initial Service Period.

**Article 3. Services**

3.1 Under the terms and conditions of this Agreement, Hynix shall provide, or cause the applicable Third Party Supplier to provide, NewCo with (a) FA Internet/WAN Services, (b) FA Infrastructure Services, (c) FA Network Services, (d) IT

Infrastructure Services, (e) IT Network Services, (f) IT OA Equipments Services, (g) IT CAD System Services and (h) IT Usage and Support Services described in Exhibit A, during the Term and NewCo shall receive such Services from Hynix, for the periods determined in accordance with Article 2.

3.2 Until such time as NewCo's IT Network and FA Network have been separated from the Hynix network with which they are interconnected (any such separation, a "Network Separation"), Hynix and NewCo shall cooperate with each other and take all such action as the other may reasonably request in furtherance of the operation of such respective (but interconnected) network systems (each such set of interconnected network systems collectively, a "Joint Network"). When the Parties mutually agree to initiate a Network Separation, which the Parties must agree to prior to the end of the Term, each Party shall provide such cooperation and take all such actions as the other Party may reasonably request in connection with such Network Separation, including actions designed to achieve such Network Separation as efficiently as possible and with as little disruption to NewCo's and Hynix's business as possible.

3.3 The Parties shall maintain the security of any Joint Network and the NewCo and Hynix data contained thereon or passing there through at no additional cost to either Party by using firewalls, software encryption, passwords and such other security measures and procedures and access requirements, including intrusion detection, network monitoring and virus-scanning facilities as a reasonably prudent business would employ (and at least commensurate with industry standards). The data of each Party within or passing through any Joint Network shall be the exclusive property of such Party and the other Party shall not access or use such data. Until the Network Separation, each Party, upon request of the other Party, shall provide the other Party with the connection status of such Party's Joint Network equipment and shall cooperate with each other in good faith to change the settings of such equipment upon the other Party's reasonable request for such change as required for the other Party's business.

3.4 With respect to any use of Service Assets provided to NewCo herein, subject to Article 6, such use shall be for up to 24 hours per day for each day in the period during which NewCo is entitled to such Service.

3.5 In addition to the Services set forth herein, Hynix and NewCo acknowledge and agree that there may be additional services which have not been identified but which historically have been provided by Hynix to the Business and which shall continue to be required or desired by NewCo. If, within one year of the Closing Date, any such additional services are identified and requested reasonably in advance by NewCo, Hynix shall provide such additional services to NewCo in a manner consistent with the other Services, at a price no greater than actual cost, and, to the extent applicable, calculated by taking into account the AUP. Any such additional services shall be provided until the second anniversary of the date hereof, subject to Section 2.3. With respect to additional services which historically have not been provided by Hynix with respect to the Business ("New Service"), at the request of NewCo, the Parties will discuss in good faith the provision of any such New Service by Hynix to NewCo.

3.6 The fees for the Services shall be determined in accordance with Appendix I. Any fees for the Services to be provided hereunder are set forth on Appendix I and there are no other fees for the Services except as set forth thereon. To the extent applicable, calculations hereunder shall be made by taking into account the AUP.

3.7 Notwithstanding anything herein to the contrary but subject to the last sentence of Section 3.5, the Parties acknowledge and agree that it is their mutual intent that the fees for the Services provided hereunder shall be no greater than the actual cost reasonably incurred to provide such Services. The Parties agree to cooperate in good faith in furtherance of the foregoing, including by adjusting the fees from time to time if necessary in order to effectuate this intent and by conducting, at the request of NewCo, an audit of the fees in each calendar year during which services are provided (at a time within the first six months of the succeeding calendar year mutually agreed to in good faith) to compare the costs actually incurred to provide the Services hereunder during such period with the fees paid for such Services. Hynix may dispute the results of any such audit, provided that Hynix shall notify NewCo in writing of such disputed results within 30 days of Hynix's receipt of the results of the audit. In the event of any such dispute, Hynix and NewCo shall attempt to reconcile their differences and any resolution by them as to any disputed amounts shall be final, binding and conclusive on Hynix and NewCo. If Hynix and NewCo are unable to reach a resolution to such effect of all disputed amounts within 30 days of receipt of Hynix's written notice of dispute to NewCo, NewCo and Hynix shall submit the amounts remaining in dispute for resolution to the Independent Accounting Firm, which shall, within 30 days after such submission, determine and report to Hynix and NewCo with respect to the amounts disputed. The findings of the Independent Accounting Firm shall be final, binding and conclusive on Hynix and NewCo. If the results of any such audit as finally determined indicate that NewCo has, in the aggregate with respect to all costs audited, paid more than the amount otherwise required to have been paid pursuant to this Agreement, Hynix shall promptly (and in no event later than 30 days from the date of such determination) refund the amount of such overpayment to NewCo. If the results of any such audit as finally determined indicate that NewCo has, in the aggregate with respect to all costs audited, paid less than the amount otherwise required to have been paid pursuant to this Agreement, NewCo shall promptly (and in no event later than 30 days from the date of such determination) pay the amount of such underpayment to Hynix. For any individual deficiency or overpayment indicated by the results of any such audit as finally determined, the Party owing the payment shall pay to the other Party, in addition to such payment due, interest thereon at a rate of eight (8%) percent per annum of such deficiency or overpayment for the period from the date of such deficiency or overpayment until the date finally paid or reimbursed, as the case may be. The total costs involved in any such audit shall be paid by: (i) NewCo, in the case that the audit demonstrates a deviation in the aggregate with respect to all audited costs of less than 5% from the amount otherwise required to have been paid pursuant to this Agreement, (ii) both Parties equally, in the case that the audit demonstrates a deviation from 5% to 10% and (iii) Hynix, in the event that the audit demonstrates a deviation greater than 10%. Hynix shall use its commercially reasonable efforts to minimize the costs incurred to provide the Services. The Parties agree that the audit contemplated hereunder shall be conducted only once in each calendar year for all of the following agreements entered into by and between the Parties and/or their Affiliates as of the date hereof: General Service Supply Agreement, R&D Equipment Utilization Agreement, IT & FA Service Agreement, Taiwan Overseas Sales Services Agreement, U.S. Overseas Sales Services Agreement, Japan Overseas Sales Services Agreement, U.K. Overseas Sales Services Agreement and Hong Kong Overseas Sales Services Agreement.

3.8 Subject to Section 2.4, at any time that NewCo elects to pursue the receipt directly from a third party of Services provided hereunder by Hynix or a Third Party Supplier, Hynix shall provide such cooperation and take such actions as NewCo shall reasonably request to facilitate the transition of the provision of such Services from the provider hereunder to such third party.

**Article 4. Provision of the Services**

4.1 Subject to Section 2.4, the obligations of Hynix to provide each of the Services provided by the Third Party Suppliers shall be subject at all times to the terms and conditions of the applicable Third Party Supplier Agreements; provided that NewCo shall be entitled to participate as an observer in any negotiations that Hynix may have with any Third Party Supplier regarding the provision of services by such Third Party Supplier, including any renewal, replacement, modification or termination of any Third Party Supplier Agreement and Hynix shall notify the result of such negotiations as soon as reasonably practicable after the end of such negotiations. Hynix shall provide written notice to NewCo fourteen (14) days prior to the commencement of any negotiations with any Third Party Suppliers.

4.2 Notwithstanding anything to the contrary contained herein, with respect to the HIT Agreement, prior to December 31, 2004, the Parties shall jointly negotiate with HIT regarding the provision of services by HIT for the calendar year 2005. During such negotiations and in any event prior to December 31, 2004, NewCo shall have either of the following two options: (a) to enter into an agreement with Hynix and HIT regarding the provision of services by HIT for the calendar year 2005, in which case the Services for which Hynix is utilizing HIT in performing Hynix's obligations under this Agreement will terminate on December 31, 2004 or (b) to enter into a separate agreement with HIT or any other third party regarding the provision of such services, in which case the Services for which Hynix is utilizing HIT in performing Hynix's obligations under this Agreement shall terminate on December 31, 2004.

4.3 Notwithstanding anything to the contrary contained herein, with respect to the Synopsis Agreements, prior to December 31, 2004, the Parties shall jointly negotiate with Synopsis regarding the provision of services by Synopsis for the calendar year 2005. During such negotiations and in any event prior to December 31, 2004, NewCo shall have either of the following two options: (a) to enter into an agreement with Hynix and Synopsis regarding the provision of services by Synopsis for the calendar year 2005, in which case the Services for which Hynix is utilizing Synopsis in performing Hynix's obligations under this Agreement will terminate on December 31, 2004 or (b) to enter into a separate agreement with Synopsis or any other third party regarding the provision of such services, in which case the Services for which Hynix is utilizing Synopsis in performing Hynix's obligations under this Agreement shall terminate on December 31, 2004.

4.4 Subject to Article 14, NewCo shall use the Services for the sole purpose of operating and maintaining NewCo's business and may not grant access to any third party to

VPN, HR, DW or Joint Network assets for purposes of changing any configuration system of such assets without Hynix's prior written consent (which shall not be unreasonably withheld).

4.5 All Services under this Agreement shall be performed in compliance with all applicable laws and regulations in all material respects, in a manner, to the extent and at a time, substantially consistent with past practice and in the manner, extent and time in which Hynix performs similar services (including with respect to using employees with similar levels and experience). Hynix agrees to take timely and adequate action to correct any deficiency in the performance of any Service.

4.6 Notwithstanding anything herein to the contrary, NewCo may make such improvements or additions to NewCo's systems and NewCo's assets as are required or desirable for the transition, setting-up or continuing operation of NewCo's business.

4.7 Hynix shall provide NewCo with reports relating to the Services provided directly by Hynix as reasonably requested by NewCo and of a type customarily provided by third party service providers. Hynix shall provide NewCo with copies of reports relating to the Services for which Hynix is utilizing a Third Party Supplier in performing Hynix's obligations under this Agreement to the extent such reports are provided to Hynix by Third Party Suppliers under the applicable Third Party Supplier Agreements.

4.8 Each Party agrees that it shall, and shall cause its directors, officers, employees, agents, representatives and third party service providers to comply, in all material respects, with all reasonable security rules and regulations of the other Party, to the extent that the forgoing is applicable to the performance of the Services.

**Article 5. Right of First Refusal**

5.1 In the event that Hynix wishes to sell or otherwise dispose of all or any part of its Service Assets ("Offered Assets") at any time during the Term, Hynix shall first make an offer for the sale of such Offered Assets to NewCo by giving NewCo a written notice setting forth the price and other terms and conditions thereof ("Notice of Sale"). NewCo shall notify Hynix in writing whether NewCo accepts or rejects such offer made in the Notice of Sale within thirty (30) days after the receipt thereof (such thirty-day period, the "Notice Period"). Unless NewCo accepts in writing such offer made in the Notice of Sale prior to the expiration of the Notice Period, Hynix shall be free to sell or otherwise dispose of such Offered Assets offered through the Notice of Sale to a third party within thirty (30) days from the date of expiration of the Notice Period; provided, however, that such sale or disposal to a third party shall not be made under terms and conditions more favorable than the offer made to NewCo in the Notice of Sale. If Hynix sells or otherwise disposes of any of such Offered Assets, it shall nonetheless continue to provide NewCo with the Services in accordance with this Agreement without any other change in the terms and conditions thereof.

**Article 6. Maintenance of the Services**

6.1 During the Term of this Agreement if Hynix or any third party suppliers (including

Third Party Suppliers) has scheduled, or otherwise has planned to undertake inspection, testing, preventative maintenance, corrective maintenance, repairs, replacement, improvement or other similar activities to all or any portion of the Service Assets (collectively, the "Maintenance Activities"), Hynix or the relevant third party supplier, as applicable, may, for the duration of such Maintenance Activities, interrupt, suspend or curtail the provision of relevant Services to the extent that the Maintenance Activities for the affected parts of the Service Assets are necessary or advisable. In the event that Hynix is required to perform corrective maintenance, repairs due to malfunction or non-routine inspection due to a suspected malfunction, Hynix shall give NewCo prior written notice of such activities to the extent reasonably possible. In the event that Hynix proposes to conduct any other Maintenance Activities, Hynix shall give NewCo as much prior written notice as reasonably possible of such activities, which in any event shall not be less than 30 days prior written notice, and Hynix shall consult with NewCo prior to undertaking or permitting to occur any such Maintenance Activity. Upon Hynix's receipt of any notice of any Maintenance Activities by any third party suppliers, Hynix promptly shall provide NewCo written notice thereof and shall consult with NewCo to the extent reasonably possible prior to permitting any such Maintenance Activities to occur.

6.2 If NewCo receives such notice as set forth in Section 6.1, then to the extent that the affected Services are insufficient to meet NewCo's requirements for the operation of NewCo's business, Hynix shall (i) provide alternate sources for the affected Services for the duration of the Maintenance Activities to the extent that such sources are internally available to Hynix, (ii) to the extent that Hynix obtains any alternate sources for such Services, Hynix shall make available a pro-rata share of these alternate sources to NewCo, and (iii) if the foregoing are not available or are insufficient to meet NewCo's requirements, Hynix shall cooperate with NewCo to locate alternate sources for such Services. To the extent the foregoing alternate sources are provided by Hynix, there shall be no incremental cost or expense to NewCo. To the extent the foregoing alternate sources are provided by third-parties, NewCo shall bear the actual costs of the services it uses.

**Article 7. Coordinating Committee**

7.1 Within thirty (30) days from the Closing Date, the Parties shall establish a coordinating committee (the "Coordinating Committee") which shall consist of four (4) members, two (2) of which shall be appointed by Hynix and two (2) of which shall be appointed by NewCo. Each Party, upon prior written notice to the other Party, may from time to time remove or replace any member appointed by such Party.

7.2 Except as the Parties may otherwise agree in writing, the Coordinating Committee shall have the power and the responsibility under this Agreement to:

(a) act as a liaison between the Parties on the implementation of this Agreement;

(b) subject to Article 15, seek to resolve disputes; and

(c) undertake such other functions as the Parties may agree in writing.

**Article 8. Payment for the Services**

8.1 Hynix shall invoice NewCo on the tenth (10th) day of each calendar month for the fees for the Services provided under this Agreement for the immediately preceding calendar month specifying the Services provided during that month and the amount of fees for such Services calculated in accordance with Appendix I and Article 3. By the twenty-fifth ($25^{th}$) of each calendar month so invoiced, NewCo shall pay the invoiced amount and value added tax thereto to Hynix's designated account by means of a wire transfer in immediately available funds.

8.2 All payments hereunder shall be made in Korean Won.

8.3 If a Party fails to make any payment due hereunder by the date it is due, such non-paying Party shall pay the other party, in addition to the amount of such payment due, a late charge of eight (8%) percent per annum of the outstanding amount, prorated to reflect a pro rata portion of such late charge for the period from the due date of the payment until the date the fees are fully paid.

8.4 Notwithstanding any dispute on the amount of payment under this Agreement, each Party shall continue to perform its obligations hereunder (including obligations to make payments of the amounts included on the invoices for the Services which are not disputed in good faith) and be entitled to exercise its rights under this Agreement; provided, however, that if a Party fails to pay in full the portion of sums invoiced by the other which are not disputed by the invoiced Party in good faith for three (3) calendar months after such sums become due, the invoicing Party may suspend or curtail the applicable Services for which payment was not made until such payment is made in full. Any invoice amount that remains disputed after thirty (30) days shall be referred to the Coordinating Committee in accordance with Section 15.2.

8.5 Hynix shall, at the request of NewCo, provide NewCo with relevant data and records for the determination of Hynix's compliance with its obligations under this Agreement (other than with respect to calculation of fees hereunder which shall be governed by Section 3.7); provided that NewCo may make no more than one such request per calendar quarter and any such request must be reasonably specific. In this regard, Hynix shall prepare and maintain proper books and records of all matters pertaining to the Services under this Agreement. Subject to Article 16 and the first sentence of this Section 8.5, upon seven (7) days prior written notice, NewCo or its authorized representatives, may examine during normal business hours, the books, records and documents of Hynix to the extent necessary for verification of compliance under this Agreement; provided, however, that if Hynix is to provide such books and records to NewCo for NewCo's examination and photocopying purposes, Hynix may blackout any information contained in such books and records that relates to Hynix other than information that is required for the determination of Hynix's compliance with its obligations under this Agreement.

8.6 Notwithstanding anything herein to the contrary, in the event of a bankruptcy filing with respect to NewCo, NewCo shall deposit with Hynix an amount equal to the fees paid by NewCo during the immediately preceding full calendar month under the

terms of this Agreement, against which will be credited fees payable by NewCo over the thirty day period following such deposit. NewCo shall renew such deposit each thirty days in each case by reference to the fees paid by NewCo during the full calendar month immediately preceding any such renewal until such bankruptcy protection filing has been accepted by the bankruptcy court. For the avoidance of doubt, NewCo shall not be relieved of responsibility for, and shall pay when due, any fees for services hereunder during any such thirty day period to the extent in excess of the then actual deposit.

**Article 9. Representations, Warranties and Covenants**

9.1 Each Party hereby represents and warrants to the other Party that all of the statements contained in this Section 9.1 are true and correct with respect to such Party as of the effective date of this Agreement and at all times thereafter during the Term.

(a) Organization. Such Party is duly incorporated and validly existing under the laws of Korea and has full power and authority to perform its respective obligations herein.

(b) Authorization. Such Party has full corporate power and authority to execute and deliver this Agreement. The execution, delivery and performance by such Party of this Agreement have been duly authorized by all corporate actions on the part of such Party that are necessary to authorize the execution, delivery and performance by such Party of this Agreement.

(c) Binding Agreement. This Agreement has been duly executed and delivered by such Party and, assuming due and valid authorization, execution and delivery hereof by the other Party, is a valid and binding obligation of such Party, enforceable against such Party in accordance with its terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws of general application affecting enforcement of creditors' rights generally and (ii) the availability of the remedy of injunctive relief may be subject to the discretion of the court before which any proceeding therefor may be brought or the general principle of good faith and fairness provided for in the Korean Civil Code.

(d) No Violation of Laws or Agreements. The execution, delivery and performance of this Agreement does not, (i) contravene any provision of the articles of incorporation or bylaws, or other similar organizational documents, of such Party; or (ii) violate, conflict with, result in a breach of, or constitute a default (or an event which might, with the passage of time or the giving of notice, or both, constitute a default) under any agreement to which such Party is a party or by which it is bound.

(e) Governmental Authorizations. Such Party has obtained all required Governmental Authorizations in connection with the performance of its obligations under this Agreement.

9.2 EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS AGREEMENT OR IN THE BTA, NEITHER PARTY NOR ANY OTHER PERSON OR ENTITY ACTING ON BEHALF OF SUCH PARTY, MAKES ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, INCLUDING ANY REPRESENTATION OR WARRANTY FOR SUFFICIENCY, SATISFACTORY RESULT OR FITNESS FOR PARTICULAR PURPOSE WITH RESPECT TO THE SERVICES PROVIDED HEREUNDER.

9.3 Each Party covenants and agrees to endeavor to cooperate with the other Party so as to minimize any interference with the other Party's operation of its business.

**Article 10. Force Majeure**

10.1 Neither Party shall be liable to the other Party for failure of or delay in the performance of any obligations under this Agreement due to causes reasonably beyond its control including (i) war, insurrections, riots, explosions and inability to obtain raw materials due to then current market situations; (ii) natural disasters and acts of God, such as violent storms, earthquakes, floods and destruction by lightning; (iii) the intervention of any governmental authority or changes in relevant laws or regulations which restrict or prohibit either Party's performance of its obligations under this Agreement or implementation of this Agreement; or (iv) strikes, lock-outs and work-stoppages (each, an "Event of Force Majeure"). Upon the occurrence of an Event of Force Majeure, the affected Party shall notify the other Party as soon as reasonably possible of such occurrence, describing the nature of the Event of Force Majeure and the expected duration thereof. Notwithstanding the foregoing, the Party receiving Services hereunder shall be under a continuing obligation to make payments for such Services which have already been supplied to the Party prior to the occurrence of an Event of Force Majeure.

10.2 If a Party is unable, by reason of an Event of Force Majeure, to perform any of its obligations under this Agreement, then such obligations shall be suspended to the extent and for the period that the affected Party is unable to perform. If this Agreement requires an obligation to be performed by a specified date, such date shall be extended for the period during which the relevant obligation is suspended due to such an Event of Force Majeure under this Agreement.

10.3 Notwithstanding anything to the contrary contained herein, a third party supplier's (including Third Party Suppliers) failure to meet its obligations in accordance with the applicable third party supplier agreement (including Third Party Supplier Agreements) shall not constitute an Event of Force Majeure and Hynix shall be liable to NewCo for any breach of this Agreement resulting from such failure; provided that any such liability to NewCo shall be limited to the extent that such third party supplier's liability to Hynix is limited under the applicable third party supplier agreement; provided, further, that any such liability to NewCo shall be limited to the amount that Hynix actually recovers from such third party supplier. In the case of a material breach by a third party supplier, and in the event that NewCo incurs Damages resulting from such breach of the applicable third party supplier agreement

material to NewCo, Hynix shall use commercially reasonable efforts to vigorously pursue all available actions for Damage compensation from any such third party supplier. In the event Hynix receives any compensation for Damages from the third party supplier for any breach, Hynix shall pay to NewCo a pro rata portion of such actual Damages received from the third party supplier based on the amount of Damages suffered by NewCo relative to the aggregate amount of Damages suffered by both Parties. Each Party shall be responsible for a portion of the reasonable and documented expenses of any such actions for Damage compensation in proportion to the allocation of any recovery of Damages pursuant to the preceding sentence; provided that the Parties shall cooperate in good faith to minimize such expenses and consult with each other in advance with respect to the conduct of any such action.

10.4 To the extent that the Services affected due to a third party's failure to meet its obligations under the applicable third party supplier agreement are insufficient to meet NewCo's requirements for NewCo's use thereof in accordance with the terms and conditions hereof, Hynix shall (i) to the extent Hynix has alternative sources available internally, provide such alternate sources for the affected Services for the duration the Services are affected, (ii) to the extent that Hynix obtains any alternate sources for such Services, Hynix shall make available a pro-rata share of such alternate sources to NewCo, and (iii) if the foregoing are not available or are insufficient to meet NewCo's requirements, Hynix shall cooperate with NewCo to locate alternate sources for such Services. To the extent the foregoing alternate sources are provided by Hynix, there shall be no incremental cost or expense to NewCo. To the extent the foregoing alternate sources are provided by third parties, NewCo shall bear the actual costs of the services it uses. To the extent that any service which both Parties utilize for their respective businesses remains partially available during an Event of Force Majeure (e.g., Hynix makes some quantity of service available but not the usual amount or Hynix otherwise accesses an alternative source of some quantity of service), each Party shall receive, to the extent practically possible, equal provision of such service up to the amount it would otherwise receive if there were no Event of Force Majeure.

**Article 11. Termination**

11.1 Termination. This Agreement may be terminated at any time during the Term upon occurrence of any of the following:

(a) by the non-breaching Party serving a written notice thereof to the other Party and the Coordinating Committee in the event of a material breach or default by the other Party of its obligations hereunder, which default shall not have been cured by other Party, or otherwise resolved by the Coordinating Committee, within sixty (60) days after written notice is provided by the non-breaching Party to the other Party and the Coordinating Committee; or

(b) by Hynix's serving sixty (60) days prior written notice thereof to NewCo if NewCo ceases to conduct any Permitted Business (provided that an assignment pursuant to Article 14 shall not trigger the application of this provision in so far as such assignee does not cease to conduct any Permitted Business).

11.2 Upon termination of this Agreement, each Party shall discontinue the use of all Confidential Information provided by the other Party in connection with this Agreement, and shall promptly return to the other Party any and all Confidential Information, including documents originally conveyed to it by the other Party and any copies thereof made thereafter.

11.3 Except as provided in this Section 11.3 and Section 11.4, following the termination or expiration of this Agreement all obligations and liabilities of the Parties under or arising from this Agreement shall cease and be of no effect, and neither Party shall have any liability under or arising from this Agreement as a consequence of the termination or expiration of this Agreement in accordance with Section 11.1 except for fraud or willful breach of this Agreement. Notwithstanding the foregoing, termination of this Agreement shall be without prejudice to the accrued rights and liabilities of the Parties prior to the termination of this Agreement.

11.4 The respective rights and obligations of the Parties under Section 3.2, under Articles 12, 13, 15 and 16 and other Sections which by their nature are intended to extend beyond termination, shall survive termination or expiry of this Agreement.

**Article 12. Indemnification**

12.1 Subject to Article 13 hereof, each Party (the "Indemnifying Party") shall indemnify, defend and hold harmless the other Party (and its shareholders, partners, members, directors, officers, employees, agents and representatives) (collectively, the "Indemnified Party") from and against, and shall pay to the Indemnified Party the amount of any Damages arising from any breach of any representation, warranty, agreement or covenant made by the Indemnifying Party under this Agreement or the negligence, gross negligence or willful misconduct of the Indemnifying Party.

**Article 13. Limitation on Liability**

13.1 Notwithstanding anything to the contrary herein, neither Party shall have any liability whatsoever to the other Party, and the other Party shall have no rights or remedies whatsoever (in each case whether in contract, tort, including negligence, or otherwise), for or in connection with any failure to provide any Services or fees for Services (as applicable) in accordance with this Agreement to the extent such failure is attributable to the occurrence of an Event of Force Majeure.

13.2 Notwithstanding anything to the contrary, no Party shall be liable to the other Party, whether by way of indemnity or otherwise, for any punitive damages, whether any such damages arise out of contract, equity, tort (including negligence), strict liability or otherwise, arising out of, or related to, this Agreement and each Party hereby waives, to the fullest extent permitted by law, all rights with respect to punitive damages.

13.3 Notwithstanding anything to the contrary contained herein, the liability of each Party

(the "Breaching Party") hereunder for Damages resulting from the Breaching Party's breach of this Agreement or its negligence, gross negligence or willful misconduct shall be limited to (a) in the event that the Breaching Party proves that such breach was the result of the negligence of the Breaching Party and no other reason or, in the case of a tort claim, the Indemnifying Party proves that such Damages resulted from the negligence of the Indemnifying Party and no other reason, the aggregate amount received by the Breaching Party in fees hereunder for the calendar year prior to the year of determination for the Service affected by such breach and (b) in all other events, including if the breach was the result of gross negligence, willful misconduct or intentional breach, the maximum amount permitted by Korean law.

13.4 If any Indemnified Party is at any time entitled to recover under any third-party policy of insurance (excluding any self-insurance that is not reinsured with a third party), in respect of any Damages for which indemnification is sought under Article 12, the Indemnified Party shall, at the request of the Indemnifying Party, use its commercially reasonable efforts to enforce such recovery for the benefit of the Indemnifying Party and, upon recovery under such policy, reduce the amount of Damages for which it is seeking indemnification under Article 12 by the amount actually recovered under the policy (net of all costs, charges and expenses of the Indemnified Party in connection with such recovery).

**Article 14. Assignment**

14.1 This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns; provided, however, that no Party will assign its rights or delegate its obligations under this Agreement without the express prior written consent of the other Party, except that (i) NewCo may assign its rights hereunder as collateral security to any bona fide financial institution engaged in financing in the ordinary course providing financing to the Warrant Issuer or its Subsidiaries and any of the foregoing financial institutions may assign such rights in connection with a sale of NewCo in the form then being conducted by NewCo substantially as an entirety; (ii) Hynix and NewCo each may, upon written notice to the other Party (but without the obligation to obtain the consent of such other Party), assign this Agreement or any of its rights and obligations under this Agreement to any person, entity or organization that succeeds (by purchase, merger, operation of law or otherwise) to all or substantially all of the capital stock, assets or business of such party, to all or substantially all of its assets and liabilities or to all or substantially all of the assets and liabilities of the portion of the Party's business to which the subject of this Agreement relates or of a division of each Party, if such person or entity agrees in writing to assume and be bound by all of the relevant obligations of such Party under this Agreement; and (iii) NewCo may, upon written notice to Hynix (but without the obligation to obtain the consent of Hynix), assign this Agreement or any of its rights and obligations under this Agreement to one or more direct or indirect Subsidiaries of Warrant Issuer.

14.2. Notwithstanding anything to the contrary contained herein, Hynix may subcontract the performance of all or any parts of its obligations under this Agreement to any third party or parties, without any prior written consent of NewCo; provided that Hynix remains liable under this Agreement for the performance of all of its obligations.

**Article 15. Governing Law; Dispute Resolution**

15.1 This Agreement shall be governed by and construed in accordance with the laws of Korea without reference to the choice of law principles thereof.

15.2 Any Party seeking the resolution of a dispute arising under this Agreement must provide written notice of such dispute to the other Party, which notice shall describe the nature of such dispute. All such disputes shall be referred initially to the Coordinating Committee for resolution. Decisions of the Coordinating Committee under this Section 15.2 shall be made by unanimous vote of all members and shall be final and legally binding on the Parties. If a dispute is resolved by the Coordinating Committee, then the terms of the resolution and settlement of such dispute shall be set forth in writing and signed by both Parties. In the event that the Coordinating Committee does not resolve a dispute within thirty (30) days of the submission thereof, such dispute shall be resolved in accordance with Section 15.3. Notwithstanding the foregoing, Hynix and NewCo shall each continue to perform their obligations under this Agreement during the pendency of such dispute in accordance with this Agreement.

15.3 The Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to an injunction to prevent any breach of this Agreement and to enforce specifically the terms and provisions of this Agreement by bringing a relevant action in the Seoul Central District Court in Seoul, Korea, in addition to any other remedy to which any Party may be entitled at law or in equity. In addition, the Parties agree that any dispute, claims or controversy between the Parties arising out of or relating to this Agreement, whether in contract, tort, equity or otherwise and whether relating to the meaning, interpretation, effect, validity, performance or enforcement of this Agreement, which is not resolved by the Coordinating Committee pursuant to Section 15.2 shall be submitted to the exclusive jurisdiction of the Seoul Central District Court, in Seoul, Korea. Each of the Parties irrevocably waives, to the fullest extent permitted by law, any objection which it may now, or hereafter, have with respect to the jurisdiction of, or the venue in, the Seoul Central District Court.

**Article 16. Confidentiality**

16.1 Neither Party shall, except as expressly permitted by the terms of this Agreement, disclose to any third party the terms and conditions of this Agreement, the existence of this Agreement, and any Confidential Information (as defined below) which either Party obtains from the other Party in connection with this Agreement and/or use such Confidential Information for any purposes whatsoever other than those contemplated hereunder; provided, however, that this Agreement (and its terms and conditions) may be disclosed and filed publicly in connection with a public offering of securities by NewCo or its Affiliates. “Confidential Information” shall mean any and all information including technical data, trade secrets or know-how, disclosed by either

Party to the other Party in connection with this Agreement, which is marked as "Proprietary" or "Confidential" or is declared by the other Party, whether in writing or orally, to be confidential, or which by its nature would reasonably be considered confidential.

16.2 The obligation of confidentiality in Section 16.1 shall not apply to any information that: (a) was known to the other Party without an obligation of confidentiality prior to its receipt thereof from the disclosing Party; (b) is or becomes generally available to the public without breach of this Agreement, other than as a result of a disclosure by the recipient Party, its representatives, its Affiliates or the representatives of its Affiliates in violation of this Agreement; (c) is rightfully received from a third party with the authority to disclose without obligation of confidentiality and without breach of this Agreement; or (d) is required by law or regulation to be disclosed by a recipient Party or its representatives (including by oral question, interrogatory, subpoena, civil investigative demand or similar process), provided that written notice of any such disclosure shall be provided to the disclosing Party in advance. If a Party determines that it is required to disclose any information pursuant to applicable law (including the requirements of any law, rule or regulation in connection with a public offering of securities by NewCo or its Affiliates) or receives any demand under lawful process to disclose or provide information of the other Party that is subject to the confidentiality provisions hereof, such Party shall notify the other Party prior to disclosing and providing such information and shall cooperate at the expense of the requesting Party in seeking any reasonable protective arrangements requested by such other Party. Subject to the foregoing, the Party that receives such request may thereafter disclose or provide information to the extent required by such law or by lawful process.

**Article 17. Miscellaneous**

17.1 Exercise of Right. A Party may exercise a right, power or remedy at its discretion, and separately or concurrently with another right, power or remedy. A single or partial exercise of a right, power or remedy by a Party does not prevent a further exercise of that or of any other right, power or remedy. A failure to exercise a right, power or remedy or a delay in exercising a right, power or remedy by a Party does not prevent such Party from exercising the same right thereafter.

17.2 Extension; Waiver. At any time during the Term, each of Hynix and NewCo may (a) extend the time for the performance of any of the obligations or other acts of the other or (b) waive any inaccuracies in the representations and warranties of the other contained in this Agreement or in any document delivered pursuant to this Agreement. Any agreement on the part of a Party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Party. The failure of any Party to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of those rights. Any rights under this Agreement may not be waived except in writing signed by the Party granting the waiver or varied except in writing signed by the Parties.

17.3 Notices. Any notice, request, demand, waiver, consent, approval or other communication which is required or permitted to be given to any Party shall be in

writing and shall be deemed duly given only upon delivery to the Party personally (including by reputable overnight courier service), when telecopied (with confirmation of transmission having been received) during normal business hours or three days after being mailed by registered or certified mail (return receipt requested), with postage and registration or certification fees thereon prepaid, addressed to the Party at its address set forth below (or at such other address for a party as shall be specified by such Party by like notice):

If to Hynix, to:

Hynix Semiconductor Inc.
Hynix Youngdong Building
891 Daechi-dong, Gangnam-gu
Seoul 135-738, Korea
Attention: Mr. O.C. Kwon
Facsimile: 82-2-3459-5955

If to NewCo, to:

MagnaChip Semiconductor, Ltd.
1 Hyangjeong-dong
Heungduk-gu
Cheongju City
Chung Cheong Bok-do, Korea
Facsimile: 82-43-270-2134
Attention: Dr. Youm Huh

with a copy to:

Dechert LLP
30 Rockefeller Plaza.
New York, NY 10112
Telephone: (212) 698-3500
Facsimile: (212) 698-3599
Attention: Geraldine A. Sinatra, Esq.
Sang H. Park, Esq.

17.4 Fees and Expenses. All costs and expenses incurred in connection with this Agreement shall be paid by the Party incurring such expenses, except as specifically provided to the contrary in this Agreement.

17.5 Entirety; No Third Party Beneficiaries. This Agreement (a) constitutes the entire agreement between the Parties and supersedes all prior agreements and understandings, both written or oral, between the Parties with respect to the subject matter hereof and (b) is not intended to confer upon any person other than the Parties hereto any rights or remedies hereunder.

17.6 Severability of Provisions. Any term or provision of this Agreement that is held by a court of competent jurisdiction or other authority to be unlawful, invalid, void or

unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction or other authority declares that any term or provision hereof is unlawful, invalid, void or unenforceable, the Parties agree that the court making such determination shall have the power to reduce the scope, duration, area or applicability of the term or provision, to delete specific words or phrases, or to replace any unlawful, invalid, void or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the unlawful, invalid or unenforceable term or provision.

17.7 Amendment and Modification. This Agreement (for the avoidance of doubt, including Exhibits attached hereto) may be amended, modified and supplemented in any and all respects, but only by a written instrument signed by the Parties expressly stating that such instrument is intended to amend, modify or supplement this Agreement.

17.8 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement.

17.9 Election of Remedies. Neither the exercise of nor the failure to exercise a right or to give notice of a claim under this Agreement shall constitute an election of remedies or limit any Party in any manner in the enforcement of any other remedies that may be available to such Party, whether at law or in equity.

17.10 Language. This Agreement is being originally executed in the English language only. In the event that the Parties agree to have a Korean version of this Agreement following signing, this Agreement may be translated into Korean. The Parties acknowledge that the Korean version of this Agreement shall be for reference purposes only, and in the event of any inconsistency between the two texts, the English version shall control.

17.11 Relationship of the Parties. Each Party shall perform its obligations hereunder as an independent contractor. This Agreement does not create a fiduciary or agency relationship between Hynix and NewCo, each of which shall be and at all times remain independent companies for all purposes hereunder. Nothing in this Agreement is intended to make either Party a general or special agent, joint venturer, partner or employee of the other for any purpose.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed by its duly authorized representatives as of the date first above written.

| HYNIX SEMICONDUCTOR INC. | | MAGNACHIP SEMICONDUCTOR, LTD. | |
|---|---|---|---|
| By: | _____ | By: | _____ |
| Name: | _____ | Name: | _____ |
| Title: | _____ | Title: | _____ |

**Exhibit 10.17**

**Execution Version**

**SERVICE AGREEMENT**

**THIS SERVICE AGREEMENT** is dated as of this 6th day of October, 2004 by and between MagnaChip Semiconductor, Ltd., a Korean yuhan hoesa (the "Company"), and Youm Huh, an individual (the "Officer").

**W I T N E S S E T H:**

**WHEREAS**, the Company desires to have the benefits of the Officer's knowledge and experience as a full-time officer and to employ the Officer in the manner hereinafter specified and to make provision for payment of reasonable compensation to the Officer for such services, and the Officer is willing to be employed by the Company to perform the duties incident to such employment upon the terms and conditions hereinafter set forth; and

**NOW, THEREFORE**, in consideration of the foregoing premises, the mutual covenants, terms and conditions set forth herein, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

**1. EFFECTIVENESS OF SERVICE AGREEMENT**

This Agreement shall constitute a binding obligation of the Officer and the Company upon the execution of this Agreement.

**2. EMPLOYMENT AND DUTIES**

(a) General. Effective as of the closing under the Business Transfer Agreement, dated as of June 12, 2004, by and between Hynix Semiconductor, Inc. and the Company (the "Effective Date"), on the terms and conditions set forth herein, the Company shall employ the Officer as President and Chief Executive Officer of the Company, and the Officer agrees upon the terms and conditions herein set forth to be employed by the Company. The Company further agrees that the Officer shall be appointed as a member of the Board of Directors of the Company on the Effective Date and that, for so long as the Officer is employed by the Company, the Company shall nominate the Officer to serve as a director at each annual stockholder meeting; provided that, if the Company has a class of equity securities registered pursuant to the Securities Exchange Act of 1934, as amended, the Company shall not be obligated to nominate the Officer to serve as a director if the Officer has previously been nominated as a director at an annual or special stockholder meeting and the stockholders holding a majority of the voting power of the Company at such meeting shall not have voted to elect the Officer. The Officer agrees that upon the termination of his employment as President and Chief Executive Officer of the Company, he shall resign from the Board of Directors of the Company and from all other Boards of Directors of the Company's affiliates of which he is a member. The Officer shall diligently perform such duties and have such responsibilities as the Board of Directors of the Company may establish from time to time, and the Officer shall report to the Board of Directors of the Company.

(b) Term. Unless terminated at an earlier date in accordance with Section 4 hereof, the term of the Officer's employment with the Company hereunder shall be for a term

commencing on the Effective Date and ending on the fourth anniversary of the Effective Date (the "Initial Term"). Thereafter, unless terminated at an earlier date in accordance with Section 4 hereof, the Initial Term and each Additional Term shall be automatically extended for successive two-year periods (each, an "Additional Term"), in each case, commencing upon the expiration of the Initial Term or the then current Additional Term, unless at least 90 days prior to the expiration of such term, either party gives written notice to the other party of its intention not to extend the term of the Officer's employment. The Company's delivery of a notice of its intention not to extend the term of the Officer's employment shall not be deemed to be an Involuntary Termination (as defined below).

(c) Services. The Officer shall well and faithfully serve the Company, and shall devote all of his business time and attention to the performance of the duties of such employment and the advancement of the best interests of the Company and shall not, directly or indirectly, render services to any other person or organization for which the Officer receives compensation without the prior written approval of the Company. The Officer hereby agrees to refrain from engaging in any activity that does, shall or could reasonably be deemed to conflict with the best interests of the Company. The Officer shall be entitled to serve on a maximum of two other company boards of directors, provided those companies are not competitors of the Company and the Company shall make reasonable accommodation for travel and service in connection with these outside boards of directors.

**3. COMPENSATION AND OTHER BENEFITS**

Subject to the provisions of this Agreement, including, without limitation, the termination provisions contained in Section 4, the Company shall pay and provide the following compensation and other benefits to the Officer as compensation for all services rendered hereunder:

(a) Salary. The Company shall pay the Officer a base salary at the rate of U.S.$400,000.00 per annum (the "Salary"), payable to the Officer in accordance with the standard payroll practices of the Company as are in effect from time to time, less all such deductions or withholdings required by applicable law. Annual Salary increases will be determined by the compensation committee of the Board of Directors of the Company (the "Committee") in accordance with the Committee's policies and procedures.

(b) Annual Bonus. The Officer shall be eligible to earn an annual cash bonus (the "Annual Incentive"). The Annual Incentive shall be 100% of the Officer's annual Salary. The Officer's Annual Incentive shall be payable upon achievement of performance goals set by the Committee, after consultation with the Officer, and ratified by the Board. The actual bonus paid may be higher or lower than the Annual Incentive for over- or under-achievement of the Officer's performance goals, as determined by the Committee. Bonuses, if any, will accrue and become payable in accordance with the Committee's standard practices for the payment of executive incentive compensation. The amount of the Annual Incentive in respect of 2004 plan year shall be pro-rated to reflect the number of days the Officer was actually employed with the Company during the 2004 plan year following the Effective Date.

(c) Benefits. The Officer shall be eligible to participate in or purchase as necessary and be reimbursed for medical, disability and life insurance plans and to receive other benefits applicable to senior officers of the Company generally in accordance with the terms of such plans as are in effect from time to time. In addition, the Company shall pay for the cost of housing accommodations and expenses related thereto in accordance with the policies currently applicable to Officer as an officer of Hynix Semiconductor Inc. (the "Housing Accommodation.").

(d) Expenses. The Company shall pay or reimburse the Officer for all reasonable out-of-pocket expenses incurred by the Officer in connection with his employment hereunder upon submission of appropriate documentation or receipts in accordance with the policies and procedures of the Company as are in effect from time to time.

(e) Vacation. The Officer shall be entitled to annual vacation of three calendar weeks per year.

(f) Co-investment right. For ninety days following the Effective Date, the Officer shall have the right to invest up to $1,000,000 in the equity of MagnaChip Semiconductor LLC, a Delaware limited liability company ("MagnaChip LLC"), at the same price per share as that paid by Citigroup Venture Capital Equity Partners, L.P. ("CVC") and with respect to the same strip of equity securities being acquired by CVC.

(g) Equity.

(i) Promptly following the closing of the Business Transfer Agreement, the Officer shall be granted options immediately exerciseable for 1,083,668 restricted Common Units of MagnaChip LLC (the "Initial Options") at a purchase price equal to $1.00 per Common Unit. The restricted Common Units issued upon the exercise of the Initial Options (the "Initial Promote Units"), shall be subject to restrictions contained in an equity incentive plan to be approved by MagnaChip LLC (the "Incentive Plan"). Upon the exercise of the Initial Options by the Officer, the Company shall pay the Officer a bonus, which the Officer agrees will be retained by the Company in satisfaction of the exercise price of the Initial Options. In connection with the payment of the bonus described in the preceding sentence, the Company shall pay the Officer $609,563 to cover U.S. federal withholding relating to such bonus. The Officer hereby authorizes and directs the Company to withhold the full amount of such payment to satisfy such withholding requirements.

(ii) Following the closing of the Business Transfer Agreement but no sooner than the 91st day after the closing, the Officer shall be granted an option to purchase the number of restricted Common Units equal to the difference between the number of Initial Promote Units and the number of units representing 2% of the value of MagnaChip LLC's Common Units outstanding on such date, after giving effect to the exercise of such options and to options provided to Robert Krakauer under a corresponding provision in his employment agreement, but prior to giving effect to the exercise of any other warrants or options granted by the Company, including the warrant held by Hynix Semiconductor Inc. and employee options, whether or not then exerciseable or exercised (the "Incremental Options," and the restricted Common Units

issued upon exercise of the Incremental Options shall be "Incremental Promote Units"), at a purchase price equal to $1.00 per Common Unit.

(iii) The Initial Promote Units and the Incremental Promote Units (together, the "Promote Units") shall be subject to forfeiture or to repurchase by the Company upon the Officer's termination of service in accordance with the terms of the Incentive Plan, but, generally, upon the Officer's termination of service (other than for Cause) (1) unvested Initial Promote Units shall be subject to forfeiture to the Company, (2) unvested Incremental Promote Units shall be subject to repurchase by the Company at a repurchase price of $1.00 per Unit and (3) vested Promote Units shall be subject to repurchase by the Company at a repurchase price equal to fair market value, as determined by the Board of Directors of MagnaChip LLC in good faith at the time of the repurchase. Upon a termination of service for Cause, the unvested Initial Promote Units shall be subject to forfeiture to the Company and all other Promote Units shall be subject to repurchase by the Company at a repurchase price of $1.00 per Unit. The Promote Units shall vest in accordance with the schedule set forth in the Incentive Plan, but generally 25% of the covered units shall be scheduled to vest on the first anniversary of the Officer's purchase of the Promote Units and an additional 6.25% of the covered units shall be scheduled to vest each calendar quarter thereafter. The Promote Units shall vest in full upon a Change in Control of the Company after which the Officer is no longer the Chief Executive Officer. On any scheduled vesting date, the Promote Units shall vest only if the Officer is still employed by the Company (except as otherwise provided in this Agreement).

**4. TERMINATION OF EMPLOYMENT**

Subject to the notice and other provisions of this Section 4, the Company shall have the right to terminate the Officer's employment hereunder, at any time for any reason or for no stated reason, and the Officer shall have the right to resign, at any time for any reason or for no stated reason.

(a) Termination for Cause or Resignation.

(i) If, prior to the expiration of the Initial Term or any Additional Term, the Officer's employment is terminated by the Company for "Cause" (as hereinafter defined) or if the Officer resigns for any reason other than Good Reason (as hereinafter defined) from his employment hereunder, the Officer shall be paid all accrued but unpaid Salary, vacation, expense reimbursements, and other benefits due to the Officer through his termination date under any Company-provided or paid plans, policies and arrangements, in accordance with their terms. Except to the extent required by the terms of the benefits provided under Section 3(f) or applicable law, the Officer shall have no right under this Agreement or otherwise to receive any other compensation or to participate in any other plan, program or arrangement after such termination or resignation of employment with respect to the year of such termination or resignation and later years. The treatment of any outstanding Promote Units held by the Officer as of the date of the termination shall be governed by the agreements and equity incentive plans pursuant to which the options were granted.

(ii) Termination for "Cause" shall mean a termination of the Officer's employment with the Company because of (A) a failure by the Officer to substantially perform

the Officer's customary duties with the Company in the ordinary course (other than such failure resulting from the Officer's incapacity due to physical or mental illness or any such actual or anticipated failure after the Officer provides written notification to the Company of resignation of employment for Good Reason under this Agreement) that, if susceptible to cure, has not been cured as determined by the Company within 30 days after a written demand for substantial performance is delivered to the Officer by the Company, which demand specifically identifies the manner in which the Company believes that the Officer has not substantially performed the Officer's duties; (b) the Officer's gross negligence, intentional misconduct or material fraud in the performance of his employment; (c) the Officer's conviction of, or plea of nolo contendre to, a felony or to a crime involving fraud or dishonesty; (d) a judicial determination that the Officer committed fraud or dishonesty against any natural person, firm, partnership, limited liability company, association, corporation, company, trust, business trust, governmental authority or other entity (each, a "Person"); or (e) the Officer's material violation of this Agreement or of one or more of the Company's material policies applicable to the Officer's employment as may be in effect from time to time.

(iii) Termination of the Officer's employment for Cause shall be communicated by delivery to the Officer of a written notice from the Company stating that the Officer will be terminated for Cause, specifying the particulars thereof and the effective date of such termination. The date of a resignation other than for Good Reason by the Officer shall be the date specified in a written notice of resignation from the Officer to the Company provided that the Officer shall provide at least 30 days' advance written notice of his resignation other than for Good Reason.

(b) Involuntary Termination.

(i) If, prior to the expiration of the Initial Term or any Additional Term, the Company terminates the Officer's employment for any reason other than Disability, death or Cause or if the Officer resigns from his employment for Good Reason (such termination or resignation being hereinafter referred to as an "Involuntary Termination"), the Officer shall be entitled to (A) payment of his Salary and vacation accrued up to and including the date of the Involuntary Termination, (B) payment of any unreimbursed expenses and (C) severance (the "Severance"), consisting of:

If the Involuntary Termination is not in connection with a Change in Control then:

(1) continuation of his Salary, at the rate in effect on the date of the Involuntary Termination, for a period of twelve months, commencing on the date next following the date of the Involuntary Termination;

(2) payment of the Annual Incentive for the year in which the Involuntary Termination occurs, payable in a lump sum payment within 30 days of the date that the Annual Incentive is normally paid under the terms of the plans and policies of the Company (but in no event more than 12 months following the date of the Involuntary Termination);

(3) 12 months' accelerated vesting (or, as applicable, lapse of forfeiture or repurchase rights) with respect to the Officer's outstanding equity awards and a 12-month post-termination equity award exercise period; and

(4) 12 months' Company-paid benefits continuation for the Officer and his eligible dependents.

If the Involuntary Termination is in connection with a Change in Control then:

(1) continuation of his Salary, at the rate in effect on the date of the Involuntary Termination, for a period of twenty-four months, commencing on the date next following the date of the Involuntary Termination;

(2) payment of the Annual Incentive for the year in which the Involuntary Termination occurs, payable in a lump sum payment within 30 days of the date that the Annual Incentive is normally paid under the terms of the plans and policies of the Company (but in no event more than 12 months following the date of the Involuntary Termination);

(3) 24 months' accelerated vesting (or, as applicable, lapse of forfeiture or repurchase rights) with respect to the Officer's outstanding equity awards and a 12 month post-termination equity award exercise period; and

(4) 24 months' Company-paid benefits continuation for the Officer and his eligible dependents.

provided, however, that the Severance payable to the Officer pursuant to this section shall be reduced to the extent that the Company makes any severance payments pursuant to the Korean Commercial Code or any other statute.

Without the prior consent of the Officer, neither the Company nor any affiliate shall enter into a severance arrangement with any other officer of the Company that provides such officer with severance payments and/or benefits greater than those to which the Officer is entitled pursuant to this Agreement. In addition, if the Company or any affiliate already has entered into such a severance arrangement, the Officer shall be entitled to receive equivalent severance payments and benefits.

For purposes of this Section 4(b)(i), an Involuntary Termination is "in connection with a Change in Control" if the date of the Involuntary Termination (or, if applicable, the commencement of the cure period that leads to the Involuntary Termination) is within nine months following a Change of Control. For purposes of this Agreement, "Change in Control" has the meaning set forth in the loan documents constituting the Company's senior credit facility, as amended from time to time.

(ii) Resignation for "Good Reason" shall mean resignation by the Officer because of, unless the Officer otherwise consents in writing, one or more of the following circumstances if and only if on or prior to such Officer's termination of employment, he informs the Company in writing that one of such circumstances has occurred and which has not, if

susceptible to cure, been cured as determined by the Company within 30 days after a written demand for substantial performance is delivered to the Company by the Officer, which demand specifically identifies the manner in which the Officer believes that the Company has not performed its obligations:

(1) a reduction in the Officer's base Salary or Annual Incentive target other than a one-time reduction of not more than 10% that also is applied to substantially all of the other Company executive officers;

(2) a material reduction in the kind or level of benefits and perquisites (including office space and location) that the Officer is eligible to receive other than a reduction that also is applied to substantially all other Company executive officers;

(3) failure to provide, or any reduction in, the Housing Accommodation;

(4) the nature or status of the Officer's authorities, duties or responsibilities has been materially and adversely altered;

(5) the Company fails to initially appoint or, subject to the proviso contained in Section 2(a), subsequently nominate the Officer to serve as a director as required by this Agreement;

(6) the members of MagnaChip LLC have removed the Officer from the Board of Directors of MagnaChip LLC, unless the Officer shall have been removed for "cause" (as such term is defined in the Amended and Restated Securityholders Agreement, dated October [__], 2004, among MagnaChip LLC and the members of MagnaChip LLC); or

(7) the Officer has not been appointed chief executive officer of MagnaChip LLC or any other affiliate of the Company immediately following an initial public offering of the equity securities of such entity.

(iii) Resignation for Good Reason shall be communicated by delivery to the Company of a written notice from the Officer stating that the Officer will be resigning for Good Reason, specifying the particulars thereof and the effective date of such resignation. If the Officer provides such written notice to the Company, the Company shall have 30 days from the date of receipt of such notice to effect a cure of the material breach described therein and, upon cure thereof by the Company, such material breach shall no longer constitute Good Reason for purposes of this Agreement.

(iv) The date of termination of employment without Cause shall be the date specified in a written notice of termination to the Officer. The date of resignation for Good Reason shall be the date specified in a written notice of resignation from the Officer to the Company; *provided*, *however*, that no such written notice shall be effective unless the cure period specified in Section 4(b)(ii) above has expired without the Company having corrected the event or events subject to cure.

(c) Termination Due to Disability. In the event of the Officer's Disability, the Company shall be entitled to terminate his employment. In the case that the Company terminates the Officer's employment due to Disability, the Officer shall be entitled to (i) payment of his Salary and accrued vacation up to and including the date of termination, (ii) payment of any unpaid expense reimbursements, (iii) payment of the Annual Incentive, in a prorated amount based on the number of days the Officer was actually employed during the applicable plan year, based on actual performance objectives satisfied by the Company, payable in a lump sum payment within 30 days of the date that the Annual Incentive is normally paid under the terms of the plans and policies of the Company, and (iv) other benefits due to the Officer through his termination date under any Company-provided or paid plans, policies and arrangements, in accordance with their terms. As used in this Section 3(d), the term "Disability" shall mean that the Company determines that due to physical or mental illness or incapacity, whether total or partial, the Officer is substantially unable to perform his duties hereunder for a period of 180 consecutive days or shorter periods aggregating 180 days during any period of 365 consecutive days. The Officer shall permit a licensed physician agreed to by the Company and the Officer (or, in the event that the Company and the Officer cannot agree, by a licensed physician agreed upon by a physician selected by the Company and a physician selected by the Officer) to examine the Officer from time to time prior to the Officer's being determined to be Disabled, as reasonably requested by the Company, to determine whether the Officer has suffered a Disability hereunder.

(d) Death. In the event of the Officer's death while employed by the Company, the Officer's estate or named beneficiary shall be entitled to (i) payment of his Salary and accrued vacation up to and including the date of termination (ii) payment of any unpaid expense reimbursements, (iii) payment of the Annual Incentive, in a prorated amount based on the number of days the Officer was actually employed during the applicable plan year payable in a lump sum payment within 30 days of the date that the Annual Incentive is normally paid under the terms of the plans and policies of the Company, and (iv) other benefits due to the Officer through his termination date under any Company-provided or paid plans, policies and arrangements, in accordance with their terms.

(e) Parachutes. Notwithstanding any other provisions of this Agreement to the contrary, in the event that any payments or benefits received or to be received by the Officer in connection with the Officer's employment with the Company (or termination thereof) would subject the Officer to the excise tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Excise Tax"), and if the net-after tax amount (taking into account all applicable taxes payable by the Officer, including without limitation any Excise Tax) that the Officer would receive with respect to such payments or benefits does not exceed the net-after tax amount the Officer would receive if the amount of such payments and benefits were reduced to the maximum amount which could otherwise be payable to the Officer without the imposition of the Excise Tax, then, only the to the extent necessary to eliminate the imposition of the Excise Tax, such payments and benefits shall be reduced.

**5. COVENANTS**

(a) Confidential Information. As an officer of the Company, the Officer acknowledges that he has had and will have access to confidential or proprietary information or

both relating to the business of, or belonging to, the Company or any affiliates or third parties including, but not limited to, proprietary or confidential information, technical data, trade secrets, or know-how in respect of research, product plans, products, services, customer lists, customers, markets, computer software (including object code and source code), data and databases, outcomes research, documentation, instructional material, developments, inventions, processes, formulas, technology, designs, drawings, engineering, hardware, configuration information, models, manufacturing processes, sales information, cost information, business plans, business opportunities, marketing, finances or other business information disclosed to the Officer in any manner including by drawings or observations of parts or equipment, etc., all of which have substantial value to the Company (collectively, "Confidential Information").

(i) The Officer agrees that while employed with the Company and after the termination of the Officer's employment for any reason, the Officer shall not: (A) use any Confidential Information except in the course of his employment by the Company; or (B) disclose any Confidential Information to any other person or entity, except to personnel of the Company utilizing it in the course of their employment by the Company or to persons identified to the Officer in writing by the Company, without the prior written consent of the Company.

(ii) While the Officer is employed with the Company and after the termination of the Officer's employment for any reason, the Officer shall respect and adhere to any non-disclosure, confidentiality or similar agreements to which the Company or any of its affiliates are, or during the period of the Officer's employment by the Company, become, a party or subject. Upon the request of the Officer, the Company shall disclose to the Officer any such agreements to which it is a party or is subject.

(iii) The Officer hereby confirms that all Confidential Information and "Company Materials" (as hereinafter defined) are and shall remain the exclusive property of the Company. Immediately upon the termination of the Officer's employment for any reason, or during the Officer's employment with the Company upon the request of the Company, the Officer shall return all Company Materials, or any reproduction of such materials, apparatus, equipment and other physical property. For purposes of this Agreement, "Company Materials" are documents or other media or tangible items that contain or embody Confidential Information or any other information concerning the business, operations or plans of the Company, whether such documents have been prepared by the Officer or others.

(b) Disclosure of Previously Acquired Information to Company. The Officer hereby agrees not to disclose to the Company, and not to induce the Company to utilize, any proprietary information or trade secrets of any other party that are in his possession, unless and to the extent that he has authority to do so.

(c) Non-Competition. While the Officer is employed by the Company and for a two-year period thereafter, the Officer (and any entity or business in which the Officer or any affiliate of the Officer has any direct or indirect ownership or financial interest) shall not, except with the prior written consent of the Board of Directors, directly or indirectly, own any interest in, operate, join, control or participate as a partner, director, principal, officer, or agent of, enter into any employment of, act as a consultant to, or perform any services for, any business which

at any time during such period is in competition with any material business in which the Company, or any of its affiliates, has taken substantial steps to engage or is engaged on or prior to the termination of Officer's employment by the Company, anywhere in the world. This provision shall not be construed to prohibit the ownership by the Officer of less than 2% of any class of securities of any corporation, so long as he remains a passive investor in such entity.

(d) No Solicitation. While the Officer is employed by the Company and for a three-year period thereafter, the Officer shall not, directly or indirectly, for the Officer's own account or for the account of any other Person (i) solicit, employ, retain as a consultant, interfere with or attempt to entice away from the Company or any of its affiliates, or any successor to any of the foregoing, any individual who is, has agreed to be or within one year of such solicitation, employment, retention, interference or enticement has been, employed or retained by the Company or any of its subsidiaries or any successor to any of the foregoing and who had frequent contact with the Officer during the Officer's employment (provided, however, it shall not be a violation of this provision if the Officer solicits or employs his administrative assistant) or (ii) solicit or attempt to solicit the trade of any Person which, at the time of such solicitation, is a significant customer of the Company or its affiliates, or any successor to any of the foregoing, or which the Company or its affiliates, or any successor to any of the foregoing, is undertaking reasonable steps to procure as a customer at the time of or immediately preceding the termination of Officer's employment by the Company and which the Company reasonably believes could become a significant customer (provided, however, that this limitation shall only apply to any product or service which is in competition with a product or service of the Company or its affiliates).

(e) Non-Disparagement. The Officer and the Company agree that at any time during his employment with the Company or at any time thereafter, neither the Company nor the Officer shall make, or cause or assist any other person to make, any statement or other communication which impugns or attacks, or is otherwise critical of, the reputation, business or character of the other, any subsidiary or any of their respective officers, directors, employees, products or services. The foregoing restrictions shall not apply to any statements that are made truthfully in response to a subpoena or other compulsory legal process.

(f) Enforcement. The Officer hereby acknowledges that he has carefully reviewed the provisions of this Agreement and agrees that the provisions are fair and equitable. However, in light of the possibility of differing interpretations of law and change in circumstances, the parties hereto agree that if any one or more of the provisions of this Agreement is determined by a court of competent jurisdiction to be invalid, void or unenforceable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographical area reasonable or enforceable under such circumstances shall be substituted for the stated period, scope or area.

**6. GENERAL PROVISIONS**

(a) Tax Withholding. All amounts paid to Officer hereunder shall be subject to all applicable wage withholding.

(b) Notices. Any notice hereunder by either party to the other shall be given in writing by personal delivery, or certified mail, return receipt requested, or (if to the Company) by telex or facsimile, in any case delivered to the applicable address set forth below:

(i) To the Company:

MagnaChip Semiconductor, Ltd.
Hynix Youngdong Bldg 891
Daechi-dong
Kangnam-gu, Seoul 135-738
Korea
Facsimile No: +82-2-3459-3647
Attn: Chief Financial Officer

With a copy to:

Citigroup Venture Capital Equity Partners, L.P.
399 Park Avenue, 14th Floor
New York, NY 10022
Facsimile No: +1-212-888-2940
Attn: Paul C. Schorr IV

and

Francisco Partners, L.P.
2882 Sand Hill Road
Suite 280
Menlo Park, CA 94025
Facsimile No.: +1-650-233-2999
Attn: Dipanjan Deb

and

Dechert LLP
4000 Bell Atlantic Tower
1717 Arch Street
Philadelphia, PA 19103
Facsimile No.: +1-215-994-2222
Attn: Geraldine A. Sinatra, Esq.

(ii) To the Officer:

at the last known residential address.

With a copy to:

Wilson Sonsini Goodrich & Rosati, P.C.
650 Page Mill Road
Palo Alto, CA 94304
Facsimile No.: +1-650-493-6811
Attn: Steve Bochner, Esq.
John Aguirre, Esq.

or to such other persons or other addresses as either party may specify to the other in writing.

(c) Assignment; Assumption of Agreement. This Agreement shall be binding upon and inure to the benefit of (i) the heirs, executors, and legal representatives of the Officer upon the Officer's death, and (ii) any successor of the Company. Any such successor of the Company shall be deemed substituted for the Company under the terms of this Agreement for all purposes. For this purpose, "successor" means (i) any person, firm, corporation, or other business entity which at any time, whether by purchase, merger, or otherwise, directly or indirectly acquires all or substantially all of the assets or business of the Company or (ii) any corporation or business entity which is an affiliate of the Company and which expressly assumes the Company's obligations hereunder in writing. None of the rights of the Officer to receive any form of compensation payable pursuant to this Agreement may be assigned or transferred except by will or the laws of descent and distribution. Any other attempted assignment, transfer, conveyance, or other disposition of the Officer's right to compensation or other benefits will be null and void.

(d) Amendment. No provision of this Agreement may be amended, modified, waived or discharged unless such amendment, modification, waiver or discharge is agreed to in writing and signed by the parties. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

(e) Severability. If any term or provision hereof is determined to be invalid or unenforceable in a final court or arbitration proceeding, (i) the remaining terms and provisions hereof shall be unimpaired and (ii) the invalid or unenforceable term or provision shall be deemed replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision.

(f) Governing Law and Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware and venue shall be Wilmington, Delaware.

(g) Legal and Tax Expenses. The Company shall reimburse the Officer up to $50,000 for reasonable legal and tax advice expenses incurred by him in connection with the negotiation and execution of this Agreement.

(h) Entire Agreement. This Agreement contains the entire agreement of the Officer, the Company and any predecessors or affiliates thereof with respect to the subject matter hereof and all prior agreements and negotiations are superseded hereby as of the date of this Agreement.

(i) Counterparts. This Agreement may be executed by the parties hereto in counterparts, each of which shall be deemed an original, but both such counterparts shall together constitute one and the same document.

**IN WITNESS WHEREOF**, the parties have executed this Agreement, effective as of the day and year first written above.

MAGNACHIP SEMICONDUCTOR, LTD.

By: _____
Name: **R. Krakauer**
Title: **Rep. Director**

OFFICER

_____
**Youm Huh**

**Exhibit 10.18**

# SERVICE AGREEMENT

**THIS SERVICE AGREEMENT** is entered into by and between MagnaChip Semiconductor Ltd., a Korean limited liability company (the "Company"), and Jerry Baker, an individual (the "Chairman"), effective as of October 1, 2004.

**WHEREAS**, the Company desires to have the benefit of the Chairman's knowledge and experience as the full-time executive chairperson of the Board of Directors of the Company (the "Board"), to engage the Chairman in the manner hereinafter specified, and to make provision for payment of reasonable compensation to the Chairman for such services; and

**WHEREAS,** the Chairman is willing to be engaged by the Company to perform the duties incident to such engagement upon the terms and conditions hereinafter set forth.

**NOW, THEREFORE**, the Company and Chairman hereby agree as follows:

**Title**: Executive Chairman.

**Salary**: $400,000 per annum, provided that the Chairman and the Company agree to reduce the Chairman's salary and bonuses should the Chairman reduce his time commitment or role.

**Payment**: One-twelfth of per annum salary to be paid to the Chairman on the 25th of every calendar month starting from October 1, 2004.

**Bonus**: Up to 100% of base salary upon reaching targets as set forth in management plans and as approved by the compensation committee of the Board.

**Expenses**: Reasonable expenses are to be covered, including but not limited to first class air travel from the Chairman's home to the Company's offices in Korea on a schedule as mutually agreed upon with the Board (including reasonable general aviation expenses from the Chairman's base airport to San Francisco International Airport) and reasonable expenses to set up a home office (including a video conferencing system).

**Medical coverage**: Provided to the Chairman and his spouse at a benefit level roughly equivalent to the medical coverage provided by Fairchild Semiconductor to its executives.

**Term**: To be determined upon mutual agreement of the Chairman and the Board, provided that the Chairman and the Company agree to augment the Chairman's salary and bonuses should the term of this Service Agreement exceed eight months from the effective date.

**Compensation for prior service**: The Chairman is to receive $160,000 salary, plus reasonable expenses, for services from February 1, 2004, to September 30, 2004.

**IN WITNESS WHEREOF**, the parties have executed this Agreement effective as of the day and year first written above.

MAGNACHIP SEMICONDUCTOR, LTD.

By: _____
Name: _____
Title: _____

/s/ Jerry Baker
Jerry Baker

**Exhibit 10.19**

**SERVICE AGREEMENT**

**THIS SERVICE AGREEMENT** is dated as of this 6th day of October, 2004 by and between MagnaChip Semiconductor, Ltd., a Korean yuhan hoesa (the "Company"), and Robert Krakauer, an individual (the "Officer").

**W I T N E S S E T H:**

**WHEREAS**, the Company desires to have the benefits of the Officer's knowledge and experience as a full-time officer and to employ the Officer in the manner hereinafter specified and to make provision for payment of reasonable compensation to the Officer for such services, and the Officer is willing to be employed by the Company to perform the duties incident to such employment upon the terms and conditions hereinafter set forth; and

**NOW, THEREFORE**, in consideration of the foregoing premises, the mutual covenants, terms and conditions set forth herein, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

**1. EFFECTIVENESS OF SERVICE AGREEMENT**

This Agreement shall constitute a binding obligation of the Officer and the Company upon the execution of this Agreement.

**2. EMPLOYMENT AND DUTIES**

(a) General. Effective as of the closing under the Business Transfer Agreement, dated as of June 12, 2004, by and between Hynix Semiconductor, Inc. and System Semiconductor, Ltd. (the "Effective Date"), the Company shall hereby employ the Officer as Chief Financial Officer, Chief Administrative Officer and Senior Vice President of Strategic Operations of the Company, and the Officer agrees upon the terms and conditions herein set forth to be employed by the Company. The Officer shall diligently perform such duties and have such responsibilities as the Board of Directors of the Company may establish from time to time, and the Officer shall report to the Chief Executive Officer and the Board of Directors of the Company.

(b) Term. Unless terminated at an earlier date in accordance with Section 4 hereof, the term of the Officer's employment with the Company hereunder shall be for a term commencing on the Effective Date and ending on the third anniversary of the Effective Date (the "Initial Term"). Thereafter, unless terminated at an earlier date in accordance with Section 4 hereof, the Initial Term and each Additional Term shall be automatically extended for successive one-year periods (each, an "Additional Term"), in each case, commencing upon the expiration of the Initial Term or the then current Additional Term, unless at least 90 days prior to the expiration of such term, either party gives written notice to the other party of its intention not to extend the term of the Officer's employment.

(c) Services. The Officer shall well and faithfully serve the Company, and shall devote all of his business time and attention to the performance of the duties of such employment and the advancement of the best interests of the Company and shall not, directly or indirectly, render services to any other person or organization for which the Officer receives compensation without the prior written approval of the Company. The Officer hereby agrees to refrain from engaging in any activity that does, shall or could reasonably be deemed to conflict with the best interests of the Company. The Officer shall be entitled to serve on a maximum of two other company boards of directors, provided those companies are not competitors of the Company and the Company shall make reasonable accommodation for travel and service in connection with these outside boards of directors.

(d) Location of Employment. The Officer's place of employment shall be at the Company's facility located in Seoul, Korea, but the Officer shall travel to the extent and to the places necessary for the performance of the Officer's duties to the Company.

**3. COMPENSATION AND OTHER BENEFITS**

Subject to the provisions of this Agreement, including, without limitation, the termination provisions contained in Section 4, the Company shall pay and provide the following compensation and other benefits to the Officer as compensation for all services rendered hereunder:

(a) Salary. The Company shall pay the Officer a base salary at the rate of U.S.$375,000.00 per annum (the "Salary"), payable to the Officer in accordance with the standard payroll practices of the Company as are in effect from time to time, less all such deductions or withholdings required by applicable law. Annual salary increases will be determined by the compensation committee of the Board of Directors of the Company (the "Committee") in accordance with the Committee's policies and procedures.

(b) Annual Bonus. The Officer shall be eligible to earn an annual cash bonus (the "Annual Incentive"). The Annual Incentive shall be 80% of the Officer's annual salary. The amount of the Annual Incentive in respect of 2004 plan year shall be pro-rated to reflect the number of days the Officer was actually employed with the Company during the 2004 plan year following the Effective Date.

(c) Expatriate Benefits. The Officer shall be entitled to the expatriate/repatriation benefits that are described in Schedule A, which is attached hereto. To the extent that any such benefits are taxable in the U.S. or Korea, the expense payments or reimbursements under this Section 3(c) shall be "grossed up" or increased to take into account any such tax liability incurred by the Officer as a result of such payment or reimbursement. In determining the amount of any tax liability incurred by the Officer, the Officer shall minimize U.S. taxes as permitted by Section 911 (relating to exclusions from gross income of certain foreign earned income and housing costs) of the Internal Revenue Code of 1986, as amended (the "Code") and Section 901 (relating to the foreign tax credit) of the Code.

(d) Expenses. The Company shall pay or reimburse the Officer for all reasonable out-of-pocket expenses incurred by the Officer in connection with his employment hereunder

upon submission of appropriate documentation or receipts in accordance with the policies and procedures of the Company as are in effect from time to time.

(e) Benefits. The Officer shall be eligible to participate in or purchase as necessary and be reimbursed for medical, disability and life insurance plans and to receive other benefits applicable to senior officers of the Company generally in accordance with the terms of such plans as are in effect from time to time. While serving in an expatriate status, the Officer shall be entitled to the health and life insurance coverage listed on Schedule A.

(f) Vacation. The Officer shall be entitled to annual vacation of three weeks per year and while serving in an expatriate status, to an additional two weeks of home leave per year, inclusive of travel expenses for his family for said home leave.

(g) Co-investment right. For ninety days following the Effective Date, the Officer shall have the right to invest up to U.S.$1,000,000 in the equity of MagnaChip Semiconductor LLC, a Delaware limited liability company ("MagnaChip LLC"), at the same price per unit as that paid by Citicorp Venture Capital Equity Partners, L.P. ("CVC") and with respect to the same strip of equity securities being acquired by CVC.

(h) Equity.

(i) Promptly following the closing of the Business Transfer Agreement, the Officer shall be granted options immediately exerciseable for 677,293 restricted Common Units of MagnaChip LLC (the "Initial Options") at a purchase price equal to $1.00 per Common Unit. The restricted Common Units issued upon the exercise of the Initial Options (the "Initial Promote Units"), shall be subject to restrictions contained in an equity incentive plan to be approved by MagnaChip LLC (the "Incentive Plan"). Upon the exercise of the Initial Options by the Officer, the Company shall pay the Officer a bonus, which the Officer agrees will be retained by the Company in satisfaction of the exercise price of the Initial Options. In connection with the payment of the bonus described in the preceding sentence, the Company shall pay the Officer $380,977.14 to cover U.S. federal withholding relating to such bonus. The Officer hereby authorizes and directs the Company to withhold the full amount of such payment to satisfy such withholding requirements.

(ii) Following the closing of the Business Transfer Agreement but no sooner than the 91st day after the closing, the Officer shall be granted an option to purchase the number of restricted Common Units equal to the difference between the number of Initial Promote Units and the number of units representing 1.25% of the value of MagnaChip LLC's Common Units outstanding on such date, after giving effect to the exercise of such options and to options provided to Dr. Youm Huh under a corresponding provision in his employment agreement, but prior to giving effect to the exercise of any other warrants or options granted by the Company, including the warrant held by Hynix Semiconductor Inc. and employee options, whether or not then exerciseable or exercised (the "Incremental Options," and the restricted Common Units issued upon exercise of the Incremental Options shall be "Incremental Promote Units"), at a purchase price equal to $1.00 per Common Unit.

(iii) The Initial Promote Units and the Incremental Promote Units (together, the "Promote Units") shall be subject to forfeiture or to repurchase by the Company upon the Officer's termination of service in accordance with the terms of the Incentive Plan, but, generally, upon the Officer's termination of service (other than for Cause) (1) unvested Initial Promote Units shall be subject to forfeiture to the Company, (2) unvested Incremental Promote Units shall be subject to repurchase by the Company at a repurchase price of $1.00 per Unit and (3) vested Promote Units shall be subject to repurchase by the Company at a repurchase price equal to fair market value, as determined by the Board of Directors of MagnaChip LLC in good faith at the time of the repurchase. Upon a termination of service for Cause, the unvested Initial Promote Units shall be subject to forfeiture to the Company and all other Promote Units shall be subject to repurchase by the Company at a repurchase price of $1.00 per Unit. The Promote Units shall vest in accordance with the schedule set forth in the Incentive Plan, but generally 25% of the covered units shall be scheduled to vest on the first anniversary of the Officer's purchase of the Promote Units and an additional 6.25% of the covered units shall be scheduled to vest each calendar quarter thereafter. The Promote Units shall vest in full upon a Change in Control of the Company after which the Officer is no longer the Chief Financial Officer. On any scheduled vesting date, the Promote Units shall vest only if the Officer is still employed by the Company (except as otherwise provided in this Agreement).

**4. TERMINATION OF EMPLOYMENT**

Subject to the notice and other provisions of this Section 4, the Company shall have the right to terminate the Officer's employment hereunder, at any time for any reason or for not stated reason, and the Officer shall have the right to resign, at any time for any reason or for no stated reason.

(a) Termination for Cause or Resignation.

(i) If, prior to the expiration of the Initial Term or any Additional Term, the Officer's employment is terminated by the Company for "Cause" (as hereinafter defined) or if the Officer resigns for any reason other than Good Reason (as hereinafter defined) from his employment hereunder, the Officer shall be entitled to payment of (A) his Salary accrued up to and including the date of termination or resignation, and (B) any unreimbursed expenses. Except to the extent required by the terms of the benefits provided under Section 3(f) or applicable law, the Officer shall have no right under this Agreement or otherwise to receive any other compensation or to participate in any other plan, program or arrangement after such termination or resignation of employment with respect to the year of such termination or resignation and later years. The treatment of any outstanding options held by the Officer as of the date of the termination shall be governed by the option agreements and option plans pursuant to which the options were granted.

(ii) Termination for "Cause" shall mean a termination of the Officer's employment with the Company because of (A) a failure by the Officer to substantially perform the Officer's customary duties with the Company in the ordinary course (other than such failure resulting from the Officer's incapacity due to physical or mental illness or any such actual or anticipated failure after the Officer provides written notification to the Company of resignation of employment for Good Reason under this Agreement) that, if susceptible to cure, has not been

cured as determined by the Company within 30 days after a written demand for substantial performance is delivered to the Officer by the Company, which demand specifically identifies the manner in which the Company believes that the Officer has not substantially performed the Officer's duties; (b) the Officer's gross negligence, intentional misconduct or fraud in the performance of his or her employment; (c) the Officer's indictment for a felony or to a crime involving fraud or dishonesty; (d) a judicial determination that the Officer committed fraud or dishonesty against any natural person, firm, partnership, limited liability company, association, corporation, company, trust, business trust, governmental authority or other entity (each, a "Person"); or (e) the Officer's material violation of one or more of the Company's policies applicable to the Officer's employment as may be in effect from time to time.

(iii) Termination of the Officer's employment for Cause shall be communicated by delivery to the Officer of a written notice from the Company stating that the Officer will be terminated for Cause, specifying the particulars thereof and the effective date of such termination. The date of a resignation other than for Good Reason by the Officer shall be the date specified in a written notice of resignation from the Officer to the Company provided that the Officer shall provide at least 90 days' advance written notice of his resignation other than for Good Reason.

(b) Involuntary Termination.

(i) If, prior to the expiration of the Initial Term or any Additional Term, the Company terminates the Officer's employment for any reason other than Disability, death or Cause or if the Officer resigns from his employment for Good Reason (such termination or resignation being hereinafter referred to as an "Involuntary Termination"), the Officer shall be entitled to (A) payment of his Salary accrued up to and including the date of the Involuntary Termination, (B) payment of any unreimbursed expenses and (C) severance (the "Severance"), consisting of:

(1) continuation of his Salary, at the rate in effect on the date of the Involuntary Termination, for a period of twelve months, commencing on the date next following the date of the Involuntary Termination (the "Severance Period");

(2) in the event that the Officer elects to receive coverage for medical benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA Coverage"), payment by the Company of the cost of the COBRA Coverage for the Officer and the dependants with respect to which the Officer was receiving benefits under the medical plan as of the date of the Involuntary Termination, through the last day of the Severance Period, or until the Officer becomes eligible to participate in a subsequent employer's medical plan, whichever occurs first;

(3) payment of the Annual Incentive, in a prorated amount based on the number of days the Officer was actually employed during the applicable plan year and on deemed satisfactory performance by the Officer, but based on actual performance objectives satisfied by the Company, payable in a lump sum

payment within 30 days of the date that the Annual Incentive is normally paid under the terms of the plans and policies of the Company; and

(4) to the extent the Officer's place of employment is located outside the United States on the date of the Involuntary Termination, payment by the Company of the cost to repatriate the Officer and his immediate family in accordance with the repatriation provisions set forth in Schedule A.

(ii) Resignation for "Good Reason" shall mean resignation by the Officer because of, unless the Officer otherwise consents in writing, one or more of the following circumstances if and only if on or prior to such Officer's termination of employment, he informs the Company in writing that one of such circumstances has occurred and which has not, if susceptible to cure, been cured as determined by the Company within 30 days after a written demand for substantial performance is delivered to the Company by the Officer, which demand specifically identifies the manner in which the Officer believes that the Company has not performed its obligations:

(1) a reduction in the Officer's base Salary; or

(2) the nature or status of the Officer's authorities, duties or responsibilities has been materially and adversely altered.

(iii) Resignation for Good Reason shall be communicated by delivery to the Company of a written notice from the Officer stating that the Officer will be resigning for Good Reason, specifying the particulars thereof and the effective date of such resignation. If the Officer provides such written notice to the Company, the Company shall have 30 days from the date of receipt of such notice to effect a cure of the material breach described therein and, upon cure thereof by the Company, such material breach shall no longer constitute Good Reason for purposes of this Agreement.

(iv) The date of termination of employment without Cause shall be the date specified in a written notice of termination to the Officer. The date of resignation for Good Reason shall be the date specified in a written notice of resignation from the Officer to the Company; *provided*, *however*, that no such written notice shall be effective unless the cure period specified in Section 4(b)(ii) above has expired without the Company having corrected the event or events subject to cure.

(c) Termination Due to Disability. In the event of the Officer's Disability, the Company shall be entitled to terminate his employment. In the case that the Company terminates the Officer's employment due to Disability, the Officer shall be entitled to (i) payment of his Salary up to and including the date of termination, (ii) payment of any unpaid expense reimbursements, (iii) payment of the Annual Incentive, in a prorated amount based on the number of days the Officer was actually employed during the applicable plan year, based on actual performance objectives satisfied by the Company, payable in a lump sum payment within 30 days of the date that the Annual Incentive is normally paid under the terms of the plans and policies of the Company, and (iv) to the extent the Officer's place of employment is located outside the United States on the date of termination, payment by the Company of the cost to

repatriate the Officer and his immediate family in accordance with the repatriation provisions set forth in Schedule A. As used in this Section 3(d), the term "Disability" shall mean that the Company determines that due to physical or mental illness or incapacity, whether total or partial, the Officer is substantially unable to perform his duties hereunder for a period of 90 consecutive days or shorter periods aggregating 90 days during any period of 180 consecutive days. The Officer shall permit a licensed physician agreed to by the Company and the Officer (or, in the event that the Company and the Officer cannot agree, by a licensed physician agreed upon by a physician selected by the Company and a physician selected by the Officer) to examine the Officer from time to time prior to the Officer's being determined to be Disabled, as reasonably requested by the Company, to determine whether the Officer has suffered a Disability hereunder.

(d) Death. In the event of the Officer's death while employed by the Company, the Officer's estate or named beneficiary shall be entitled to (i) payment of his Salary up to and including the date of termination (ii) payment of any unpaid expense reimbursements, (iii) payment of the Annual Incentive, in a prorated amount based on the number of days the Officer was actually employed during the applicable plan year payable in a lump sum payment within 30 days of the date that the Annual Incentive is normally paid under the terms of the plans and policies of the Company, and (iv) to the extent the Officer's place of employment is located outside the United States on the date of the Officer's death, payment by the Company of the cost to repatriate the Officer's immediate family to the city of their choice in the United States in accordance with the repatriation provisions set forth in Schedule A.

(e) Parachutes. Notwithstanding any other provisions of this Agreement to the contrary, in the event that any payments or benefits received or to be received by the Officer in connection with the Officer's employment with the Company (or termination thereof) would subject the Officer to the excise tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Excise Tax"), and if the net-after tax amount (taking into account all applicable taxes payable by the Officer, including without limitation any Excise Tax) that the Officer would receive with respect to such payments or benefits does not exceed the net-after tax amount the Officer would receive if the amount of such payments and benefits were reduced to the maximum amount which could otherwise be payable to the Officer without the imposition of the Excise Tax, then, only the to the extent necessary to eliminate the imposition of the Excise Tax, such payments and benefits shall be reduced.

**5. COVENANTS**

(a) Confidential Information. As an officer of the Company, the Officer acknowledges that he has had and will have access to confidential or proprietary information or both relating to the business of, or belonging to, the Company or any affiliates or third parties including, but not limited to, proprietary or confidential information, technical data, trade secrets, or know-how in respect of research, product plans, products, services, customer lists, customers, markets, computer software (including object code and source code), data and databases, outcomes research, documentation, instructional material, developments, inventions, processes, formulas, technology, designs, drawings, engineering, hardware, configuration information, models, manufacturing processes, sales information, cost information, business plans, business opportunities, marketing, finances or other business information disclosed to the Officer in any

manner including by drawings or observations of parts or equipment, etc., all of which have substantial value to the Company (collectively, "Confidential Information").

(i) The Officer agrees that while employed with the Company and after the termination of the Officer's employment for any reason, the Officer shall not: (A) use any Confidential Information except in the course of his employment by the Company; or (B) disclose any Confidential Information to any other person or entity, except to personnel of the Company utilizing it in the course of their employment by the Company or to persons identified to the Officer in writing by the Company, without the prior written consent of the Company.

(ii) While the Officer is employed with the Company and after the termination of the Officer's employment for any reason, the Officer shall respect and adhere to any non-disclosure, confidentiality or similar agreements to which the Company or any of its affiliates are, or during the period of the Officer's employment by the Company, become, a party or subject. Upon the request of the Officer, the Company shall disclose to the Officer any such agreements to which it is a party or is subject.

(iii) The Officer hereby confirms that all Confidential Information and "Company Materials" (as hereinafter defined) are and shall remain the exclusive property of the Company. Immediately upon the termination of the Officer's employment for any reason, or during the Officer's employment with the Company upon the request of the Company, the Officer shall return all Company Materials, or any reproduction of such materials, apparatus, equipment and other physical property. For purposes of this Agreement, "Company Materials" are documents or other media or tangible items that contain or embody Confidential Information or any other information concerning the business, operations or plans of the Company, whether such documents have been prepared by the Officer or others.

(b) Disclosure of Previously Acquired Information to Company. The Officer hereby agrees not to disclose to the Company, and not to induce the Company to utilize, any proprietary information or trade secrets of any other party that are in his possession, unless and to the extent that he has authority to do so.

(c) Non-Competition. While the Officer is employed by the Company and, after the Officer's termination of employment for any reason, until the earlier of (i) the first anniversary of the date of termination and (ii) the third anniversary of the Effective Date, the Officer (and any entity or business in which the Officer or any affiliate of the Officer has any direct or indirect ownership or financial interest) shall not, except with the prior written consent of the Board of Directors, directly or indirectly, own any interest in, operate, join, control or participate as a partner, director, principal, officer, or agent of, enter into any employment of, act as a consultant to, or perform any services for any business which at any time during such period is in competition with any business in which the Company, or any of its affiliates, is planning to be engaged in the near future or is engaged on or prior to the termination of Officer's employment by the Company, anywhere in the world. This provision shall not be construed to prohibit the ownership by the Officer of less than 2% of any class of securities of any corporation that has a class of securities registered pursuant to the Securities Exchange Act of 1934, as amended, so long as he remains a passive investor in such entity.

(d) No Solicitation. While the Officer is employed by the Company and for a two-year period thereafter, the Officer shall not, directly or indirectly, for the Officer's own account or for the account of any other Person (i) solicit, employ, retain as a consultant, interfere with or attempt to entice away from the Company or any of its affiliates, or any successor to any of the foregoing, any individual who is, has agreed to be or within one year of such solicitation, employment, retention, interference or enticement has been, employed or retained by the Company or any of its subsidiaries or any successor to any of the foregoing or (ii) solicit or attempt to solicit the trade of any Person which, at the time of such solicitation, is a customer of the Company or its affiliates, or any successor to any of the foregoing, or which the Company or its affiliates, or any successor to any of the foregoing, is undertaking reasonable steps to procure as a customer at the time of or immediately preceding the termination of Officer's employment by the Company; provided, however, that this limitation shall only apply to any product or service which is in competition with a product or service of the Company or its affiliates.

(e) Non-Disparagement. The Officer and the Company agree that at any time during his employment with the Company or at any time thereafter, neither the Company nor the Officer shall make, or cause or assist any other person to make, any statement or other communication which impugns or attacks, or is otherwise critical of, the reputation, business or character of the other, any subsidiary or any of their respective officers, directors, employees, products or services. The foregoing restrictions shall not apply to any statements that are made truthfully in response to a subpoena or other compulsory legal process.

(f) Enforcement. The Officer hereby acknowledges that he has carefully reviewed the provisions of this Agreement and agrees that the provisions are fair and equitable. However, in light of the possibility of differing interpretations of law and change in circumstances, the parties hereto agree that if any one or more of the provisions of this Agreement is determined by a court of competent jurisdiction to be invalid, void or unenforceable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographical area reasonable or enforceable under such circumstances shall be substituted for the stated period, scope or area.

**6. GENERAL PROVISIONS**

(a) Tax Withholding. All amounts paid to Officer hereunder shall be subject to all applicable federal, state and local wage withholding.

(b) Notices. Any notice hereunder by either party to the other shall be given in writing by personal delivery, or certified mail, return receipt requested, or (if to the Company) by telex or facsimile, in any case delivered to the applicable address set forth below:

| | | |
|---|---|---|
| (i) | To the Company: | MagnaChip Semiconductor, Ltd.<br>Hynix Youngdong Bldg 891<br>Daechi-dong<br>Kangnam-gu, Seoul 135-738<br>Korea<br>Facsimile No: +82-2-3459-3647<br>Attn: Dr. Youm Huh |
| | With a copy to: | Citigroup Venture Capital Equity Partners, L.P.<br>399 Park Avenue, 14th Floor<br>New York, NY 10022<br>Facsimile No: +1-212-888-2940<br>Attn: Paul C. Schorr IV<br><br>and<br><br>Francisco Partners, L.P.<br>2882 Sand Hill Road, Suite 280<br>Menlo Park, CA 94025<br>Facsimile No.: +1-650-233-2999<br>Attn: Deb Dipanjan<br><br>and<br><br>Dechert LLP<br>4000 Bell Atlantic Tower<br>1717 Arch Street<br>Philadelphia, PA 19103<br>Facsimile No.: +1-215-994-2222<br>Attn: Geraldine A. Sinatra, Esq. |
| (ii) | To the Officer: | Robert Krakauer<br>1-89 Dongbinggo-don<br>Yongsan-gu, Seoul<br>Korea, 140-809<br>Facsimile No.: +82-2-3459-3647 |
| | With a copy to: | Mount & Stoelker, P.C.<br>333 West San Carlos Street, Suite 1650<br>San Jose, California 95110<br>Facsimile No: (408) 998-1473<br>Attn: Kathryn G. Murray, Esq. |

or to such other persons or other addresses as either party may specify to the other in writing.

(c) Assignment; Assumption of Agreement. This Agreement shall not be assignable, in whole or in part, by either party without the prior written consent or the other party, except as provided herein. The Company may assign its rights and obligations under this Agreement to any corporation or other business entity (i) which is an affiliate of the Company, (ii) with which the Company may merge or consolidate, or (iii) to which the Company may sell or transfer all or substantially all of its assets or 50% or more of the voting stock entitled to elect the members of the Board of Directors of the Company, provided that in each case such successor company expressly assumes the Company's obligations hereunder in writing. After any such assignment by the Company, the Company shall be discharged from all further liability hereunder and such assignee shall thereafter be deemed to be the "Company" for purposes of all terms and conditions of this Agreement, including this Section 6(c). For purposes of this Section 6(c), "affiliate" means any company that the Company controls, that controls the Company, or that is under common control with the Company.

(d) Amendment. No provision of this Agreement may be amended, modified, waived or discharged unless such amendment, modification, waiver or discharge is agreed to in writing and signed by the parties. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

(e) Severability. If any term or provision hereof is determined to be invalid or unenforceable in a final court or arbitration proceeding, (i) the remaining terms and provisions hereof shall be unimpaired and (ii) the invalid or unenforceable term or provision shall be deemed replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision.

(f) Governing Law and Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware and venue shall be Wilmington, Delaware.

(g) Entire Agreement. This Agreement contains the entire agreement of the Officer, the Company and any predecessors or affiliates thereof with respect to the subject matter hereof and all prior agreements and negotiations are superseded hereby as of the date of this Agreement.

(h) Counterparts. This Agreement may be executed by the parties hereto in counterparts, each of which shall be deemed an original, but both such counterparts shall together constitute one and the same document.

**IN WITNESS WHEREOF**, the parties have executed this Agreement, effective as of the day and year first written above.

MAGNACHIP SEMICONDUCTOR LLC

By: _____

Name: **Youm Huh**

Title: **CEO**

OFFICER

_____

**Robert Krakauer**

The following schedule to the Agreement have been omitted from this Exhibit:

Schedule A — Expatriate/Repatriation Provisions.

The registrant agrees to furnish supplementally a copy of any omitted schedule to the Securities and Exchange Commission upon request.

**Exhibit 10.20**

**SERVICE AGREEMENT**

**THIS SERVICE AGREEMENT** ("Agreement") is executed by and between MagnaChip Semiconductor, Ltd., a Korean limited liability company (the "Company"), and Victoria Miller Nam, an individual (the "Officer"), effective as December 29, 2004.

**WITNESSETH:**

**WHEREAS**, the Company desires to have the benefits of the Officer's knowledge and experience as a full-time officer, to employ the Officer in the manner hereinafter specified, and to make provision for payment of reasonable compensation to the Officer for such services, and the Officer is willing to be employed by the Company to perform the duties incident to such employment upon the terms and conditions hereinafter set forth.

**NOW, THEREFORE**, in consideration of the foregoing premises, the mutual covenants, terms and conditions set forth herein, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Officer hereby agree as follows:

**1. EFFECTIVENESS OF SERVICE AGREEMENT**

This Agreement shall constitute a binding obligation of the Officer and the Company as of December 29, 2004 (the "Effective Date").

**2. EMPLOYMENT AND DUTIES**

(a) General. The Company shall hereby employ the Officer as Senior Vice President, Strategic Planning, and the Officer agrees upon the terms and conditions herein set forth to be employed by the Company. The Officer shall diligently perform such duties and have such responsibilities as the Board of Directors of the Company may establish from time to time, and the Officer shall report to the Executive Vice President, Strategic Operations and Chief Financial Officer of the Company.

(b) Term. Unless terminated at an earlier date in accordance with Section 4 below, the term of the Officer's employment with the Company hereunder shall be for a term commencing on the Effective Date and ending on the third anniversary of the Effective Date (the "Initial Term"). Thereafter, unless terminated at an earlier date in accordance with Section 4 below, the Initial Term and each Additional Term shall be automatically extended for successive one-year periods (each, an "Additional Term"), in each case, commencing upon the expiration of the Initial Term or the then-current Additional Term, unless at least 90 days prior to the expiration of such term, either party gives written notice to the other party of its intention not to extend the term of the Officer's employment.

(c) Services. The Officer shall well and faithfully serve the Company, and shall devote all of her business time and attention to the performance of the duties of such employment and the advancement of the best interests of the Company and shall not, directly or

indirectly, render services to any other person or organization for which the Officer receives compensation without the prior written approval of the Company. The Officer hereby agrees to refrain from engaging in any activity that does, shall or could reasonably be deemed to conflict with the best interests of the Company.

(d) Location of Employment. The Officer's place of employment shall be at the Company's facility located in Seoul, Korea, but the Officer shall travel to the extent and to the places necessary for the performance of the Officer's duties to the Company.

**3. COMPENSATION AND OTHER BENEFITS**

Subject to the provisions of this Agreement, including, without limitation, the termination provisions contained in Section 4 below, the Company shall pay and provide the following compensation and other benefits to the Officer as compensation for all services rendered hereunder:

(a) Salary. The Company shall pay the Officer a base salary at the rate of US$300,000.00 per annum (the "Salary"), payable to the Officer in accordance with the standard payroll practices of the Company as are in effect from time to time, less all such deductions or withholdings required by applicable law. Annual salary increases will be determined by the compensation committee of the Board of Directors of the Company (the "Committee") in accordance with the Committee's policies and procedures.

(b) Annual Incentive. The Officer shall be eligible to earn an annual cash bonus in accordance with the annual short-term incentive plan approved annually by the compensation committee of the Company (the "Annual Incentive"). The Annual Incentive shall be 50% of the Officer's annual salary. The amount of the Annual Incentive in respect of 2004 plan year shall be pro-rated to reflect the number of days the Officer was actually employed with the Company during the 2004 plan year.

(c) Transportation. The Officer shall be entitled to use of a company car and driver for transportation to and from work, which such car and driver shall be shared in the general car pool available for all officers at the senior level during the business day.

(d) Translator. The Company shall provide a full-time translator to support the Officer at any and all times the Officer is conducting business for the Company.

(e) Expenses. The Company shall pay or reimburse the Officer for all reasonable out-of-pocket expenses incurred by the Officer in connection with her employment hereunder upon submission of appropriate documentation or receipts in accordance with the policies and procedures of the Company as are in effect from time to time.

(f) Benefits. The Officer shall be eligible to participate in or purchase as necessary and be reimbursed for medical, disability and life insurance plans and to receive other benefits applicable to senior officers of the Company generally in accordance with the terms of such plans as are in effect from time to time.

(g) Vacation. The Officer shall be entitled to annual vacation of four weeks per year.

(h) Co-investment right. The Officer shall have the right to invest up to US$500,000 in the equity of MagnaChip Semiconductor LLC, a Delaware limited liability company ("MagnaChip LLC"), at the same price per unit as that paid by Citicorp Venture Capital Equity Partners, L.P. ("CVC") and with respect to the same strip of equity securities acquired by CVC.

(i) Equity. The Officer is granted options immediately exercisable for 136,450 of MagnaChip LLC's restricted Common Units (the "Options") at a purchase price equal to $1.00 per Common Unit. The Common Units issued upon the exercise of the Options (the "Promote Units"), shall be issued pursuant to the MagnaChip Semiconductor LLC Equity Incentive Plan (the "Incentive Plan"). The Promote Units shall be subject to forfeiture or to repurchase by the Company upon the Officer's termination of service in accordance with the terms of the Incentive Plan, but, generally, upon the Officer's termination of service without Cause (as hereinafter defined) (A) unvested Promote Units shall be subject to repurchase by the Company at a repurchase price of $1.00 per Unit and (B) vested Promote Units shall be subject to repurchase by the Company at a repurchase price equal to fair market value, as determined by the Board of Directors of MagnaChip LLC in good faith at the time of the repurchase. Upon a termination of service for Cause, all Promote Units shall be subject to repurchase by the Company at a repurchase price of $1.00 per Unit. The Promote Units shall vest in accordance with the schedule set forth in the subscription agreement entered into by the Officer and MagnaChip LLC at the time the Promote Units are purchased, but generally 25% of the Promote Units shall be scheduled to vest on September 30, 2005, and an additional 6.25% of the Promote Units shall be scheduled to vest each calendar quarter thereafter; provided, however, that on any scheduled vesting date, unvested Promote Units shall vest only if the Officer is still employed by the Company; provided, further, however, that in the event that the Officer's employment is terminated without Cause or the Officer resigns for Good Reason (as hereinafter defined) prior to October 1, 2005, or within the twelve month period following a Change of Control (as defined in the Incentive Plan), 25% of the unvested Promote Units shall vest on the date of termination.

**4. TERMINATION OF EMPLOYMENT**

Subject to the notice and other provisions of this Section 4, the Company shall have the right to terminate the Officer's employment hereunder, at any time for any reason or for no stated reason, and the Officer shall have the right to resign, at any time for any reason or for no stated reason.

(a) Termination for Cause or Resignation.

(i) If, prior to the expiration of the Initial Term or any Additional Term, the Officer's employment is terminated by the Company for Cause or if the Officer resigns for any reason other than Good Reason from her employment hereunder, the Officer shall be entitled to payment of (A) her Salary accrued up to and including the date of termination or resignation, and (B) any unreimbursed expenses. Except to the extent required by the terms of the benefits provided under Section 3(f) or applicable law, the Officer shall have no right under this

Agreement or otherwise to receive any other compensation or to participate in any other plan, program or arrangement after such termination or resignation of employment with respect to the year of such termination or resignation and later years. The treatment of any outstanding options or Promote Units held by the Officer as of the date of the termination shall be governed by the agreements and equity incentive plans pursuant to which the options or Promote Units were granted.

(ii) Termination for "Cause" shall mean a termination of the Officer's employment with the Company because of (A) a failure by the Officer to substantially perform the Officer's customary duties with the Company in the ordinary course (other than such failure resulting from the Officer's incapacity due to physical or mental illness or any such actual or anticipated failure after the Officer provides written notification to the Company of resignation of employment for Good Reason under this Agreement) that, if susceptible to cure, has not been cured as determined by the Company in good faith within 30 days after a written demand for substantial performance is delivered to the Officer by the Company, which demand specifically identifies the manner in which the Company believes that the Officer has not substantially performed the Officer's duties; (B) the Officer's gross negligence, intentional misconduct or fraud in the performance of her employment; (C) the Officer's indictment for a felony or for a crime involving fraud or dishonesty; (D) a judicial determination that the Officer committed fraud or dishonesty against any natural person, firm, partnership, limited liability company, association, corporation, company, trust, business trust, governmental authority or other entity (each, a "Person"); or (E) the Officer's material violation of this Agreement or of one or more of the Company's policies applicable to the Officer's employment as may be in effect from time to time.

(iii) Termination of the Officer's employment for Cause shall be communicated by delivery to the Officer of a written notice from the Company stating that the Officer will be terminated for Cause, specifying the particulars thereof and the effective date of such termination. If the Company provides such written notice to the Officer, to the extent the Officer is being terminated for a failure to perform her duties, as described in Section 4(a)(ii)(A) above, the Officer shall have 30 days from the date of receipt of such notice to effect a cure and, upon cure thereof by the Officer, such failure to perform shall no longer constitute Cause for purposes of this Agreement.

(iv) The date of a resignation other than for Good Reason by the Officer shall be the date specified in a written notice of resignation from the Officer to the Company provided that the Officer shall provide at least 60 days' advance written notice of her resignation other than for Good Reason.

(b) Involuntary Termination.

(i) If, prior to the expiration of the Initial Term or any Additional Term, the Company terminates the Officer's employment for any reason other than Disability, death or Cause or if the Officer resigns from her employment for Good Reason (such termination or resignation being hereinafter referred to as an "Involuntary Termination"), the Officer shall be entitled to (A) payment of her Salary accrued up to and including the date of the Involuntary

Termination, (B) payment of any unreimbursed expenses, (C) vesting of the Promote Units pursuant to Section 3(i), and (D) severance (the "Severance"), consisting of:

(1) continuation of her Salary, at the rate in effect on the date of the Involuntary Termination, for a period of six months, commencing on the date next following the date of the Involuntary Termination;

(2) six months' Company-paid benefits continuation for the Officer and her eligible dependents; and

(3) payment of the Annual Incentive, in a prorated amount based on the number of days the Officer was actually employed during the applicable plan year and on deemed satisfactory performance by the Officer, but based on actual performance objectives satisfied by the Company, payable in a lump sum payment within 30 days after the date that the Annual Incentive is normally paid under the terms of the plans and policies of the Company (but in no event more than 12 months following the date of the Involuntary Termination).

provided, however, that the Severance payable to the Officer pursuant to this section shall be reduced to the extent that the Company makes any severance payments pursuant to the Korean Commercial Code or any other statute.

(ii) Resignation for "Good Reason" shall mean resignation by the Officer because of, unless the Officer otherwise consents in writing, one or more of the following circumstances:

(1) a reduction in the Officer's overall pay package of more than 15% that is not applied to all officers at the Officer's seniority level, provided that, so long as the Annual Incentive target is equal to 50% or more of the Officer's Salary, any decrease in the amount of the Annual Incentive paid to the Officer shall not be taken into account in calculating a decrease in the overall pay package;

(2) the nature or status of the Officer's authorities, duties or responsibilities has been materially and adversely altered;

(3) a requirement that the Officer move her principal place of employment outside of Seoul, Korea or an agreed-upon location in the United States.

(iii) Resignation for Good Reason shall be communicated by delivery to the Company of a written notice from the Officer stating that the Officer will be resigning for Good Reason, specifying the particulars thereof and the effective date of such resignation. If the Officer provides such written notice to the Company, the Company shall have 30 days from the date of receipt of such notice to effect a cure, as determined by the Officer in good faith, of the material breach described therein and, upon cure thereof by the Company, such material breach shall no longer constitute Good Reason for purposes of this Agreement.

(iv) The date of termination of employment without Cause shall be the date specified in a written notice of termination to the Officer. The date of resignation for Good Reason shall be the date specified in a written notice of resignation from the Officer to the

Company; *provided*, *however*, that no such written notice shall be effective unless the cure period specified in Section 4(b)(iii) above has expired without the Company having corrected the event or events subject to cure.

(c) Termination Due to Disability. In the event of the Officer's Disability, the Company shall be entitled to terminate her employment. In the case that the Company terminates the Officer's employment due to Disability, the Officer shall be entitled to (i) payment of her Salary up to and including the date of termination, (ii) payment of any unpaid expense reimbursements, and (iii) payment of the Annual Incentive, in a prorated amount based on the number of days the Officer was actually employed during the applicable plan year, based on actual performance objectives satisfied by the Company, payable in a lump sum payment within 30 days of the date that the Annual Incentive is normally paid under the terms of the plans and policies of the Company. As used in this Section 3(d), the term "Disability" shall mean that the Company determines that due to physical or mental illness or incapacity, whether total or partial, the Officer is substantially unable to perform her duties hereunder for a period of 180 consecutive days or shorter periods aggregating 180 days during any period of 365 consecutive days. The Officer shall permit a licensed physician agreed to by the Company and the Officer (or, in the event that the Company and the Officer cannot agree, by a licensed physician agreed upon by a physician selected by the Company and a physician selected by the Officer) to examine the Officer from time to time prior to the Officer's being determined to be Disabled, as reasonably requested by the Company, to determine whether the Officer has suffered a Disability hereunder.

(d) Death. In the event of the Officer's death while employed by the Company, the Officer's estate or named beneficiary shall be entitled to (i) payment of her Salary up to and including the date of termination (ii) payment of any unpaid expense reimbursements, and (iii) payment of the Annual Incentive, in a prorated amount based on the number of days the Officer was actually employed during the applicable plan year payable in a lump sum payment within 30 days of the date that the Annual Incentive is normally paid under the terms of the plans and policies of the Company.

**5. COVENANTS**

(a) Confidential Information. As an officer of the Company, the Officer acknowledges that she has had and will have access to confidential or proprietary information or both relating to the business of, or belonging to, the Company or any affiliates or third parties including, but not limited to, proprietary or confidential information, technical data, trade secrets, or know-how in respect of research, product plans, products, services, customer lists, customers, markets, computer software (including object code and source code), data and databases, outcomes research, documentation, instructional material, developments, inventions, processes, formulas, technology, designs, drawings, engineering, hardware, configuration information, models, manufacturing processes, sales information, cost information, business plans, business opportunities, marketing, finances or other business information disclosed to the Officer in any manner including by drawings or observations of parts or equipment, etc., all of which have substantial value to the Company (collectively, "Confidential Information").

(i) The Officer agrees that while employed with the Company and after the termination of the Officer's employment for any reason, the Officer shall not: (A) use any Confidential Information except in the course of her employment by the Company; or (B) disclose any Confidential Information to any other person or entity, except to personnel of the Company utilizing it in the course of their employment by the Company or to persons identified to the Officer in writing by the Company, without the prior written consent of the Company.

(ii) While the Officer is employed with the Company and after the termination of the Officer's employment for any reason, the Officer shall respect and adhere to any non-disclosure, confidentiality or similar agreements to which the Company or any of its affiliates are, or during the period of the Officer's employment by the Company, become, a party or subject. Upon the request of the Officer, the Company shall disclose to the Officer any such agreements to which it is a party or is subject.

(iii) The Officer hereby confirms that all Confidential Information and "Company Materials" (as hereinafter defined) are and shall remain the exclusive property of the Company. Immediately upon the termination of the Officer's employment for any reason, or during the Officer's employment with the Company upon the request of the Company, the Officer shall return all Company Materials, or any reproduction of such materials, apparatus, equipment and other physical property. For purposes of this Agreement, "Company Materials" are documents or other media or tangible items that contain or embody Confidential Information or any other information concerning the business, operations or plans of the Company, whether such documents have been prepared by the Officer or others.

(b) Disclosure of Previously Acquired Information to Company. The Officer hereby agrees not to disclose to the Company, and not to induce the Company to utilize, any proprietary information or trade secrets of any other party that are in her possession, unless and to the extent that she has authority to do so.

(c) Non-Competition. While the Officer is employed by the Company and, after the Officer's termination of employment for any reason, until the earlier of (i) the first anniversary of the date of termination and (ii) the third anniversary of the Effective Date, the Officer (and any entity or business in which the Officer or any affiliate of the Officer has any direct or indirect ownership or financial interest) shall not, except with the prior written consent of the Board of Directors, directly or indirectly, own any interest in, operate, join, control or participate as a partner, director, principal, officer, or agent of, enter into any employment of, act as a consultant to, or perform any services for any business which at any time during such period is in competition with any business in which the Company, or any of its affiliates, is planning to be engaged in the near future or is engaged on or prior to the termination of Officer's employment by the Company, anywhere in the world. This provision shall not be construed to prohibit the ownership by the Officer of less than 2% of any class of securities of any corporation that has a class of securities registered pursuant to the Securities Exchange Act of 1934, as amended, so long as she remains a passive investor in such entity.

(d) No Solicitation. While the Officer is employed by the Company and for a two-year period thereafter, the Officer shall not, directly or indirectly, for the Officer's own

account or for the account of any other Person (i) solicit, employ, retain as a consultant, interfere with or attempt to entice away from the Company or any of its affiliates, or any successor to any of the foregoing, any individual who is, has agreed to be or within one year of such solicitation, employment, retention, interference or enticement has been, employed or retained by the Company or any of its subsidiaries or any successor to any of the foregoing or (ii) solicit or attempt to solicit the trade of any Person which, at the time of such solicitation, is a customer of the Company or its affiliates, or any successor to any of the foregoing, or which the Company or its affiliates, or any successor to any of the foregoing, is undertaking reasonable steps to procure as a customer at the time of or immediately preceding the termination of Officer's employment by the Company; provided, however, that this limitation shall only apply to any product or service which is in competition with a product or service of the Company or its affiliates.

(e) Non-Disparagement. The Officer and the Company agree that at any time during her employment with the Company or at any time thereafter, neither the Company nor the Officer shall make, or cause or assist any other person to make, any statement or other communication which impugns or attacks, or is otherwise critical of, the reputation, business or character of the other, any subsidiary or any of their respective officers, directors, employees, products or services. The foregoing restrictions shall not apply to any statements that are made truthfully in response to a subpoena or other compulsory legal process.

(f) Enforcement. The Officer hereby acknowledges that she has carefully reviewed the provisions of this Agreement and agrees that the provisions are fair and equitable. However, in light of the possibility of differing interpretations of law and change in circumstances, the parties hereto agree that if any one or more of the provisions of this Agreement is determined by a court of competent jurisdiction to be invalid, void or unenforceable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographical area reasonable or enforceable under such circumstances shall be substituted for the stated period, scope or area.

**6. GENERAL PROVISIONS**

(a) Tax Withholding. All amounts paid to the Officer hereunder shall be subject to all applicable federal, state and local wage withholding.

(b) Notices. Any notice hereunder by either party to the other shall be given in writing by personal delivery, or certified mail, return receipt requested, or (if to the Company) by telex or facsimile, in any case delivered to the applicable address set forth below:

(i) If to the Company: MagnaChip Semiconductor, Ltd.
891 Daechi-dong, Kangnam-gu
Seoul 135-738 Korea
Fax: 82-2-3459-3647
Attn: General Counsel

(ii) If to the Officer at the last known residential address on the personnel records of the Company; or to such other persons or other addresses as either party may specify to the other in writing.

(c) Assignment; Assumption of Agreement. This Agreement shall not be assignable, in whole or in part, by either party without the prior written consent or the other party, except as provided herein. The Company may assign its rights and obligations under this Agreement to any corporation or other business entity (i) which is an affiliate of the Company, (ii) with which the Company may merge or consolidate, or (iii) to which the Company may sell or transfer all or substantially all of its assets or 50% or more of the voting stock entitled to elect the members of the Board of Directors of the Company, provided that in each case such successor company expressly assumes the Company's obligations hereunder in writing. After any such assignment by the Company, the Company shall be discharged from all further liability hereunder and such assignee shall thereafter be deemed to be the "Company" for purposes of all terms and conditions of this Agreement, including this Section 6(c). For purposes of this Section 6(c), "affiliate" means any company that the Company controls, that controls the Company, or that is under common control with the Company.

(d) Amendment. No provision of this Agreement may be amended, modified, waived or discharged unless such amendment, modification, waiver or discharge is agreed to in writing and signed by the parties. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

(e) Severability. If any term or provision hereof is determined to be invalid or unenforceable in a final court or arbitration proceeding, (i) the remaining terms and provisions hereof shall be unimpaired and (ii) the invalid or unenforceable term or provision shall be deemed replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision.

(f) Governing Law and Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, and the venue for all disputes arising out of this Agreement shall be the state or federal courts located therein.

(g) Entire Agreement. This Agreement contains the entire agreement of the Officer, the Company and any predecessors or affiliates thereof with respect to the subject matter hereof and all prior agreements and negotiations are superseded hereby as of the date of this Agreement.

(h) Counterparts. This Agreement may be executed by the parties hereto in counterparts, each of which shall be deemed an original, but both such counterparts shall together constitute one and the same document.

*[Signature Page Follows]*

**IN WITNESS WHEREOF**, the Company and Officer have executed this Agreement effective as of the Effective Date.

MAGNACHIP SEMICONDUCTOR, LTD.

By: _____
Name:
Title:

OFFICER

_____
Victoria Miller Nam

**Exhibit 10.21**

**Entrustment Agreement**

MagnaChip Semiconductor Ltd. ("A") and Tae Young Hwang, an individual ("B"), shall execute this Entrustment Agreement (the "Agreement") subject to the following terms:

Article 1 (Delegation by A)

A shall appoint B to a position pursuant to Article 4 hereof, delegating authority to handle business matters necessary to ensure A's successful achievement of its business objectives for current projects and future business plans by effectively utilizing B's academic and technological knowledge and capabilities, and B hereby agrees to the terms and conditions hereinafter set forth.

Article 2 (Term of Agreement)

1) This Agreement shall be in effect for one (1) year from October 1, 2004 to September 30, 2005 (the "Initial Term").

2) Prior to the expiration of the Initial Term, A and B may renew this Agreement or enter into a new agreement based on mutual consensus.

Article 3 (Duties of B)

1) B shall devote his academic and technological knowledge and capabilities to serve the best interests of A.

2) During the term of this Agreement, B shall faithfully perform his duties in accordance with national laws and regulations, A's articles of association and its internal rules and regulations, and the decisions made by A's Board of Directors.

3) B shall only work to advance the interests of A during the term of this Agreement and shall not execute any transactions related to A's business based on his or any third party's calculations without the prior written approval of A. B shall not be hired as an employee or a director of other companies that are competitors of A.

Article 4 (General Benefits)

1) Position: A shall hereby employ B as Executive Vice President of A. In the event of a change in A's management hierarchy, B shall follow the applicable guidelines.

2) Salary

    1. A shall pay B a base salary at the rate of KRW 220 million per annum (the "Salary"), payable to B in accordance with the standard payroll practices of A. In the event of a change in A's payroll system, B shall follow the applicable guidelines.

2. B shall be eligible to earn a bonus and incentives based on his management performance and the results of his project.

3) Severance Pay: B's severance pay for the service period following the expiration of this Agreement shall follow A's applicable rules and regulations.

Article 5 (Other Welfare Benefits)

1) B shall participate in the public insurance system as required by law, including health insurance, national pension and employment insurance, etc., and A shall support such benefits in accordance with the law.

2) Vacation

B shall be entitled to annual vacation in accordance with the terms of A's executive annual vacation system.

Article 6 (Termination of Agreement)

1) Prior to the expiration of this Agreement, A shall terminate this Agreement with a written notice if B falls into any of the following categories (as hereinafter listed).

1. Indicted for a crime and sentenced to probation or higher degree of penalty.
2. Declared as mentally total incompetent, mentally partial incompetent or bankrupt.
3. Misrepresented his identity, qualifications, or work experiences, or committed fraud in entering into this Agreement.
4. B cannot work in his capacity for one (1) month or longer due to his own faults.
5. A determines that due to physical or mental illness or incapacity, B is unable to perform his duties.
6. A determines that due to cancellation or reduction of business plans, the purpose of hiring B is lost.
7. Material violation of the provisions specified in this Agreement.

2) Termination of this Agreement in accordance with the causes listed in the previous clause (except sub-clauses 1 and 4) shall be communicated by delivery to B of a 30 days' advance written notice from A. Termination pursuant to sub-clauses 1 and 4 in the previous clause shall occur immediately concurrent with the occurrence of the cause.

Article 7 (Service Inventions, Etc.)

1) During the effect of this Agreement, B shall immediately notify A in the event that B has invented, found or created any items in connection with his employment with A or using A's time and resources, and B hereby agrees to transfer all intellectual property rights, including patents, utility models, software, and copyrights, thereby acknowledging the automatic possession of all intellectual property rights by A. At the

request of A, B hereby agrees to produce and submit documents (i.e., application forms) required for intellectual property rights registration including, but not limited to, patents, through a dedicated agent at home or abroad. In such cases, the costs required for intellectual property rights registrations shall be paid by A, but B is not entitled to receive any additional compensation other than the compensation stipulated in A's standard compensation guidelines governing such inventions.

2) Pursuant to the previous clause, during the effective period of this Agreement, B shall immediately notify A on the details of his inventions, findings or creations except those related to the intellectual property rights automatically possessed by A (i.e., inventions other than the service inventions). A shall possess a preferential right to negotiate with B (i.e., first negotiation rights) on the acquisition by transfer or usage rights of such inventions other than service inventions. B hereby agrees that he will not transfer or grant usage rights to third parties in more favorable terms than the terms offered by A regarding such inventions other than service inventions, unless A surrenders the aforementioned first negotiation rights in writing. However, A's first negotiation rights shall expire in the event that A fails to request a priority negotiation in writing to B within three (3) months from the date when A receives such notice from B.

3) As to the inventions, findings or creations, for which B desires to be exempt from the aforementioned clauses 1 and 2 due to violation against an existing agreement signed with a third party, and the not-yet-filed inventions, which B wants to exclude from the aforementioned clauses 1 and 2, B shall list such inventions, findings or creations in the attached sheet together with the description thereon, and represent that the descriptions are true without omission. If B does not fill in the attached sheet, it shall be assumed that there are neither other agreements with third parties nor any items B wants to be excluded from the aforementioned clauses 1 and 2.

Article 8 (Confidentiality and Non-Competition)

1) During the effect of this Agreement and after the termination of this Agreement, B shall maintain confidentiality of all confidential or proprietary information including, but not limited to, business management data, technical data, drawings, and documentation of A, its affiliates, and customers that B will gain knowledge of or acquire in the course of business. B shall not disclose such confidential or proprietary information or use them for the benefit of B or other third parties. Until the first anniversary of the date of termination of this Agreement, B shall not, directly and indirectly in the name of a third party, own any interest in, operate or perform any services for any business which is in competition with any business of A. However, this restriction shall not apply in the event that B negotiates with A in advance and receives approval from A.

Article 9 (Supplementary Clause)

1) Provisions not specified in this Agreement shall follow the rules and regulations articulated by A, and the laws and regulations of the Republic of Korea.

2) B hereby understands and agrees that this Agreement is not a labor contract pursuant to the Labor Standard Act, and therefore the rights and benefits applied to A's employees based on the labor laws of the Republic of Korea, A's employment policies, and collective bargaining agreements, etc., that are not stipulated in this Agreement, shall not apply to B.

3) In the event of legal disputes arising out of or related to this Agreement, the governing court shall be the court located in the territory of the headquarter of A.

To prove this agreement, two copies of the agreement shall be produced, signed by each party concerned, and each party shall keep one copy.

____, ____, 200_

"A" MagnaChip Semiconductor Ltd.

CEO (sign)

"B" Address:

Citizen registration No.:

Name: (sign)

**Exhibit 10.22**

# SERVICE AGREEMENT

**THIS SERVICE AGREEMENT** ("Agreement") is executed by and between MagnaChip Semiconductor, Ltd., a Korean limited liability company (the "Company"), IC Media Corporation, a Delaware corporation ("IC Media"), and Jason Hartlove, an individual (the "Officer"), effective as May 16, 2005.

**WHEREAS**, the Company desires to have the benefits of the Officer's knowledge and experience as a full-time officer, to employ the Officer in the manner hereinafter specified, and to make provision for payment of reasonable compensation to the Officer for such services, and the Officer is willing to be employed by the Company to perform the duties incident to such employment upon the terms and conditions hereinafter set forth;

**WHEREAS,** the Company and IC Media are both wholly-owned subsidiaries of MagnaChip Semiconductor LLC, a Delaware limited liability company; and

**WHEREAS**, to facilitate the employment of the Officer in Korea, IC Media will temporarily assume the rights and obligations of the Company under this Agreement and dispatch the Officer to the Officer's place of employment at the Company.

**NOW, THEREFORE**, in consideration of the foregoing premises, the mutual covenants, terms and conditions set forth herein, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company, IC Media, and the Officer hereby agree as follows:

## 1. EFFECTIVENESS OF SERVICE AGREEMENT

This Agreement shall constitute a binding obligation of the Officer and the Company as of May 16, 2005 (the "Effective Date").

## 2. EMPLOYMENT AND DUTIES

(a) General. The Company shall hereby employ the Officer as Senior Vice President and General Manager, and the Officer agrees upon the terms and conditions herein set forth to be employed by the Company. The Officer shall diligently perform such duties and have such responsibilities as the Board of Directors of the Company may establish from time to time, and the Officer shall report to the Chief Executive Officer of the Company.

(b) Term. Unless terminated at an earlier date in accordance with Section 4 below, the term of the Officer's employment with the Company hereunder shall be for a term commencing on the Effective Date and ending on the third anniversary of the Effective Date (the "Initial Term"). Thereafter, unless terminated at an earlier date in accordance with Section 4 below, the Initial Term and each Additional Term shall be automatically extended for successive one-year periods (each, an "Additional Term"), in each case, commencing upon the expiration of the Initial Term or the then-current Additional Term, unless at least 90 days prior to the expiration of such term, either party gives written notice to the other party of its intention not to extend the term of the Officer's employment.

(c) Services. The Officer shall well and faithfully serve the Company, and shall devote all of the Officer's business time and attention to the performance of the duties of such employment and the advancement of the best interests of the Company and shall not, directly or indirectly, render services to any other person or organization for which the Officer receives compensation without the prior written approval of the Company. The Officer hereby agrees to refrain from engaging in any activity that does, shall or could reasonably be deemed to conflict with the best interests of the Company.

(d) Location of Employment. The Officer's place of employment shall be at the Company's facility located in Seoul, Korea, but the Officer shall travel to the extent and to the places necessary for the performance of the Officer's duties to the Company; provided, however, that until such date as the Officer is legally qualified to work in Korea, the Officer's place of employment shall be at the Company's facility located in Santa Clara, California. After a period of expatriate service of six months to one year in Seoul, Korea, the Officer and the Company expect that the Officer's place of employment shall be moved back to Santa Clara, California, or such other location as the Officer and the Company shall mutually agree.

(e) Assumption and Dispatch by IC Media. The Officer, the Company, and IC Media agree that until such time as the Company is authorized under Korean law to directly employ the Officer and the Officer is legally qualified to be directly employed by the Company in Korea, IC Media will from the Effective Date fully assume the rights and obligations of the Company under this Agreement and dispatch the Officer to the Officer's place of employment at the Company.

**3. COMPENSATION AND OTHER BENEFITS**

Subject to the provisions of this Agreement, including, without limitation, the termination provisions contained in Section 4 below, the Company shall pay and provide the following compensation and other benefits to the Officer as compensation for all services rendered hereunder:

(a) Salary. The Company shall pay the Officer a base salary at the rate of US$310,000.00 per annum (the "Salary"), payable to the Officer in accordance with the standard payroll practices of the Company as are in effect from time to time, less all such deductions or withholdings required by applicable law. The Salary is payable in U.S. dollars to a bank account designated from time to time by the Officer. Annual salary increases will be determined by the compensation committee of the Board of Directors of the Company (the "Committee") in accordance with the Committee's policies and procedures.

(b) Annual Incentive. The Officer shall be eligible to earn an annual cash bonus in accordance with the annual short-term incentive plan approved annually by the compensation committee of the Company (the "Annual Incentive"). The Annual Incentive shall be a target of 50% of the Officer's annual salary.

(c) Expenses. The Company shall pay or reimburse the Officer for all reasonable out-of-pocket expenses incurred by the Officer in connection with the Officer's employment

hereunder upon submission of appropriate documentation or receipts in accordance with the policies and procedures of the Company as are in effect from time to time.

(d) Benefits. The Officer shall be eligible to participate in or purchase as necessary and be reimbursed for medical, disability and life insurance plans and to receive other benefits applicable to senior officers of the Company generally in accordance with the terms of such plans as are in effect from time to time. The Officer shall be entitled to the following expatriate/repatriation benefits:

(i) Visas and Work Permits. The Company will provide the necessary services and cover the cost to obtain the necessary visas and/or work permits to enable the Officer to legally work and stay in Korea for the duration that the Officer is assigned to perform services in Korea.

(ii) Air Travel. The Company will pay for air flight expenses for the Officer and the Officer's family to travel to Seoul, Korea, to begin the Officer's expatriate assignment.

(iii) Shipment of Household Goods. The Company shall reimburse the Officer reasonable costs to move the Officer's household goods via surface transport from the U.S. to Korea and, upon an agreed-upon change of location of service or upon the termination of this Agreement for any reason other than as set forth in Section 4(a) below, reasonable costs to move the Officer's household goods via surface transport from Korea back to the U.S.

(iv) Temporary Housing. The Company shall reimburse the Officer for reasonable costs for furnished temporary housing in Korea for up to 30 days upon the Officer's arrival in Korea. A reasonable per diem shall be included if the temporary housing does not include cooking facilities.

(v) Host Country Housing. The Company shall reimburse the Officer for reasonable housing expenses in Korea for rent on a single home or apartment up to a maximum of KRW8,500,000 per month.

(vi) Host Country Transportation. The Company shall provide the Officer with a single automobile for the Officer's usage in Korea and shall pay all expenses associated with the automobile.

(vii) Tax Treatment. The Company shall provide for tax equalization (to U.S. federal and California state) for all salary and benefits commencing in the tax year when the expatriate assignment begins through the end of the tax year of repatriation (regardless of whether the Officer is still employed by the Company at that time). The Officer shall minimize U.S. taxes as permitted by Section 901 and 911 of the Internal Revenue Code. For the avoidance of doubt, this provision shall be interpreted to mean that the Officer's total tax liability shall not be higher than it would have been had the Officer remained in the U.S.

(e) Vacation. The Officer shall be entitled to annual vacation of three weeks per year and, while serving in an expatriate status in Korea, an additional two weeks of home leave per year (pro-rated if the Officer's expatriate status is less than one year).

(f) Equity. The Officer is granted options to purchase 300,000 MagnaChip Semiconductor LLC common units (the "Option") pursuant to the MagnaChip Semiconductor LLC Equity Incentive Plan at a purchase price equal to $1.00 per common unit. Twenty-five percent of the Option will vest on the first anniversary of the Option grant date and an additional 6.25% of the Option will vest on the last day of each calendar quarter thereafter. Other terms of the Option shall be as determined by the Board of Directors of MagnaChip Semiconductor LLC but shall not be less favorable than the terms of options granted to other Company employees.

(g) Indemnification. To the fullest extent permitted by law and the governing documents of the Company, the Company will indemnify and hold the Officer harmless from and against all losses, costs, and expenses arising from or relating to the Officer's services as an officer or employee of the Company.

**4. TERMINATION OF EMPLOYMENT**

Subject to the notice and other provisions of this Section 4, the Company shall have the right to terminate the Officer's employment hereunder, at any time for any reason or for no stated reason, and the Officer shall have the right to resign, at any time for any reason or for no stated reason.

(a) Termination for Cause or Resignation.

(i) If, prior to the expiration of the Initial Term or any Additional Term, the Officer's employment is terminated by the Company for Cause or if the Officer resigns for any reason other than Good Reason from the Officer's employment hereunder, the Officer shall be entitled to payment of (A) the Officer's Salary accrued up to and including the date of termination or resignation, and any unreimbursed expenses. Except to the extent required by the terms of the benefits provided under Section 3(f) or applicable law, the Officer shall have no right under this Agreement or otherwise to receive any other compensation or to participate in any other plan, program or arrangement after such termination or resignation of employment with respect to the year of such termination or resignation and later years. The treatment of any outstanding options held by the Officer as of the date of the termination shall be governed by the agreements and equity incentive plans pursuant to which the options were granted.

(ii) Termination for "Cause" shall mean a termination of the Officer's employment with the Company because of (A) a failure by the Officer to substantially perform the Officer's customary duties with the Company in the ordinary course (other than such failure resulting from the Officer's incapacity due to physical or mental illness or any such actual or anticipated failure after the Officer provides written notification to the Company of resignation of employment for Good Reason under this Agreement) that, if susceptible to cure, has not been cured as determined by the Company within 30 days after a written demand for substantial performance is delivered to the Officer by the

Company, which demand specifically identifies the manner in which the Company believes that the Officer has not substantially performed the Officer's duties; (B) the Officer's gross negligence, intentional misconduct or fraud in the performance of the Officer's employment; (C) the Officer's indictment for a felony or for a crime involving fraud or dishonesty; (D) a judicial determination that the Officer committed fraud or dishonesty against any natural person, firm, partnership, limited liability company, association, corporation, company, trust, business trust, governmental authority or other entity (each, a "Person"); or (E) the Officer's material violation of this Agreement or of one or more of the Company's policies applicable to the Officer's employment as may be in effect from time to time.

(iii) Termination of the Officer's employment for Cause shall be communicated by delivery to the Officer of a written notice from the Company stating that the Officer will be terminated for Cause, specifying the particulars thereof and the effective date of such termination. If the Company provides such written notice to the Officer, to the extent the Officer is being terminated for a failure to perform the Officer's duties, as described in Section 4(a)(ii)(A) above, the Officer shall have 30 days from the date of receipt of such notice to effect a cure and, upon cure thereof by the Company, such failure to perform shall no longer constitute Cause for purposes of this Agreement.

(iv) The date of a resignation other than for Good Reason by the Officer shall be the date specified in a written notice of resignation from the Officer to the Company provided that the Officer shall provide at least 60 days' advance written notice of the Officer's resignation other than for Good Reason.

(b) Involuntary Termination.

(i) If, prior to the expiration of the Initial Term or any Additional Term, the Company terminates the Officer's employment for any reason other than Disability, death or Cause or if the Officer resigns from the Officer's employment for Good Reason (such termination or resignation being hereinafter referred to as an "Involuntary Termination"), the Officer shall be entitled to (A) payment of the Officer's Salary accrued up to and including the date of the Involuntary Termination, (B) payment of any unreimbursed expenses, and (C) severance (the "Severance"), consisting of:

(1) continuation of the Officer's Salary, at the rate in effect on the date of the Involuntary Termination, for a period of six months, commencing on the date next following the date of the Involuntary Termination;

(2) six months' Company-paid benefits continuation for the Officer and the Officer's eligible dependents; and

(3) payment of the Annual Incentive, in a prorated amount based on the number of days the Officer was actually employed during the applicable plan year and on deemed satisfactory performance by the Officer, but based on actual performance objectives satisfied by the Company, payable in a lump sum payment within 30 days after the date that the Annual Incentive is normally paid under the

terms of the plans and policies of the Company (but in no event more than 12 months following the date of the Involuntary Termination);

(4) acceleration of the Officer's Option vesting schedule by 12 months if the termination shall be within the first 12 months of employment; or by six months if the termination shall be after the first 12 months of employment; and

(5) repatriation (if applicable) to the Officer's home country, including a household move, transportation for the Officer and his family, and assumption by MagnaChip of any outstanding expatriate costs such as lease payments for housing or transportation.

provided, however, that the Severance payable to the Officer pursuant to this section shall be reduced to the extent that the Company makes any severance payments pursuant to the Korean Commercial Code or any other U.S., Korean, or other statute.

(ii) Resignation for "Good Reason" shall mean resignation by the Officer because of, unless the Officer otherwise consents in writing, one or more of the following circumstances:

(1) a reduction in the Officer's overall pay package of more than 15% that is not applied to all officers at the Officer's seniority level, provided that, so long as the Annual Incentive target is at a target level 50% or more of the Officer's Salary, any decrease in the amount of the Annual Incentive paid to the Officer shall not be taken into account in calculating a decrease in the overall pay package; or

(2) the nature or status of the Officer's authorities, duties or responsibilities has been materially and adversely altered.

(iii) Resignation for Good Reason shall be communicated by delivery to the Company of a written notice from the Officer stating that the Officer will be resigning for Good Reason, specifying the particulars thereof and the effective date of such resignation. If the Officer provides such written notice to the Company, the Company shall have 30 days from the date of receipt of such notice to effect a cure of the material breach described therein and, upon cure thereof by the Company, such material breach shall no longer constitute Good Reason for purposes of this Agreement.

(iv) The date of termination of employment without Cause shall be the date specified in a written notice of termination to the Officer. The date of resignation for Good Reason shall be the date specified in a written notice of resignation from the Officer to the Company; *provided, however*, that no such written notice shall be effective unless the cure period specified in Section 4(b)(iii) above has expired without the Company having corrected the event or events subject to cure.

(c) Termination Due to Disability. In the event of the Officer's Disability, the Company shall be entitled to terminate the Officer's employment. In the case that the Company terminates the Officer's employment due to Disability, the Officer shall be entitled to (i)

payment of the Officer's Salary up to and including the date of termination, (ii) payment of any unpaid expense reimbursements, and (iii) payment of the Annual Incentive, in a prorated amount based on the number of days the Officer was actually employed during the applicable plan year, based on actual performance objectives satisfied by the Company, payable in a lump sum payment within 30 days of the date that the Annual Incentive is normally paid under the terms of the plans and policies of the Company. As used in this Section 4(c), the term "Disability" shall mean that the Company determines that due to physical or mental illness or incapacity, whether total or partial, the Officer is substantially unable to perform the Officer's duties hereunder for a period of 180 consecutive days or shorter periods aggregating 180 days during any period of 365 consecutive days. The Officer shall permit a licensed physician agreed to by the Company and the Officer (or, in the event that the Company and the Officer cannot agree, by a licensed physician agreed upon by a physician selected by the Company and a physician selected by the Officer) to examine the Officer from time to time prior to the Officer's being determined to be Disabled, as reasonably requested by the Company, to determine whether the Officer has suffered a Disability hereunder.

(d) Death. In the event of the Officer's death while employed by the Company, the Officer's estate or named beneficiary shall be entitled to (i) payment of the Officer's Salary up to and including the date of termination, (ii) payment of any unpaid expense reimbursements, and (iii) payment of the Annual Incentive, in a prorated amount based on the number of days the Officer was actually employed during the applicable plan year payable in a lump sum payment within 30 days of the date that the Annual Incentive is normally paid under the terms of the plans and policies of the Company.

**5. COVENANTS**

(a) Confidential Information. As an officer of the Company, the Officer acknowledges that the Officer has had and will have access to confidential or proprietary information or both relating to the business of, or belonging to, the Company or any affiliates or third parties including, but not limited to, proprietary or confidential information, technical data, trade secrets, or know-how in respect of research, product plans, products, services, customer lists, customers, markets, computer software (including object code and source code), data and databases, outcomes research, documentation, instructional material, developments, inventions, processes, formulas, technology, designs, drawings, engineering, hardware, configuration information, models, manufacturing processes, sales information, cost information, business plans, business opportunities, marketing, finances or other business information disclosed to the Officer in any manner including by drawings or observations of parts or equipment, etc., all of which have substantial value to the Company (collectively, "Confidential Information").

(i) The Officer agrees that while employed with the Company and after the termination of the Officer's employment for any reason, the Officer shall not: (A) use any Confidential Information except in the course of the Officer's employment by the Company; or (B) disclose any Confidential Information to any other person or entity, except to personnel of the Company utilizing it in the course of their employment by the Company or to persons identified to the Officer in writing by the Company, without the prior written consent of the Company.

(ii) While the Officer is employed with the Company and after the termination of the Officer's employment for any reason, the Officer shall respect and adhere to any non-disclosure, confidentiality or similar agreements to which the Company or any of its affiliates are, or during the period of the Officer's employment by the Company, become, a party or subject. Upon the request of the Officer, the Company shall disclose to the Officer any such agreements to which it is a party or is subject.

(iii) The Officer hereby confirms that all Confidential Information and "Company Materials" (as hereinafter defined) are and shall remain the exclusive property of the Company. Immediately upon the termination of the Officer's employment for any reason, or during the Officer's employment with the Company upon the request of the Company, the Officer shall return all Company Materials, or any reproduction of such materials, apparatus, equipment and other physical property. For purposes of this Agreement, "Company Materials" are documents or other media or tangible items that contain or embody Confidential Information or any other information concerning the business, operations or plans of the Company, whether such documents have been prepared by the Officer or others.

(b) Disclosure of Previously Acquired Information to Company. The Officer hereby agrees not to disclose to the Company, and not to induce the Company to utilize, any proprietary information or trade secrets of any other party that are in the Officer's possession, unless and to the extent that the Officer has authority to do so.

(c) Non-Competition. While the Officer is employed by the Company and, after the Officer's termination of employment for any reason, until the earlier of (i) the first anniversary of the date of termination and (ii) the third anniversary of the Effective Date, the Officer (and any entity or business in which the Officer or any affiliate of the Officer has any direct or indirect ownership or financial interest) shall not, except with the prior written consent of the Board of Directors, directly or indirectly, own any interest in, operate, join, control or participate as a partner, director, principal, officer, or agent of, enter into any employment of, act as a consultant to, or perform any services for any business which at any time during such period is in competition with any business in which the Company, or any of its affiliates, is planning to be engaged in the near future or is engaged on or prior to the termination of Officer's employment by the Company, anywhere in the world. This provision shall not be construed to prohibit the ownership by the Officer of less than 2% of any class of securities of any corporation that has a class of securities registered pursuant to the Securities Exchange Act of 1934, as amended, so long as the Officer remains a passive investor in such entity.

(d) No Solicitation. While the Officer is employed by the Company and for a two-year period thereafter, the Officer shall not, directly or indirectly, for the Officer's own account or for the account of any other Person (i) solicit, employ, retain as a consultant, interfere with or attempt to entice away from the Company or any of its affiliates, or any successor to any of the foregoing, any individual who is, has agreed to be or within one year of such solicitation, employment, retention, interference or enticement has been, employed or retained by the Company or any of its subsidiaries or any successor to any of the foregoing or (ii) solicit or attempt to solicit the trade of any Person which, at the time of such solicitation, is a customer of the Company or its affiliates, or any successor to any of the foregoing, or which the Company or

its affiliates, or any successor to any of the foregoing, is undertaking reasonable steps to procure as a customer at the time of or immediately preceding the termination of Officer's employment by the Company; provided, however, that this limitation shall only apply to any product or service which is in competition with a product or service of the Company or its affiliates.

(e) Non-Disparagement. The Officer and the Company agree that at any time during the Officer's employment with the Company or at any time thereafter, neither the Company nor the Officer shall make, or cause or assist any other person to make, any statement or other communication which impugns or attacks, or is otherwise critical of, the reputation, business or character of the other, any subsidiary or any of their respective officers, directors, employees, products or services. The foregoing restrictions shall not apply to any statements that are made truthfully in response to a subpoena or other compulsory legal process.

(f) Enforcement. The Officer hereby acknowledges that the Officer has carefully reviewed the provisions of this Agreement and agrees that the provisions are fair and equitable. However, in light of the possibility of differing interpretations of law and change in circumstances, the parties hereto agree that if any one or more of the provisions of this Agreement is determined by a court of competent jurisdiction to be invalid, void or unenforceable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographical area reasonable or enforceable under such circumstances shall be substituted for the stated period, scope or area.

**6. GENERAL PROVISIONS**

(a) Tax Withholding. All amounts paid to the Officer hereunder shall be subject to all applicable federal, state, and local wage withholding.

(b) Notices. Any notice hereunder by either party to the other shall be given in writing by personal delivery, or certified mail, return receipt requested, or (if to the Company) by telex or facsimile, in any case delivered to the applicable address set forth below:

(i) If to the Company: MagnaChip Semiconductor, Ltd.
891 Daechi-dong, Kangnam-gu
Seoul 135-738 Korea
Fax: 82-2-3459-3867
Attn: General Counsel

(ii) If to IC Media: IC Media Corporation
c/o MagnaChip Semiconductor, Ltd.
891 Daechi-dong, Kangnam-gu
Seoul 135-738 Korea
Fax: 82-2-3459-3867
Attn: General Counsel

(iii) If to the Officer: at the last known residential address on the personnel records of the Company;

or to such other persons or other addresses as either party may specify to the other in writing.

(c) Assignment; Assumption of Agreement. This Agreement shall not be assignable, in whole or in part, by either party without the prior written consent of the other party, except as provided herein. The Company may assign its rights and obligations under this Agreement to any corporation or other business entity (i) which is an affiliate of the Company, (ii) with which the Company may merge or consolidate, or (iii) to which the Company may sell or transfer all or substantially all of its assets or 50% or more of the voting stock entitled to elect the members of the Board of Directors of the Company, provided that in each case such successor company expressly assumes the Company's obligations hereunder in writing. After any such assignment by the Company, the Company shall be discharged from all further liability hereunder and such assignee shall thereafter be deemed to be the "Company" for purposes of all terms and conditions of this Agreement, including this Section 6(c). For purposes of this Section 6(c), "affiliate" means any company that the Company controls, that controls the Company, or that is under common control with the Company.

(d) Amendment. No provision of this Agreement may be amended, modified, waived or discharged unless such amendment, modification, waiver or discharge is agreed to in writing and signed by the parties. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

(e) Severability. If any term or provision hereof is determined to be invalid or unenforceable in a final court or arbitration proceeding, (i) the remaining terms and provisions hereof shall be unimpaired and (ii) the invalid or unenforceable term or provision shall be deemed replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision.

(f) Governing Law and Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, and the venue for all disputes arising out of this Agreement shall be the state or federal courts located therein.

(g) Entire Agreement. This Agreement contains the entire agreement of the Officer, the Company and any predecessors or affiliates thereof with respect to the subject matter hereof and all prior agreements and negotiations are superseded hereby as of the date of this Agreement.

(h) Counterparts. This Agreement may be executed by the parties hereto in counterparts, each of which shall be deemed an original, but both such counterparts shall together constitute one and the same document.

*[Signature Page Follows]*

**IN WITNESS WHEREOF**, the Company and Officer have executed this Agreement effective as of the Effective Date.

MAGNACHIP SEMICONDUCTOR, LTD.

By: _____
Name:
Title:

IC MEDIA CORPORATION

By: _____
Name:
Title:

OFFICER

_____
Jason Hartlove

*[Signature Page to Service Agreement]*

**Exhibit 10.23**

**SERVICE AGREEMENT**

**THIS SERVICE AGREEMENT** ("Agreement") is executed by and between MagnaChip Semiconductor, Ltd., a Korean limited liability company (the "Company"), and Dale Lindly, an individual (the "Officer"), effective as April 14, 2005.

**WITNESSETH:**

**WHEREAS**, the Company desires to have the benefits of the Officer's knowledge and experience as a full-time officer, to employ the Officer in the manner hereinafter specified, and to make provision for payment of reasonable compensation to the Officer for such services, and the Officer is willing to be employed by the Company to perform the duties incident to such employment upon the terms and conditions hereinafter set forth.

**NOW, THEREFORE**, in consideration of the foregoing premises, the mutual covenants, terms and conditions set forth herein, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Officer hereby agree as follows:

**1. EFFECTIVENESS OF SERVICE AGREEMENT**

This Agreement shall constitute a binding obligation of the Officer and the Company as of April 14, 2005 (the "Effective Date").

**2. EMPLOYMENT AND DUTIES**

(a) General. The Company shall hereby employ the Officer as Senior Vice President Finance, Corporate Controller, and the Officer agrees upon the terms and conditions herein set forth to be employed by the Company. The Officer shall diligently perform such duties and have such responsibilities as the Board of Directors of the Company may establish from time to time, and the Officer shall report to the Executive Vice President, Strategic Operations and Chief Financial Officer of the Company.

(b) Term. Unless terminated at an earlier date in accordance with Section 4 below, the term of the Officer's employment with the Company hereunder shall be for a term commencing on the Effective Date and ending on the third anniversary of the Effective Date (the "Initial Term"). Thereafter, unless terminated at an earlier date in accordance with Section 4 below, the Initial Term and each Additional Term shall be automatically extended for successive one-year periods (each, an "Additional Term"), in each case, commencing upon the expiration of the Initial Term or the then-current Additional Term, unless at least 90 days prior to the expiration of such term, either party gives written notice to the other party of its intention not to extend the term of the Officer's employment.

(c) Services. The Officer shall well and faithfully serve the Company, and shall devote all of the Officer's business time and attention to the performance of the duties of such employment and the advancement of the best interests of the Company and shall not, directly or indirectly, render services to any other person or organization for which the Officer receives

compensation without the prior written approval of the Company. The Officer hereby agrees to refrain from engaging in any activity that does, shall or could reasonably be deemed to conflict with the best interests of the Company.

(d) Location of Employment. Once the Officer is legally qualified to work in Korea, the Officer's place of employment shall be at the Company's facility located in Seoul, Korea, but the Officer shall travel to the extent and to the places necessary for the performance of the Officer's duties to the Company.

**3. COMPENSATION AND OTHER BENEFITS**

Subject to the provisions of this Agreement, including, without limitation, the termination provisions contained in Section 4 below, the Company shall pay and provide the following compensation and other benefits to the Officer as compensation for all services rendered hereunder:

(a) Salary. The Company shall pay the Officer a base salary at the rate of US$200,000.00 per annum (the "Salary"), payable to the Officer in accordance with the standard payroll practices of the Company as are in effect from time to time, less all such deductions or withholdings required by applicable law. The Salary is payable in U.S. dollars to a bank account designated from time to time by the Officer. Annual salary increases will be determined by the compensation committee of the Board of Directors of the Company (the "Committee") in accordance with the Committee's policies and procedures.

(b) Annual Incentive. The Officer shall be eligible to earn an annual cash bonus in accordance with the annual short-term incentive plan approved annually by the compensation committee of the Company (the "Annual Incentive"). The Annual Incentive shall be a target of 50% of the Officer's annual salary, and is guaranteed at an amount equal to 50% of the Officer's annual salary for the first year of the Officer's service. The Officer may elect to have the guaranteed first-year bonus paid quarterly in arrears.

(c) Expenses. The Company shall pay or reimburse the Officer for all reasonable out-of-pocket expenses incurred by the Officer in connection with the Officer's employment hereunder upon submission of appropriate documentation or receipts in accordance with the policies and procedures of the Company as are in effect from time to time.

(d) Benefits. The Officer shall be eligible to participate in or purchase as necessary and be reimbursed for medical, disability and life insurance plans and to receive other benefits applicable to senior officers of the Company generally in accordance with the terms of such plans as are in effect from time to time. The Officer shall be entitled to the following expatriate/repatriation benefits:

(i) Visas and Work Permits. The Company will provide the necessary services and cover the cost to obtain the necessary visas and/or work permits to enable the Officer and the Officer's family to legally work and stay in Korea for the duration that the Officer is assigned to perform services in Korea.

(ii) Air Travel. The Company will pay for air flight expenses for the Officer to travel to Seoul, Korea, to begin the Officer's expatriate assignment. Should the Officer's family decide to join him and move to Seoul, Korea, at any time during the term of this Agreement, the Company will pay for their air flight expenses from the U.S. to Korea.

(iii) Shipment of Household Goods. The Company shall reimburse the Officer reasonable costs to move the Officer's household goods via surface transport from the U.S. to Korea and, upon the termination of this Agreement for any reason other than as set forth in Section 4(a) below, reasonable costs to move the Officer's household goods via surface transport from Korea back to the U.S.

(iv) Temporary Housing. The Company shall reimburse the Officer for reasonable costs for furnished temporary housing in Korea for up to 30 days upon the Officer's arrival in Korea. A reasonable per diem shall be included if the temporary housing does not include cooking facilities.

(v) Host Country Housing. The Company shall reimburse the Officer for reasonable housing expenses in Korea for rent on a single home or apartment up to a maximum of US$8,000 per month.

(vi) Tax Treatment. The Company shall provide for tax equalization (to U.S. federal and California state) commencing in the tax year when the expatriate assignment begins through the end of the tax year of repatriation (regardless of whether the Officer is still employed by the Company at that time). The Officer shall minimize U.S. taxes as permitted by Section 901 and 911 of the Internal Revenue Code. For the avoidance of doubt, this provision shall be interpreted to mean that the Officer's total tax liability shall not be higher than it would have been had the Officer remained in the U.S. The Company will provide tax preparation services to assist the Officer with the preparation of the Officer's personal income tax returns for the U.S. and Korea.

(e) Vacation. The Officer shall be entitled to annual vacation of three weeks per year and, while serving in an expatriate status in Korea, an additional two weeks of home leave per year, inclusive during the first year of employment only of reasonable flight expenses for one trip to the U.S. or to Korea, as the case may be, per twelve-month period for the Officer and the Officer's family.

(f) Equity. The Officer is granted options to purchase 75,000 MagnaChip Semiconductor LLC common units (the "Option") pursuant to the MagnaChip Semiconductor LLC Equity Incentive Plan at a purchase price equal to $1.00 per common unit. Twenty-five percent of the Option will vest on the first anniversary of the Option grant date and an additional 6.25% of the Option will vest on the last day of each calendar quarter thereafter. Other terms of the Option shall be as determined by the Board of Directors of MagnaChip Semiconductor LLC but shall not be less favorable than the terms of options granted to other Company employees.

(g) Loan Forgiveness. Effective as of the closing of the Company's acquisition of IC Media Corporation, a California corporation ("ICM"), the Company shall, as successor to ICM,

immediately cancel the outstanding balance (principal and accrued but unpaid interest) on that certain promissory note of the Officer payable to ICM in the original principal amount of $115,000.00. The Officer will be responsible for any taxes accruing or arising from the forgiveness of the promissory note.

(h) Indemnification. To the fullest extent permitted by law and the governing documents of the Company, the Company will indemnify and hold the Officer harmless from and against all losses, costs, and expenses arising from or relating to the Officer's services as an officer or employee of the Company.

**4. TERMINATION OF EMPLOYMENT**

Subject to the notice and other provisions of this Section 4, the Company shall have the right to terminate the Officer's employment hereunder, at any time for any reason or for no stated reason, and the Officer shall have the right to resign, at any time for any reason or for no stated reason.

(a) Termination for Cause or Resignation.

(i) If, prior to the expiration of the Initial Term or any Additional Term, the Officer's employment is terminated by the Company for Cause or if the Officer resigns for any reason other than Good Reason from the Officer's employment hereunder, the Officer shall be entitled to payment of (A) the Officer's Salary accrued up to and including the date of termination or resignation, and any unreimbursed expenses. Except to the extent required by the terms of the benefits provided under Section 3(f) or applicable law, the Officer shall have no right under this Agreement or otherwise to receive any other compensation or to participate in any other plan, program or arrangement after such termination or resignation of employment with respect to the year of such termination or resignation and later years. The treatment of any outstanding options held by the Officer as of the date of the termination shall be governed by the agreements and equity incentive plans pursuant to which the options were granted.

(ii) Termination for "Cause" shall mean a termination of the Officer's employment with the Company because of (A) a failure by the Officer to substantially perform the Officer's customary duties with the Company in the ordinary course (other than such failure resulting from the Officer's incapacity due to physical or mental illness or any such actual or anticipated failure after the Officer provides written notification to the Company of resignation of employment for Good Reason under this Agreement) that, if susceptible to cure, has not been cured as determined by the Company within 30 days after a written demand for substantial performance is delivered to the Officer by the Company, which demand specifically identifies the manner in which the Company believes that the Officer has not substantially performed the Officer's duties; (B) the Officer's gross negligence, intentional misconduct or fraud in the performance of the Officer's employment; (C) the Officer's indictment for a felony or for a crime involving fraud or dishonesty; (D) a judicial determination that the Officer committed fraud or dishonesty against any natural person, firm, partnership, limited liability company, association, corporation, company, trust, business trust, governmental authority or other

entity (each, a "Person"); or (E) the Officer's material violation of this Agreement or of one or more of the Company's policies applicable to the Officer's employment as may be in effect from time to time.

(iii) Termination of the Officer's employment for Cause shall be communicated by delivery to the Officer of a written notice from the Company stating that the Officer will be terminated for Cause, specifying the particulars thereof and the effective date of such termination. If the Company provides such written notice to the Officer, to the extent the Officer is being terminated for a failure to perform the Officer's customary duties, as described in Section 4(a)(ii)(A) above, the Officer shall have 30 days from the date of receipt of such notice to effect a cure and, upon cure thereof by the Company, such failure to perform shall no longer constitute Cause for purposes of this Agreement.

(iv) The date of a resignation other than for Good Reason by the Officer shall be the date specified in a written notice of resignation from the Officer to the Company provided that the Officer shall provide at least 60 days' advance written notice of the Officer's resignation other than for Good Reason.

(b) Involuntary Termination.

(i) If, prior to the expiration of the Initial Term or any Additional Term, the Company terminates the Officer's employment for any reason other than Disability, death or Cause or if the Officer resigns from the Officer's employment for Good Reason (such termination or resignation being hereinafter referred to as an "Involuntary Termination"), the Officer shall be entitled to (A) payment of the Officer's Salary accrued up to and including the date of the Involuntary Termination, (B) the dollar value of all accrued and unused vacation benefits based upon the Officer's most recent level of Salary, (C) any Annual Incentive amount actually earned pursuant to Section 3(b) for one or more fiscal years but not previously paid to the Officer, (D) payment of any unreimbursed expenses, and (E) severance (the "Severance"), consisting of:

(1) continuation of the Officer's Salary, at the rate in effect on the date of the Involuntary Termination, for a period of six months, commencing on the date next following the date of the Involuntary Termination;

(2) six months' Company-paid benefits continuation for the Officer and the Officer's eligible dependents; and

(3) payment of the Annual Incentive, in a prorated amount based on the number of days the Officer was actually employed during the applicable plan year and on deemed satisfactory performance by the Officer, but based on actual performance objectives satisfied by the Company, payable in a lump sum payment within 30 days after the date that the Annual Incentive is normally paid under the terms of the plans and policies of the Company (but in no event more than 12 months following the date of the Involuntary Termination);

provided, however, that the Severance payable to the Officer pursuant to this section shall be reduced to the extent that the Company makes any severance payments pursuant to the Korean Commercial Code or any other statute.

(ii) Resignation for "Good Reason" shall mean resignation by the Officer because of, unless the Officer otherwise consents in writing, one or more of the following circumstances:

(1) a reduction in the Officer's overall pay package of more than 15% that is not applied to all officers at the Officer's seniority level, provided that, so long as the Annual Incentive target is up to 50% or more of the Officer's Salary, any decrease in the amount of the Annual Incentive paid to the Officer shall not be taken into account in calculating a decrease in the overall pay package;

(2) the nature or status of the Officer's authorities, duties or responsibilities has been materially and adversely altered;

(3) a requirement that the Officer move the Officer's principal place of employment outside of Korea or an agreed-upon location in the United States.

(iii) Resignation for Good Reason shall be communicated by delivery to the Company of a written notice from the Officer stating that the Officer will be resigning for Good Reason, specifying the particulars thereof and the effective date of such resignation. If the Officer provides such written notice to the Company, the Company shall have 30 days from the date of receipt of such notice to effect a cure, as reasonably determined by the Company, of the material breach described therein and, upon cure thereof by the Company, such material breach shall no longer constitute Good Reason for purposes of this Agreement.

(iv) The date of termination of employment without Cause shall be the date specified in a written notice of termination to the Officer. The date of resignation for Good Reason shall be the date specified in a written notice of resignation from the Officer to the Company; *provided, however*, that no such written notice shall be effective unless the cure period specified in Section 4(b)(iii) above has expired without the Company having corrected the event or events subject to cure.

(c) Termination Due to Disability. In the event of the Officer's Disability, the Company shall be entitled to terminate the Officer's employment. In the case that the Company terminates the Officer's employment due to Disability, the Officer shall be entitled to (i) payment of the Officer's Salary up to and including the date of termination, (ii) the dollar value of all accrued and unused vacation benefits based upon the Officer's most recent level of Salary, (iii) any Annual Incentive amount actually earned pursuant to Section 3(b) for one or more fiscal years but not previously paid to the Officer, (iv) payment of any unpaid expense reimbursements, and (v) payment of the Annual Incentive, in a prorated amount based on the number of days the Officer was actually employed during the applicable plan year, based on actual performance objectives satisfied by the Company, payable in a lump sum payment within 30 days of the date that the Annual Incentive is normally paid under the terms of the plans and policies of the

Company. As used in this Section 4(c), the term "Disability" shall mean that the Company reasonably determines that due to physical or mental illness or incapacity, whether total or partial, the Officer is substantially unable to perform the Officer's duties hereunder for a period of 180 consecutive days or shorter periods aggregating 180 days during any period of 365 consecutive days. The Officer shall permit a licensed physician agreed to by the Company and the Officer (or, in the event that the Company and the Officer cannot agree, by a licensed physician agreed upon by a physician selected by the Company and a physician selected by the Officer) to examine the Officer from time to time prior to the Officer's being determined to be Disabled, as reasonably requested by the Company, to determine whether the Officer has suffered a Disability hereunder.

(d) Death. In the event of the Officer's death while employed by the Company, the Officer's estate or named beneficiary shall be entitled to (i) payment of the Officer's Salary up to and including the date of termination, (ii) the dollar value of all accrued and unused vacation benefits based upon the Officer's most recent level of Salary, (iii) any Annual Incentive amount actually earned pursuant to Section 3(b) for one or more fiscal years but not previously paid to the Officer, (iv) payment of any unpaid expense reimbursements, and (v) payment of the Annual Incentive, in a prorated amount based on the number of days the Officer was actually employed during the applicable plan year payable in a lump sum payment within 30 days of the date that the Annual Incentive is normally paid under the terms of the plans and policies of the Company.

**5. COVENANTS**

(a) Confidential Information. As an officer of the Company, the Officer acknowledges that the Officer has had and will have access to confidential or proprietary information or both relating to the business of, or belonging to, the Company or any affiliates or third parties including, but not limited to, proprietary or confidential information, technical data, trade secrets, or know-how in respect of research, product plans, products, services, customer lists, customers, markets, computer software (including object code and source code), data and databases, outcomes research, documentation, instructional material, developments, inventions, processes, formulas, technology, designs, drawings, engineering, hardware, configuration information, models, manufacturing processes, sales information, cost information, business plans, business opportunities, marketing, finances or other business information disclosed to the Officer in any manner including by drawings or observations of parts or equipment, etc., all of which have substantial value to the Company (collectively, "Confidential Information").

(i) The Officer agrees that while employed with the Company and after the termination of the Officer's employment for any reason, the Officer shall not: (A) use any Confidential Information except in the course of the Officer's employment by the Company; or (B) disclose any Confidential Information to any other person or entity, except to personnel of the Company utilizing it in the course of their employment by the Company or to persons identified to the Officer in writing by the Company, without the prior written consent of the Company.

(ii) While the Officer is employed with the Company and after the termination of the Officer's employment for any reason, the Officer shall respect and adhere to any non-disclosure, confidentiality or similar agreements to which the Company or any of its

affiliates are, or during the period of the Officer's employment by the Company, become, a party or subject. Upon the request of the Officer, the Company shall disclose to the Officer any such agreements to which it is a party or is subject.

(iii) The Officer hereby confirms that all Confidential Information and "Company Materials" (as hereinafter defined) are and shall remain the exclusive property of the Company. Immediately upon the termination of the Officer's employment for any reason, or during the Officer's employment with the Company upon the request of the Company, the Officer shall return all Company Materials, or any reproduction of such materials, apparatus, equipment and other physical property. For purposes of this Agreement, "Company Materials" are documents or other media or tangible items that contain or embody Confidential Information or any other information concerning the business, operations or plans of the Company, whether such documents have been prepared by the Officer or others.

(b) Disclosure of Previously Acquired Information to Company. The Officer hereby agrees not to disclose to the Company, and not to induce the Company to utilize, any proprietary information or trade secrets of any other party that are in the Officer's possession, unless and to the extent that the Officer has authority to do so.

(c) Non-Competition. While the Officer is employed by the Company and, after the Officer's termination of employment for any reason, until the earlier of (i) the first anniversary of the date of termination and (ii) the third anniversary of the Effective Date, the Officer (and any entity or business in which the Officer or any affiliate of the Officer has any direct or indirect ownership or financial interest) shall not, except with the prior written consent of the Board of Directors, directly or indirectly, own any interest in, operate, join, control or participate as a partner, director, principal, officer, or agent of, enter into any employment of, act as a consultant to, or perform any services for any business which at any time during such period is in competition with any business in which the Company, or any of its affiliates, is planning to be engaged in the near future or is engaged on or prior to the termination of Officer's employment by the Company, anywhere in the world. This provision shall not be construed to prohibit the ownership by the Officer of less than 2% of any class of securities of any corporation that has a class of securities registered pursuant to the Securities Exchange Act of 1934, as amended, so long as the Officer remains a passive investor in such entity.

(d) No Solicitation. While the Officer is employed by the Company and for a two-year period thereafter, the Officer shall not, directly or indirectly, for the Officer's own account or for the account of any other Person (i) solicit, employ, retain as a consultant, interfere with or attempt to entice away from the Company or any of its affiliates, or any successor to any of the foregoing, any individual who is, has agreed to be or within one year of such solicitation, employment, retention, interference or enticement has been, employed or retained by the Company or any of its subsidiaries or any successor to any of the foregoing or (ii) solicit or attempt to solicit the trade of any Person which, at the time of such solicitation, is a customer of the Company or its affiliates, or any successor to any of the foregoing, or which the Company or its affiliates, or any successor to any of the foregoing, is undertaking reasonable steps to procure as a customer at the time of or immediately preceding the termination of Officer's employment

by the Company; provided, however, that this limitation shall only apply to any product or service which is in competition with a product or service of the Company or its affiliates.

(e) Non-Disparagement. The Officer and the Company agree that at any time during the Officer's employment with the Company or at any time thereafter, neither the Company nor the Officer shall make, or cause or assist any other person to make, any statement or other communication which impugns or attacks, or is otherwise critical of, the reputation, business or character of the other, any subsidiary or any of their respective officers, directors, employees, products or services. The foregoing restrictions shall not apply to any statements that are made truthfully in response to a subpoena or other compulsory legal process.

(f) Enforcement. The Officer hereby acknowledges that the Officer has carefully reviewed the provisions of this Agreement and agrees that the provisions are fair and equitable. However, in light of the possibility of differing interpretations of law and change in circumstances, the parties hereto agree that if any one or more of the provisions of this Agreement is determined by a court of competent jurisdiction to be invalid, void or unenforceable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographical area reasonable or enforceable under such circumstances shall be substituted for the stated period, scope or area.

**6. GENERAL PROVISIONS**

(a) Tax Withholding. All amounts paid to the Officer hereunder shall be subject to all applicable federal, state and local wage withholding.

(b) Notices. Any notice hereunder by either party to the other shall be given in writing by personal delivery, or certified mail, return receipt requested, or (if to the Company) by telex or facsimile, in any case delivered to the applicable address set forth below:

(i) If to the Company: MagnaChip Semiconductor, Ltd.
891 Daechi-dong, Kangnam-gu
Seoul 135-738 Korea
Fax: 82-2-3459-3867
Attn: General Counsel

(ii) If to the Officer: at the last known residential address on the personnel records of the Company;

or to such other persons or other addresses as either party may specify to the other in writing.

(c) Assignment; Assumption of Agreement. This Agreement shall not be assignable, in whole or in part, by either party without the prior written consent of the other party, except as provided herein. The Company may assign its rights and obligations under this Agreement to any corporation or other business entity (i) which is an affiliate of the Company, (ii) with which the Company may merge or consolidate, or (iii) to which the Company may sell or transfer all or substantially all of its assets or 50% or more of the voting stock entitled to elect the members of the Board of Directors of the Company, provided that in each case such successor company expressly assumes the Company's obligations hereunder in writing. After any such assignment

by the Company, the Company shall be discharged from all further liability hereunder and such assignee shall thereafter be deemed to be the "Company" for purposes of all terms and conditions of this Agreement, including this Section 6(c). For purposes of this Section 6(c), "affiliate" means any company that the Company controls, that controls the Company, or that is under common control with the Company.

(d) Amendment. No provision of this Agreement may be amended, modified, waived or discharged unless such amendment, modification, waiver or discharge is agreed to in writing and signed by the parties. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

(e) Severability. If any term or provision hereof is determined to be invalid or unenforceable in a final court or arbitration proceeding, (i) the remaining terms and provisions hereof shall be unimpaired and (ii) the invalid or unenforceable term or provision shall be deemed replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision.

(f) Governing Law and Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, and the venue for all disputes arising out of this Agreement shall be the state or federal courts located therein.

(g) Entire Agreement. This Agreement contains the entire agreement of the Officer, the Company and any predecessors or affiliates thereof with respect to the subject matter hereof and all prior agreements and negotiations are superseded hereby as of the date of this Agreement.

(h) Counterparts. This Agreement may be executed by the parties hereto in counterparts, each of which shall be deemed an original, but both such counterparts shall together constitute one and the same document.

*[Signature Page Follows]*

**IN WITNESS WHEREOF**, the Company and Officer have executed this Agreement effective as of the Effective Date.

MAGNACHIP SEMICONDUCTOR, LTD.

By: _____
Name:
Title:

OFFICER

_____
Dale Lindly

*[Signature Page to Service Agreement]*

**Exhibit 10.24**

**MAGNACHIP SEMICONDUCTOR LLC**
**EQUITY INCENTIVE PLAN**

MagnaChip Semiconductor LLC, a Delaware limited liability company, wishes to attract outstanding employees, consultants and non-employee directors to the Company and its Subsidiaries, to induce employees, consultants and non-employee directors to remain with the Company and its Subsidiaries, to encourage them to increase their efforts to make the business of the Company and its Subsidiaries more successful and to enhance equity holder value. In furtherance thereof, the MagnaChip Semiconductor LLC Equity Incentive Plan is designed to provide employees, consultants and non-employee directors a greater stake in the success of the Company and its Subsidiaries and a closer identity with it, and to encourage ownership of the Company's Common Units by such employees, consultants and non-employee directors.

1. DEFINITIONS.

Whenever used herein and unless otherwise provided in the Holder's Award Agreement, the following terms shall have the meanings set forth below:

"Award" means an award of Restricted Units, Options or SARs under the Plan.

"Award Agreement" means any written agreement in a form approved by the Committee to be entered into by the Company and the Holder to evidence the Award of Options, Restricted Units or SARs.

"Board" means the Board of Directors of the Company as defined in the LLC Agreement.

"Cause" means, unless otherwise defined in the Holder's employment or consulting agreement, as applicable: (i) the Holder's willful misconduct or gross negligence in connection with the performance of the Holder's duties for the Company or its Subsidiaries; (ii) the Holder's conviction of, or a plea of nolo contendre to, a felony or a crime involving fraud or moral turpitude; (iii) the Holder's engaging in any business that directly or indirectly competes with the Company or its Subsidiaries; or (iv) disclosure of trade secrets, customer lists or confidential information of the Company or its Subsidiaries to a competitor or unauthorized person.

"Change of Control" means such time as:

(i) any "person" (as such term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act), other than

(A) the Institutional Securityholders and/or their respective permitted transferees, or

(B) any "group" (within the meaning of such Section 13(d)(3)) of which either of the Institutional Securityholders constitutes a majority (on the basis of ownership interest),

acquires, directly or indirectly, by virtue of the consummation of any purchase, merger or other combination, securities of the Company representing more than 51% of the combined voting power of the Company's then outstanding voting securities with respect to matters submitted to a vote of the stockholders generally; or

(ii) a sale or transfer by the Company or any of its Subsidiaries of substantially all of the consolidated assets of the Company and its Subsidiaries to a Person that is not an affiliate of the Company prior to such sale or transfer.

"Code" means the Internal Revenue Code of 1986, as amended.

"Committee" means the committee designated by the Board to administer the Plan under Section 3. If no such committee has been established, then the Board shall perform the duties of the Committee hereunder.

"Common Units" means common membership interests having the rights, including voting rights, described in the LLC Agreement.

"Company" means MagnaChip Semiconductor LLC, a Delaware limited liability company.

"Disability" means that the Company determines that due to physical or mental illness or incapacity, whether total or partial, the Holder is substantially unable to perform his duties hereunder for a period of 180 consecutive days or shorter periods aggregating 180 days during any period of 365 consecutive days. The Holder shall permit a licensed physician agreed to by the Company and the Holder (or, in the event that the Company and the Holder cannot agree, by a licensed physician agreed upon by a physician selected by the Company and a physician selected by the Holder) to examine the Holder from time to time prior to the Holder's being determined to be Disabled, as reasonably requested by the Company, to determine whether the Holder has suffered a Disability hereunder.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exercise Price" means the exercise price per Common Unit of an Option.

"Fair Market Value" shall mean the fair market value of Common Units, as determined by the Committee in good faith in its sole and absolute discretion.

"Holder" means an employee, consultant or non-employee director of the Company to whom an Award is made, or the Successors of the Holder, as the context so requires.

"Institutional Securityholder" means each of Citigroup Venture Capital Equity Partners, L.P., CVC Executive Fund LLC, CVC/SSB Employee Fund, L.P., Francisco Partners, L.P. and Francisco Partners Fund A, L.P.

"LLC Agreement" means the Second Amended and Restated Limited Liability Company Operating Agreement of MagnaChip Semiconductor LLC dated as of September 23, 2004, as amended from time to time.

"Non-Qualified Option" means an Option which is not intended to be an "incentive stock option" within the meaning of Section 422(b) of the Code and designated as a Non-Qualified Option.

"Option" means any option to purchase Common Units granted from time to time under Section 6 of the Plan.

"Option Award Agreement" means any written agreement in a form approved by the Committee to be entered into by the Company and the Holder to evidence the Award of Options under Section 6 of the Plan.

"Person" means any individual, partnership, corporation, company, limited liability company, association, trust, joint venture, unincorporated organization, entity or division, or any government, governmental department or agency or political subdivision thereof.

"Plan" means this MagnaChip Semiconductor LLC Equity Incentive Plan, as amended from time to time.

"Public Offering" means an underwritten public offering of the Common Units of the Company (or any successor to the Company) pursuant to an effective registration statement under the Securities Act other than pursuant to a registration statement on Form S-4 or Form S-8 or any similar or successor form, *provided* that the proceeds of such public offering amount to at least $30,000,000 of gross proceeds to the Company (or any successor to the Company).

"Restricted Units" means Common Units awarded by the Committee under Section 8 of the Plan.

"Restricted Unit Agreement" means any written agreement in a form approved by the Committee to be entered into by the Company and the Holder to evidence the Award of Restricted Units under Section 8 of the Plan.

"Restriction Period" means the period during which Restricted Units awarded under Section 8 of the Plan is subject to forfeiture.

"SAR" means a share appreciation right awarded by the Committee under Section 7 of the Plan.

"SAR Award Agreement" means any written agreement in a form approved by the Committee to be entered into by the Company and the Holder to evidence the Award of SARs under Section 7 of the Plan.

"Securities Act" means the Securities Act of 1933, as amended.

"Subsidiary" of any Person (with respect to such Subsidiary, the "parent") means any other Person whose (a) securities having ordinary voting power to elect a majority of its board of directors or managing or general partners (or other persons having similar functions) or (b) other ownership interests (including partnership and membership interests) ordinarily constituting a majority interest in the capital, profits or cash flow of such Person, are at the time, directly or indirectly, owned or controlled by such parent, or by one or more other Subsidiaries of such parent, or by such parent and one or more of its other Subsidiaries.

"Successor Holder" means: (i) the legal representative of the estate of a deceased Holder or (ii) the person who shall acquire the right to exercise an Award by bequest or inheritance or other transfer or by reason of the death of the Holder or (iii) persons who shall acquire the right to exercise an Award on behalf of the Holder as the result of a determination by a court or other governmental agency of the incapacity of the Holder.

"Termination of Service" means a Holder's termination of employment or other service, as applicable, with the Company and its Subsidiaries for any reason, including death, Disability, termination by the Company with or without Cause and resignation by the Holder.

"Units" means all ownership interests in the Company.

2. EFFECTIVE DATE AND TERMINATION OF PLAN.

The effective date of the Plan is October 6, 2004. The Plan shall terminate on, and no Awards shall be granted hereunder on or after, October 6, 2014, the 10 year anniversary of the effective date of the Plan; provided, however, that the Board may at any time prior to that date terminate the Plan. However, the termination of the Plan shall not affect any Awards granted prior to such termination.

3. ADMINISTRATION OF PLAN.

(a) The Plan shall be administered by the Committee, which shall have full power and authority to interpret the Plan. The Committee shall have full authority to determine to whom Awards will be granted, the type and amount of Awards to be granted, the terms and conditions of Awards granted under the Plan and the terms of Award Agreements to be entered into with Holders.

(b) The Award Agreement shall contain such terms, provisions and conditions not inconsistent herewith as determined by the Committee. The Holder shall take whatever additional actions and execute whatever additional documents the Committee may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Holder pursuant to the express provisions of the Plan and the Award Agreement.

4. ELIGIBILITY.

Any employee, consultant or non-employee director of the Company or a Subsidiary who is designated by the Committee as eligible to participate in the Plan shall be eligible to receive an Award under the Plan.

5. SHARES AND UNITS SUBJECT TO THE PLAN.

(a) Subject to adjustments as provided in Section 12, as of the effective date of the Plan, the maximum number of Common Units available for grant under the Plan shall be 5,000,000 and the maximum number of Common Units available for grant under the Plan to any employee, consultant or non-employee director in any one calendar year shall be 2,500,000. Any Common Units that have been reserved for distribution in payment for an Award but are later forfeited or for any other reason are not payable under the Plan may again be made the subject of Awards under the Plan.

(b) Upon issuance of an Award under the Plan, the Holder and any Successor of the Holder agrees to be bound by the LLC Agreement to the same extent as would a "Member," as that term is defined in the LLC Agreement, and to execute a Joinder to the LLC Agreement in the form of Exhibit B thereto. Without limiting the generality of the foregoing, each Holder agrees to any transfer restrictions, drag-along rights or other obligations delineated in the LLC Agreement. Additionally, any amendment to the LLC Agreement that effects a provision contained herein shall be deemed to be an amendment to the Plan.

(c) The Holder and any Successor of the Holder agrees to be bound by the provisions in Annex I hereto regarding required transfers.

(d) The certificates (if any) for Common Units issued hereunder may include any legend which the Committee deems appropriate to reflect any restrictions on transfer hereunder, under the Securityholders' Agreement, the LLC Agreement or under the Award Agreement, or as the Committee may otherwise deem appropriate.

6. OPTIONS.

Options give an employee, consultant or non-employee director the right to purchase a specified number of shares of Common Units from the Company for a specified time period at a specified price. Options issued under the Plan are Non-Qualified Options. The grant of Options shall be subject to the following terms and conditions:

(a) Option Grants: Options shall be evidenced by an Option Award Agreement. Such agreement shall conform to the requirements of the Plan, and may contain such other provisions as the Committee shall deem advisable.

(b) Option Price: Unless otherwise determined by the Committee and provided for in an Option Award Agreement, the Exercise Price of an Option shall be not less than the Fair Market Value of a Common Unit on the date of grant.

(c) Term of Options: The Option Award Agreements shall specify when an Option may be exercisable and the terms and conditions applicable thereto. The term of an Option shall in no event be greater than ten years. Unless earlier expired, forfeited or otherwise terminated, each Option shall expire in its entirety upon the day after the last day of its term. The Option shall also expire, be forfeited and terminate at such times and in such circumstances as otherwise provided hereunder, in the LLC Agreement, in the Securityholders' Agreement or under the Option Award Agreement.

(d) Vesting: Each Option, to the extent that the Holder has not had a Termination of Service and the Option has not otherwise lapsed, expired, terminated or been forfeited, shall vest according to the schedule set forth in the Option Award Agreement. No Option shall become exercisable until such Option becomes vested.

(e) No Rights as Securityholder: Except as required by law, the Holder shall not have any rights as a securityholder with respect to any Units covered by the Options granted under the Plan until such time as the Units issuable upon exercise of such Options have been so issued.

(f) Restrictions on Transferability: Options may not be pledged, assigned or transferred for any reason during the Holder's lifetime, and any attempt to do so shall be void and the relevant Option shall be forfeited. The Successors of the Holder shall, in all cases, be subject to the provisions of the Option Award Agreement between the Company and the Holder. Notwithstanding the generality of the foregoing, the Committee may (but need not) permit other transfers of Options (provided such transfers otherwise conform to the requirements of the LLC Agreement and the provisions set forth in Annex I).

(g) Effect of Termination of Service on Outstanding Options:

(i) Termination of Service by Reason of Death or Disability: Unless otherwise provided by the Committee at or after grant, if a Holder incurs a Termination of Service due to death or Disability, any unexercised Option granted to the Holder may thereafter be exercised by the Holder (or, where appropriate, the Successor Holder), to the extent it was exercisable at the time of termination or on such accelerated basis as the Committee may determine at or after grant, for a period of 12 months or such shorter term as determined by the Committee from the date of such Termination of Service or until the expiration of the stated term of the Option, whichever period is shorter.

(ii) Termination Not for Cause: Unless otherwise provided by the Committee at or after grant, if a Holder incurs a Termination of Service by the Company or the Subsidiary not for Cause, any unexercised Option granted to the Holder may thereafter be exercised by the Holder (or, where appropriate, the Successor Holder), to the extent it was exercisable at the time of termination or on such accelerated basis as the Committee may determine at or after grant, for a period of 60 days or such shorter term as determined by the Committee from the date of such Termination of Service or until the expiration of the stated term of the Option, whichever period is shorter.

(iii) Termination for Cause or Other Reason: Unless otherwise provided by the Committee at or after grant, if a Holder incurs a Termination of Service by the Company or the Subsidiary for Cause, or otherwise terminates for any reason not specified in this Section (including a voluntary termination), all unexercised Options awarded to the Holder shall terminate on the date of such termination.

(h) Exercise of Option: Subject to vesting and other restrictions provided for hereunder or otherwise imposed in accordance herewith, an Option may be exercised, and payment in full of the aggregate Exercise Price made, by a Holder (or, where appropriate, the Successor Holder) only by notice (in the form prescribed by the Committee) to the Company specifying the number of Common Units to be purchased. Without limiting the scope of the Committee's discretion hereunder, the Committee may impose such other restrictions on the exercise of Options (whether or not in the nature of the foregoing restrictions) as it may deem necessary or appropriate.

(i) Payment of Option Price: The aggregate Exercise Price shall be paid in full upon the exercise of the Option. Payment must be made by one of the following methods:

(i) cash or a certified or bank cashier's check;

(ii) if approved by the Committee in its sole discretion, Common Units previously owned and held for a period of at least six months, having an aggregate Fair Market Value on the date of exercise equal to the aggregate Exercise Price;

(iii) with consent of the Committee, which may be granted or withheld in its sole discretion, by delivery of a properly executed notice of option exercise together with irrevocable written consent to the Committee to withhold that number of Common Units (rounded up to the nearest whole unit) the Fair Market Value of which is equal to the sum of the Exercise Price and the federal, state or local income taxes legally required to be withheld with respect to the exercise of such Option and to deliver to the Holder the net number of whole Common Units remaining after such withholding, plus cash equal to the Fair Market Value of any fractional Unit eliminated by rounding; or

(iv) by any combination of such methods of payment or any other method acceptable to the Committee in its discretion.

7. APPRECIATION RIGHTS.

SARs give an employee, consultant or non-employee director the right to receive, upon exercise of the SAR, the increase in the Fair Market Value of a specified number of Common Units from the date of grant of the SAR to the date of exercise. The grant of SARs shall be subject to the following terms and conditions:

(a) SARs are rights to receive a payment in cash or Common Units as selected by the Committee. The value of these rights, which are determined by the appreciation in the Common Units subject to the SAR, shall be evidenced by a SAR Award Agreement. Such agreement shall conform to the requirements of the Plan and may contain such other provisions as the Committee shall deem advisable.

(b) The base price of a SAR shall be not less than 100% of the Fair Market Value of the Common Units subject to the SAR on the date of grant.

(c) An SAR shall entitle the recipient to receive a payment equal to the excess of the Fair Market Value of the Common Units covered by the SAR on the date of exercise over the base price of the SAR. Such payment may be in cash, in Common Units, or in any combination, as the Committee shall determine.

(d) Term of SARs: The SAR Award Agreements shall specify when an SAR may be exercisable and the terms and conditions applicable thereto. The term of an SAR shall in no event be greater than ten years. Unless earlier expired, forfeited or otherwise terminated, each SAR shall expire in its entirety upon the day after the last day of its term. The SAR shall also expire, be forfeited and terminate at such times and in such circumstances as otherwise provided hereunder, in the LLC Agreement, in the Securityholders' Agreement or under the SAR Award Agreement.

(e) Vesting: Each SAR, to the extent that the Holder has not had a Termination of Service and the SAR has not otherwise lapsed, expired, terminated or been forfeited, shall vest according to the schedule set forth in the SAR Award Agreement. No SAR shall become exercisable until such SAR becomes vested.

(f) SARs shall be subject to the same terms and conditions applicable to Options as stated in Sections 6(f) and 6(g) above. Additionally, SARs shall also be subject to such other terms and conditions not consistent with the Plan as shall be determined by the Committee.

8. RESTRICTED UNITS.

An Award of Restricted Units is an issuance of a specified number of Common Units to an employee, consultant or non-employee director, which shares are subject to forfeiture upon the happening of specified events. In the Committee's sole discretion, an Award of Restricted Units may, but need not be, conditioned upon an Option exercise or payment of a base price in exchange for issuance of such Award. Such an Award shall be subject to the following terms and conditions:

(a) An Award of Restricted Units shall be evidenced by a Restricted Unit Agreement. Such agreement shall conform to the requirements of the Plan and may contain such other provisions as the Committee shall deem advisable.

(b) Unless otherwise provided by the Board or the Committee, upon a determination of the number of Restricted Units to be distributed to the Holder, the Committee shall direct that a certificate or certificates representing the number of Common Units be issued to the Holder with the Holder designated as the registered owner. Such certificate(s), if any, representing such shares shall be legended as to sale, transfer, assignment, pledge or other encumbrances during the Restriction Period and deposited by the Holder, with the Company, to be held in escrow during the Restriction Period.

(c) During the Restriction Period the Holder shall have the right to receive dividends from and to vote the Restricted Units.

(d) The Restricted Unit Agreement shall specify the duration of the Restriction Period and the performance, employment, service or other conditions (including Termination of Service on account of death, Disability or other cause) under which the Restricted Units may be forfeited to the Company. At the end of the Restriction Period the restrictions imposed hereunder shall lapse with respect to the number of Restricted Units as determined by the Committee, and the legend shall be removed and such number of Units delivered to the Holder (or, where appropriate, the Holder's legal representative). The Committee may, in its sole discretion, modify or accelerate the vesting and delivery of Restricted Units.

9. TAX WITHHOLDING.

The Company shall be entitled to withhold from any payments or deemed payments any amount of tax withholding determined by the Committee to be required by law. Without limiting the generality of the foregoing, the Committee may, in its discretion, require a Holder to pay to the Company at such time as the Committee determines the amount that the Committee deems necessary to satisfy the Company's obligation to withhold federal, state or local income or other taxes incurred by reason of the exercise or vesting of any Award.

10. REGULATIONS AND APPROVALS.

(a) The obligation of the Company to issue Common Units with respect to an Award granted under the Plan shall be subject to all applicable laws, rules and regulations, including all applicable federal and state securities laws, and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Committee.

(b) Without in any manner limiting the Committee's authority as set forth in Section 11, the Committee may make such changes to the Plan as may be necessary or appropriate to comply with the rules and regulations of any government authority or to obtain tax benefits applicable to an Award.

(c) Each Award is subject to the requirement that, if at any time the Committee determines, in its discretion, that the listing, registration or qualification of Common Units issuable pursuant to the Plan is required by any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance of an Award, no issuance of Common Units shall be made in whole or in part, unless listing, registration, qualification, consent or approval has been effected or obtained free of any conditions in a manner acceptable to the Committee.

(d) In the event that the disposition of Common Units acquired pursuant to the Plan is not covered by a then current registration statement under the Securities Act, and is not otherwise exempt from such registration, such Common Units shall be restricted against transfer to the extent required under the Securities Act, and the Committee may require any individual receiving Common Units pursuant to the Plan, as a condition precedent to receipt of such

Common Units, to represent to the Company in writing that such Common Units will be disposed of only if registered for sale under the Securities Act or if there is an available exemption for such disposition.

11. INTERPRETATION AND AMENDMENTS, OTHER RULES.

(a) The Committee may make such rules and regulations and establish such procedures for the administration of the Plan as it deems appropriate. Without limiting the generality of the foregoing, the Committee may (i) determine the extent, if any, to which any Award shall be forfeited (whether or not such forfeiture is expressly contemplated hereunder); (ii) interpret the Plan and the Award Agreements hereunder, with such interpretations to be conclusive and binding on all persons and otherwise accorded the maximum deference permitted by law; and (iii) take any other actions and make any other determinations or decisions that it deems necessary or appropriate in connection with the Plan or the administration or interpretation thereof. Unless otherwise expressly provided hereunder, the Committee, with respect to any grant, may exercise its discretion hereunder at the time of the grant or thereafter. In the event of any dispute or disagreement as to the interpretation of the Plan or of any rule, regulation or procedure, or as to any question, right or obligation arising from or related to the Plan, the decision of the Committee shall be final and binding upon all persons.

(b) The Board may amend the Plan as it shall deem advisable, except that no amendment may adversely affect a Holder with respect to an Award previously granted unless such amendments are required in order to comply with applicable laws; provided that the Board may not make any amendment in the Plan that would, if such amendment were not approved by the holders of the Units, cause the Plan to fail to comply with any requirement of applicable law or regulation, unless and until the approval of the holders of such Units is obtained.

12. CHANGES IN CAPITAL STRUCTURE; CERTAIN CORPORATE TRANSACTIONS.

(a) Changes in Capital Structure: In the event of a reorganization, recapitalization, spin-off, split-off, split-up, dividend payable in units, issuance of stock rights, combination of units, shares or other securities, merger, consolidation or any other change in the structure of the Company affecting the Units, or any distribution to partners, members or other equity holders, other than a cash distribution or any other event which in the judgment of the Committee necessitates action by way of adjusting the terms of the outstanding Awards, then the Committee, in its full discretion, shall make appropriate adjustment in the number and kind of units authorized for use under the Plan and any adjustments to outstanding Awards as it determines appropriate. The adjustments to outstanding Awards shall include, but not be limited to, the number of Common Units covered, the respective prices and/or limitations applicable to the outstanding Awards. No fractional Units shall be issued pursuant to such an adjustment. The Fair Market Value of any fractional Units or shares resulting from adjustments pursuant to this Section 12 shall, where appropriate, be paid in cash to the Holder. The determinations and adjustments made by the Committee pursuant to this Section 12 shall be conclusive.

(b) Certain Corporate Transactions: In the event (1) the Company is consolidated with or otherwise combined with or acquired by a person or entity, (2) of a merger of the Company with or into another entity, (3) of a Change of Control of the Company, (4) of a

divisive reorganization, liquidation or partial liquidation of the Company, including, but not limited to, a Change of Control or (5) of the occurrence of an event described in a Holder's Award Agreement as a "Certain Corporate Transaction," the Committee may, on a Holder by Holder basis:

(i) accelerate the vesting of all outstanding Options and/or SARs issued under the Plan that remain unvested and terminate the Option and/or SAR immediately prior to the date of any such transaction, provided that the Holder shall have been given at least seven days written notice of such transaction and of the Committee's intention to cancel the Options and/or SARs with respect to all Common Units for which the Option and/or SAR remains unexercised;

(ii) fully vest and/or accelerate the Restriction Period of any Awards;

(iii) terminate the Award immediately prior to the date of any such transaction, provided that the Holder shall have been given at least seven days written notice of such transaction and of the Committee's intention to cancel the Award with respect to all Common Units for which the Award remains unexercised or subject to restriction or forfeiture;

(iv) after having given the Holder a chance to exercise any outstanding vested Options or SARs, terminate any or all of the Holder's unexercised Options or SARs.

(v) cancel any outstanding Awards with respect to all Common Units for which the Award remains unexercised or for which the Award is subject to forfeiture in exchange for a cash payment of an amount equal to the difference between the then Fair Market Value (provided that the Committee may, in its sole discretion, determine that the Fair Market Value of an unvested or restricted Award is zero) of the Award less the Exercise Price of an Option, the base price of an SAR or the price (if any) of Restricted Units. If the Fair Market Value of the Common Units subject to the Award is less than the Exercise Price of an Option, the base price of an SAR or the price (if any) of Restricted Units, the Award shall be deemed to have been paid in full and shall be canceled with no further payment due the Holder;

(vi) require that the Award be assumed by the successor corporation or that awards for shares or other interests in the successor corporation with equivalent value be substituted for such Award; or

(vii) take such other action as the Committee shall determine to be reasonable under the circumstances to permit the Holder to realize the value of the Award.

The application of the foregoing provisions, including, without limitation, the issuance of any substitute options, shall be determined in good faith by the Committee in its sole discretion. Any adjustment may provide for the elimination of fractional Common Units in exchange for a cash payment equal to the Fair Market Value of the eliminated fractional Common Units.

(c) Committee Authority: The judgment of the Committee with respect to any matter referred to in this Section 12 shall be conclusive and binding upon each Holder without the need for any amendment to the Plan.

13. MISCELLANEOUS.

(a) No Rights to Employment or Other Service: Nothing in the Plan or in any grant made pursuant to the Plan shall confer on any individual any right to continue in the employ or other service of the Company or its Subsidiaries or interfere in any way with the right of the Company or its Subsidiaries and its shareholders to terminate the individual's employment or other service at any time.

(b) No Fiduciary Relationship: Nothing contained in the Plan, and no action taken pursuant to the provisions of the Plan, shall create or shall be construed to create a trust of any kind, or a fiduciary relationship between the Committee, the Company or its Subsidiaries, or their officers or the Board, on the one hand, and the Holder, the Company, its Subsidiaries or any other person or entity, on the other.

(c) Notices: All notices under the Plan shall be in writing, and if to the Company, shall be delivered to the Committee or mailed to its principal office, addressed to the attention of the Committee; and if to the Holder, shall be delivered personally, sent by facsimile transmission or mailed to the Holder at the address appearing in the records of the Company. Such addresses may be changed at any time by written notice to the other party given in accordance with this Section 13(c).

(d) Exculpation and Indemnification: The Company shall indemnify and hold harmless the members of the Committee and the Board, from and against any and all liabilities, costs and expenses incurred by such persons as a result of any act or omission to act in connection with the performance of such person's duties, responsibilities and obligations under the Plan, to the maximum extent permitted by law, other than such liabilities, costs and expenses as may result from the gross negligence, bad faith, willful misconduct or criminal acts of such persons.

(e) Captions: The use of captions in this Plan is for convenience. The captions are not intended to provide substantive rights.

(f) Governing Law: THE PLAN SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE WITHOUT REFERENCE TO PRINCIPLES OF CONFLICTS OF LAWS.

IN WITNESS WHEREOF, on behalf of MagnaChip Semiconductor LLC and pursuant to the direction of the Board, the undersigned hereby adopts the Plan as set forth herein.

MagnaChip Semiconductor LLC

By: _____

Title: _____

**ANNEX I**

Section 4.02 *Right to Compel Participation in Certain Transfers*. (a) If the Institutional Securityholders together propose (i) to Transfer not less than 50% of each of their respective Initial Ownership of any class or series of Eligible Securities to a Third Party in a bona fide sale or (ii) a Transfer in which the Eligible Securities to be Transferred by the Institutional Securityholders, plus the Eligible Securities to be Transferred by the Other Securityholders pursuant to this Section 4.02(a), constitute more than 50% of the outstanding Eligible Securities in a particular class or series to a Third Party pursuant to a bona fide sale, or (iii) a sale of all or substantially all of the assets of the Company to a Third Party pursuant to a bona fide sale (any of (i), (ii) or (iii), a "**Compelled Sale**"), the Institutional Securityholders together may at their option require all Other Securityholders to vote all securities of the Company then held by such Other Securityholders in favor of such Compelled Sale and to Transfer the Drag-Along Portion of such class or series of Eligible Securities ("**Drag-Along Rights**") then held by every Other Securityholder, and in the case of a Compelled Sale involving Common Units (but subject to and at the closing of the Compelled Sale) to exercise such number of options or warrants (including the Warrant and including, at the option of Hynix, pursuant to Section 2(c) thereof) for Common Units held by every Other Securityholder as is required in order that a sufficient number of Common Units are available to Transfer the relevant Drag-Along Portion of each such Other Securityholder, for the same consideration per unit of the relevant class of Eligible Security and otherwise on the same terms and conditions as the Institutional Securityholders, provided that any Other Securityholder who holds options or warrants (including the Warrant) the exercise price per share of which is greater than the per share price at which the Common Units are to be Transferred to the Third Party may, if required by the Institutional Securityholders to exercise such options or warrants (including the Warrant), in place of such exercise, submit to irrevocable cancellation thereof without any liability for payment of any exercise price with respect thereto. If the Compelled Sale is not consummated with respect to any Common Units acquired upon exercise of such options or warrants (including the Warrant), or the Compelled Sale is not consummated, such options or warrants (including the Warrant) shall be deemed not to have been exercised or canceled, as applicable. The CVC US Securityholder Representative and the FP Securityholder Representative, on behalf of the Institutional Securityholders, shall provide written notice of such Compelled Sale to the Other Securityholders (a "**Compelled Sale Notice**") not later than the 15th day prior to the proposed Compelled Sale. The Compelled Sale Notice shall identify the transferee, in the case of a Compelled Sale pursuant to clauses (i) or (ii) of this Section 4.02(a), the number of Eligible Securities subject to the Compelled Sale, the consideration for which either a Transfer or a sale of all or substantially all of the assets of the Company, as appropriate, is proposed to be made (the "**Compelled Sale Price**") and all other material terms and conditions of the Compelled Sale. The number of Eligible Securities to be sold by each Other Securityholder will be the Drag-Along Portion of the class of Eligible Securities that such Other Securityholder owns. Each Other Securityholder shall be required to participate in the Compelled Sale on the terms and conditions set forth in the Compelled Sale Notice and to tender all its Eligible Securities as set forth below. The price payable in such Transfer shall be the Compelled Sale Price. Not later than the tenth day following the date of the Compelled Sale Notice (the "**Compelled Sale Notice Period**"), each of the Other Securityholders shall deliver to a representative of the Institutional

Securityholders designated in the Compelled Sale Notice certificates (to the extent the Eligible Securities are certificated), and in the case of options or warrants (including the Warrant), the applicable instrument, representing all Eligible Securities comprising the Drag-Along Portion held by such Other Securityholder, duly endorsed, together with all other documents required to be executed in connection with such Compelled Sale or, if such delivery is not permitted by applicable law, an unconditional agreement to deliver such Eligible Securities pursuant to this Section 4.02(a) at the closing for such Compelled Sale against delivery to such Other Securityholder of the consideration therefor. If an Other Securityholder should fail to deliver such certificates to the Institutional Securityholders, the Company (subject to reversal under Section 4.02(b)) shall cause the books and records of the Company to show that such Eligible Securities are bound by the provisions of this Section 4.02(a) and that such Eligible Securities shall be Transferred to the Third Party immediately upon surrender for Transfer by the holder thereof. The Other Securityholders shall (a) be required (i) to bear their proportionate share of any escrows, holdbacks or adjustments in purchase price and any transaction expenses, (ii) to make such representations, warranties and covenants and enter into such agreements as are customary for transactions of the nature of the Compelled Sale, in each case under the terms of any definitive agreements relating to such Compelled Sale, (b) benefit from all of the same provisions of the definitive agreements as the Institutional Securityholders, (c) with respect to each class of Eligible Securities to be Transferred in such Compelled Sale, have the right to receive the same form of consideration and same amount of consideration as each other holder of such class, and (d) if any holders of a class of Eligible Securities are given an option as to the form and amount of consideration received, each holder of such class of Eligible Securities shall be given the same option, it being understood that any liability of any Other Securityholder for indemnification or similar post-closing obligations shall not exceed the consideration such Other Securityholder receives in the Compelled Sale and shall be a proportional share of any such liability based on such Other Securityholder's share of the aggregate consideration in the Compelled Sale.

(b) The Institutional Securityholders shall have a period of 90 days from the date of receipt of the Compelled Sale Notice to consummate the Compelled Sale on the terms and conditions set forth in such Compelled Sale Notice, *provided* that, if such Compelled Sale is subject to regulatory approval, such 90-day period shall be extended until the expiration of five Business Days after all such approvals have been received, but in no event later than 180 days following the receipt of the Compelled Sale Notice by the Other Securityholders. If the Compelled Sale shall not have been consummated during such period, the Institutional Securityholders shall return to each of the Other Securityholders all certificates or other applicable instruments (including the Warrant) representing Eligible Securities that such Other Securityholders delivered for Transfer pursuant hereto, together with any documents in the possession of the Institutional Securityholders executed by the Other Securityholders in connection with such proposed Transfer, and all the restrictions on Transfer contained in the Securityholders' Agreement or otherwise applicable at such time with respect to such Eligible Securities owned by the Other Securityholders shall again be in effect.

(c) Concurrently with the consummation of the Transfer of Eligible Securities pursuant to this Section 4.02, the CVC US Securityholder Representative and the FP Securityholder Representative, on behalf of the Institutional Securityholders, shall give notice thereof to the Other Securityholders, shall remit to each of the Other Securityholders who have

surrendered their certificates or other applicable instruments the total consideration (the cash portion of which is to be paid by wire transfer of immediately available funds, or if requested by the Other Securityholders, bank or certified check) for the Eligible Securities Transferred pursuant hereto, less such Other Securityholder's proportionate share of any escrows, holdbacks or adjustments in purchase price, and any transaction expenses and shall furnish such other evidence of the completion and time of completion of such Transfer and the terms thereof as may be reasonably requested by such Other Securityholders. The Institutional Securityholders shall promptly remit any additional consideration payable upon the release of any escrows or holdbacks or the payment of any adjustments.

(d) Notwithstanding anything contained in this Section 4.02, there shall be no liability on the part of the Institutional Securityholders to the Other Securityholders (other than the obligation to return any certificates or other applicable instruments representing Eligible Securities received by the Institutional Securityholders) if the Transfer of Eligible Securities pursuant to this Section 4.02 is not consummated for whatever reason, regardless of whether the Institutional Securityholders have delivered a Compelled Sale Notice. Whether to effect a Transfer of Eligible Securities pursuant to this Section 4.02 by the Institutional Securityholders is in the sole and absolute discretion of the Institutional Securityholders.

(e) This Section 4.02 shall terminate upon the third anniversary of the First Public Offering.

*Definitions*

Capitalized terms not otherwise defined in this Annex I shall have the meaning set forth in the MagnaChip Semiconductor LLC Equity Incentive Plan (the "**Plan**"). The following terms, as used herein, have the following meanings:

"**Affiliate**" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with such Person, *provided* that no securityholder of the Company shall be deemed an Affiliate of any other securityholder solely by reason of any investment in the Company. For the purpose of this definition, the term "**control**" (including with correlative meanings, the terms "**controlling**", "**controlled by**" and "**under common control with**"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"**Aggregate Ownership**" means, with respect to any Securityholder or group of Securityholders, and with respect to any class of Eligible Securities, the total number of shares, units (or other unit of measurement into which such securities are designated) of such class of Eligible Securities "beneficially owned" (as such term is defined in Rule 13d-3 of the Exchange Act) (without duplication) by such Securityholder or group of Securityholders as of the date of such calculation, calculated as if all units issuable in respect of securities convertible into or exchangeable for such units, have been issued and all options, warrants (including the Warrant) and other rights to purchase or subscribe for units of such class of Eligible Securities have been exercised (regardless of any vesting provisions contained therein); *provided*, that the determination of the Aggregate Ownership of a Securityholder with respect to Common Units

shall not include any of a Securityholder's Preferred Units that have not been converted into Common Units at the time of determination.

"**Business Day**" means any day except a Saturday, Sunday or other day on which commercial banks in New York City are authorized by law to close.

"**Company Securities**" means (i) the Common Units and Preferred Units, (ii) securities convertible into or exchangeable for Common Units and/or Preferred Units and (iii) options, warrants (including the Warrant) or other rights to acquire Common Units, Preferred Units or any other equity or equity-linked security issued by the Company.

"**CVC US Securityholder Representative**" means CVC Equity Fund as agent for CVC Employee Fund, CVC Equity Fund, CVC Executive Fund, CVC Co-Investors, and their Permitted Transferees that are Securityholders. The entity appointed as the CVC US Securityholder Representative may be replaced at any time and from time to time by the vote of a majority of the Eligible Securities held by CVC Employee Fund, CVC Equity Fund and CVC Executive Fund, CVC Co-Investors, and their Permitted Transferees.

"**Dollars**" or "**$**" means the lawful currency of the United States of America.

"**Drag-Along Portion**" means, with respect to any Other Securityholder and any series or class of Eligible Securities, (i) the Aggregate Ownership of such series or class of Eligible Securities by such Other Securityholder multiplied by (ii) a fraction, the numerator of which is the number of units of such series or class of Eligible Securities proposed to be purchased by a Third Party in the applicable Compelled Sale under Section 4.02 and the denominator of which is the Fully-Diluted number of units of such series or class of Eligible Securities.

"**Eligible Securities**" means (a) the Company Securities and (b) any New Securities purchased by a Securityholder pursuant to Section 4.04.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

"**First Public Offering**" means the first Public Offering of Common Units (or securities into which the Common Units have been converted or changed) after the date hereof.

"**FP Securityholder Representative**" means FP LP as agent for FP LP and FP Fund A and their Permitted Transferees that are Securityholders. The entity appointed as the FP Securityholder Representative may be replaced at any time and from time to time by the vote of a majority of the Eligible Securities held by FP LP and FP Fund A and their Permitted Transferees.

"**Fully Diluted**" means, with respect to any series or class of Eligible Securities, all outstanding units of such series or class of Eligible Securities and all units issuable in respect of securities convertible into or exchangeable for such units, all options, warrants (including the Warrant) and other rights to purchase or subscribe for units of such series or class of Eligible Securities or securities convertible into or exchangeable for units of such series or class of Eligible Securities, *provided* that, to the extent any of the foregoing options, warrants or other

rights to purchase or subscribe for such Eligible Securities are subject to vesting, the Eligible Securities subject to vesting shall be included in the definition of "**Fully Diluted**" only upon and to the extent of such vesting.

"**Initial Ownership**" means, with respect to any Securityholder and any series or class of Eligible Securities, the Aggregate Ownership of such series or class by such Securityholder as of October 6, 2004, or, in the case of any Person who shall become a party to the Securityholders' Agreement on a later date, as of such later date, in each case taking into account any unit split, unit dividend, reverse unit split or similar event.

"**Institutional Securityholder**" means each of CVC US and FP and, to the extent either entity shall have transferred any of its Eligible Securities to any of its Permitted Transferees, shall mean the Institutional Securityholder and such Permitted Transferees, taken together.

"**New Securities**" means any equity securities of the Company issued after the date hereof that do not constitute Company Securities.

"**Other Securityholders**" means all Securityholders other than the Institutional Securityholders and, to the extent any such Other Securityholders shall have transferred any of their Eligible Securities to any of their Permitted Transferees, shall mean the Other Securityholders and such Permitted Transferees, taken together. For purposes of this Annex I, "Other Securityholders" shall include recipients of Awards under the Plan.

"**Permitted Transferee**" means

(a) in the case of CVC Asia II Limited, CVC Asia LP, CVC Asia Investors and each of their respective Permitted Transferees, each of (A) CVC Asia II, LP, Asia Enterprise II Domestic LLC, Asia Enterprise II Offshore, L.P., Citigroup, Inc. or any of its Affiliates in their capacity as co-investors with such Persons and any other fund, co-investment partnership or similar investment vehicle formed for the purpose of investing with CVC Asia LP or CVC Asia II LP (each a "**CVC Asia Pacific Fund**"), (B) any general or limited partner of any CVC Asia Pacific Fund or co-investment partnership (each, a "**CVC Asia Pacific Partner**," and, collectively, the **"CVC Asia Pacific Partners**"), and any corporation, partnership or other entity that is an Affiliate of any CVC Asia Pacific Partner (collectively "**CVC Asia Pacific Affiliates**"), (C) any managing director, general partner, director, limited partner, officer or employee of any CVC Asia Pacific Fund, any CVC Asia Pacific Partner or any CVC Asia Pacific Affiliate, or any spouse, lineal descendant, sibling, parent, heir, executor, administrator, testamentary trustee, legatee or beneficiary of any of the foregoing persons described in this clause (C) (collectively, "**CVC Asia Pacific Associates**"), (D) any trust, the beneficiaries of which, any charitable trust, the grantor of which, or any corporation, limited liability company or partnership, the stockholders, members or general or limited partners of which include only one or more CVC Asia Pacific Funds, CVC Asia Pacific Partners, CVC Asia Pacific Affiliates, CVC Asia Pacific Associates, their spouses or their lineal descendants and (E) with respect to CVC Asia II Limited, Citicorp North America, Inc. ("**Citicorp N.A.**") in its capacity as a secured lender under the certain Specific Recourse Loan Facility Agreement (the "**CVC Asia Loan Agreement**"), dated as of September 15, 2004, and any Affiliate of Citicorp N.A. to whom

Citicorp N.A. assigns its rights and obligations under the CVC Asia Loan Agreement (the Persons described in clauses (A) through (E), the "**CVC Asia Pacific Permitted Transferees**"); *provided*, that each of CVC Employee Fund, CVC Equity Fund and CVC Executive Fund shall not be a "Permitted Transferee" of any CVC Asia Pacific Investors; *provided further* that to the extent a Person is a Permitted Transferee under both subparagraphs (i) and (ii) of this definition of "Permitted Transferee" such Person may transfer any Eligible Securities it receives as a Permitted Transferee pursuant to this subparagraph (i) only to a CVC Asia Pacific Permitted Transferee and, for purposes of any provision of the Securityholders' Agreement pursuant to which the Eligible Securities of CVC Asia Pacific Investors and its Permitted Transferees are aggregated hereunder, such Person shall be deemed a Permitted Transferee pursuant to this subparagraph (i) only to the extent of the Eligible Securities held by such Person as a Permitted Transferee pursuant to this subparagraph (i);

(b) in the case of CVC Employee Fund, CVC Equity Fund, CVC Executive Fund, CVC Co-Investors and each of their respective Permitted Transferees, (A) any CVC US fund or co-investment partnership or similar investment vehicle, (B) (1) any general or limited partner of any CVC US fund or co-investment partnership (collectively, a "**CVC US Partner**"), and (2) Citigroup and any corporation, partnership or other entity that is an Affiliate of Citigroup or any CVC US Partner (collectively "**CVC US Affiliates**"), (C) any CVC Co-Investor, Diana K. Mayer or any managing director, general partner, director, limited partner, officer or employee of any CVC US fund, any CVC US Partner or any CVC US Affiliate, or any spouse, lineal descendant, sibling, parent, heir, executor, administrator, testamentary trustee, legatee or beneficiary of any of the foregoing persons described in this clause (C) (collectively, "**CVC US Associates**"), (D) any trust, the beneficiaries of which, any charitable trust, the grantor of which, or any corporation, limited liability company or partnership, the stockholders, members or general or limited partners of which include only CVC US, CVC US Partners, CVC US Affiliates, CVC Associates, their spouses or their lineal descendants (the Persons described in clauses (A) through (D), the "**CVC US Permitted Transferees**"); *provided*, that each of CVC Asia II Limited, CVC Asia LP and CVC Asia Investors shall not be a "Permitted Transferee" of CVC US; *provided further* that to the extent a Person is a Permitted Transferee under both subparagraphs (i) and (ii) of this definition of "Permitted Transferee" such Person may transfer any Eligible Securities it receives as a Permitted Transferee pursuant to this subparagraph (ii) only to a CVC US Permitted Transferee and, for purposes of any provision of the Securityholders' Agreement pursuant to which the Eligible Securities of CVC US and its Permitted Transferees are aggregated hereunder, such Person shall be deemed a Permitted Transferee pursuant to this subparagraph (ii) only to the extent of the Eligible Securities held by such Person as a Permitted Transferee pursuant to this subparagraph (ii);

(c) in the case of FP LP, FP Fund A, and each of their Permitted Transferees, (A) any FP fund or co-investment partnership or limited liability company, including without limitation, FP Annual Investors, LLC, a Delaware limited liability company and FP-Magnachip Coinvest, LLC, a Delaware limited liability company, (B) (1) any general or limited partner of any FP fund or co-investment partnership (collectively, an "**FP Partner**"), and (2) any corporation, partnership or other entity that is an Affiliate of any FP Partner (collectively "**FP Affiliates**") or (3) any manager or member of any FP co-investment limited liability company (collectively, "**FP Member**"), (C) any managing director, general partner, director, limited partner, officer or employee of any FP fund, any FP Partner, any FP Affiliate or any FP Member,

or any spouse, lineal descendant, sibling, parent, heir, executor, administrator, testamentary trustee, legatee or beneficiary of any of the foregoing persons described in this clause (C) (collectively, "**FP Associates**"), (D) any trust, the beneficiaries of which, any charitable trust, the grantor of which, or any corporation, limited liability company or partnership, the stockholders, members or general or limited partners of which include only FP, FP Partners, FP Affiliates, FP Associates, FP Members, their spouses or their lineal descendants;

(d) in the case of Peninsula and its Permitted Transferees, any Affiliate of Peninsula; *provided*, that the consent of both the CVC US Securityholder Representative and the FP Securityholder Representative, which consent shall not be unreasonably withheld shall be obtained prior to such Transfer;

(e) in the case of Hynix and its Permitted Transferees, any controlled Affiliate of Hynix; and

(f) in the case of any Other Securityholder (other than Peninsula and Hynix) that is or becomes a party to the Securityholders' Agreement and its Permitted Transferees, (A) a Person to whom Common Units are Transferred from such Other Securityholder (1) by will or the laws of descent and distribution or (2) by gift without consideration of any kind, *provided* that, in the case of clause (2), such transferee is (x) the spouse or the lineal descendant, sibling or parent of such Securityholder, or (y) if such Securityholder is a trust, or family corporation, limited liability company or partnership of the type described in the following clause (B), a beneficiary of, or a stockholder, member or partner of, such Securityholder or (B) any trust, the beneficiaries of which, any charitable trust, the grantor of which, or any corporation, limited liability company or partnership, the stockholders, members or general or limited partners of which include only such Other Securityholder or its Permitted Transferees.

"**Person**" means an individual, corporation, limited liability company, partnership, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"**Preferred Units**" means the Series A Preferred Units and the Series B Preferred Units.

"**Securities**" means the Common Units and Preferred Units.

"**Securities Act**" means the United States Securities Act of 1933, as amended.

"**Securityholder**" means each Person (other than the Company) who shall be a party to or bound by the Securityholders' Agreement, so long as such Person shall "beneficially own" (as such term is defined in Rule 13d-3 of the Exchange Act) any Eligible Securities.

"**Securityholders' Agreement**" means the Amended and Restated Securityholders' Agreement dated as of October 6, 2004 among (i) the Company, (ii) CVC Capital Partners Asia Pacific LP, a Cayman Islands limited partnership ("**CVC Asia LP**"), Asia Investors LLC, a Delaware limited liability company ("**CVC Asia Investors**") and CVC Capital Partners Asia II Limited, a Jersey company ("**CVC Asia II Limited**" and, collectively with CVC Asia LP and CVC Asia Investors, "**CVC Asia Pacific Investors**"), (iii) Citigroup Venture

Capital Equity Partners, L.P., a Delaware limited partnership ("**CVC Equity Fund**"), CVC Executive Fund LLC, a Delaware limited liability company ("**CVC Executive Fund**"), CVC/SSB Employee Fund, L.P., a Delaware limited partnership ("**CVC Employee Fund**"), the persons named on Schedule I thereto (collectively, the "**CVC Co-Investors**" and, collectively with CVC Equity Fund, CVC Executive Fund and CVC Employee Fund, "**CVC US**"), (iv) Francisco Partners, L.P., a Delaware limited partnership ("**FP LP**"), Francisco Partners Fund A, L.P., a Delaware limited partnership ("**FP Fund A**" and, collectively, with FP LP and FP Fund A, "**FP**"), (v) Peninsula Investment Pte. Ltd., a Singapore private company ("**Peninsula**"), (vi) Hynix Semiconductor Inc. ("**Hynix**"), (vii) certain management investors named therein and (viii) such persons that shall sign joinder agreements to the Securityholders' Agreement in accordance with the terms hereof.

"**Series A Preferred Units**" means the Series A Preferred Membership Interests of the Company having the rights, including voting rights, described in the LLC Agreement and any securities into which such Series A Preferred Membership Interests may hereafter be converted or changed.

"**Series B Preferred Units**" means the Series B Preferred Membership Interests of the Company having the rights, including voting rights, described in the LLC Agreement and any securities into which such Series B Preferred Membership Interests may hereafter be converted or changed.

"**Subsidiary**" means, with respect to any Person, any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person.

"**Third Party**" means a prospective purchaser(s) of (i) Eligible Securities from a Securityholder or (ii) all or substantially all of the assets of the Company, in an arm's-length transaction where such purchaser is not a Permitted Transferee or other Affiliate of any Securityholder.

"**Transfer**" means, with respect to any Eligible Security, (i) when used as a verb, to sell, assign, dispose of, exchange, pledge, encumber, hypothecate or otherwise transfer such security or any participation or interest therein, whether directly or indirectly, or agree or commit to do any of the foregoing and (ii) when used as a noun, a direct or indirect sale, assignment, disposition, exchange, pledge, encumbrance, hypothecation or other transfer of such security or any participation or interest therein or any agreement or commitment to do any of the foregoing.

"**Warrant**" means the warrant dated as of the Closing Date issued by the Company to Hynix for the purchase of Common Units.

**Exhibit 10.25**

**MAGNACHIP SEMICONDUCTOR LLC**
**CALIFORNIA EQUITY INCENTIVE PLAN**

MagnaChip Semiconductor LLC, a Delaware limited liability company, wishes to attract outstanding employees, consultants and non-employee directors to the Company and its Subsidiaries, to induce employees, consultants and non-employee directors to remain with the Company and its Subsidiaries, to encourage them to increase their efforts to make the business of the Company and its Subsidiaries more successful and to enhance equity holder value. In furtherance thereof, the MagnaChip Semiconductor LLC Equity Incentive Plan is designed to provide employees, consultants and non-employee directors a greater stake in the success of the Company and its Subsidiaries and a closer identity with it, and to encourage ownership of the Company's Common Units by such employees, consultants and non-employee directors.

1. DEFINITIONS.

Whenever used herein and unless otherwise provided in the Holder's Award Agreement, the following terms shall have the meanings set forth below:

"Award" means an award of Restricted Units, Options or SARs under the Plan.

"Award Agreement" means any written agreement in a form approved by the Committee to be entered into by the Company and the Holder to evidence the Award of Options, Restricted Units or SARs.

"Board" means the Board of Directors of the Company as defined in the LLC Agreement.

"Cause" means, unless otherwise defined in the Holder's employment or consulting agreement, as applicable: (i) the Holder's willful misconduct or gross negligence in connection with the performance of the Holder's duties for the Company or its Subsidiaries; (ii) the Holder's conviction of, or a plea of nolo contendre to, a felony or a crime involving fraud or moral turpitude; (iii) the Holder's engaging in any business that directly or indirectly competes with the Company or its Subsidiaries; or (iv) disclosure of trade secrets, customer lists or confidential information of the Company or its Subsidiaries to a competitor or unauthorized person.

"Change of Control" means such time as:

(i) any "person" (as such term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act), other than

(A) the Institutional Securityholders and/or their respective permitted transferees, or

(B) any "group" (within the meaning of such Section 13(d)(3)) of which either of the Institutional Securityholders constitutes a majority (on the basis of ownership interest),

acquires, directly or indirectly, by virtue of the consummation of any purchase, merger or other combination, securities of the Company representing more than 51% of the combined voting power of the Company's then outstanding voting securities with respect to matters submitted to a vote of the holders of Units generally; or

(ii) a sale or transfer by the Company or any of its Subsidiaries of substantially all of the consolidated assets of the Company and its Subsidiaries to a Person that is not an affiliate of the Company prior to such sale or transfer.

"Code" means the Internal Revenue Code of 1986, as amended.

"Committee" means the committee designated by the Board to administer the Plan under Section 3. If no such committee has been established, then the Board shall perform the duties of the Committee hereunder.

"Common Units" means common membership interests having the rights, including voting rights, described in the LLC Agreement.

"Company" means MagnaChip Semiconductor LLC, a Delaware limited liability company.

"Disability" means that the Company determines that due to physical or mental illness or incapacity, whether total or partial, the Holder is substantially unable to perform his duties hereunder for a period of 180 consecutive days or shorter periods aggregating 180 days during any period of 365 consecutive days. The Holder shall permit a licensed physician agreed to by the Company and the Holder (or, in the event that the Company and the Holder cannot agree, by a licensed physician agreed upon by a physician selected by the Company and a physician selected by the Holder) to examine the Holder from time to time prior to the Holder's being determined to be Disabled, as reasonably requested by the Company, to determine whether the Holder has suffered a Disability hereunder.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exercise Price" means the exercise price per Common Unit of an Option.

"Fair Market Value" shall mean the fair market value of Common Units, as determined by the Committee in good faith in its sole and absolute discretion.

"Holder" means an employee, consultant or non-employee director of the Company to whom an Award is made, or the Successors of the Holder, as the context so requires.

"Institutional Securityholder" means each of Citigroup Venture Capital Equity Partners, L.P., CVC Executive Fund LLC, CVC/SSB Employee Fund, L.P., Francisco Partners, L.P. and Francisco Partners Fund A, L.P.

"LLC Agreement" means the Second Amended and Restated Limited Liability Company Operating Agreement of MagnaChip Semiconductor LLC dated as of September 23, 2004, as amended from time to time.

"Non-Qualified Option" means an Option which is not intended to be an "incentive stock option" within the meaning of Section 422(b) of the Code and designated as a Non-Qualified Option.

"Option" means any option to purchase Common Units granted from time to time under Section 6 of the Plan.

"Option Award Agreement" means any written agreement in a form approved by the Committee to be entered into by the Company and the Holder to evidence the Award of Options under Section 6 of the Plan.

"Person" means any individual, partnership, corporation, company, limited liability company, association, trust, joint venture, unincorporated organization, entity or division, or any government, governmental department or agency or political subdivision thereof.

"Plan" means this MagnaChip Semiconductor LLC Equity Incentive Plan, as amended from time to time.

"Public Offering" means an underwritten public offering of the Common Units of the Company (or any successor to the Company) pursuant to an effective registration statement under the Securities Act other than pursuant to a registration statement on Form S-4 or Form S-8 or any similar or successor form, *provided* that the proceeds of such public offering amount to at least $30,000,000 of gross proceeds to the Company (or any successor to the Company).

"Restricted Units" means Common Units awarded by the Committee under Section 8 of the Plan.

"Restricted Unit Agreement" means any written agreement in a form approved by the Committee to be entered into by the Company and the Holder to evidence the Award of Restricted Units under Section 8 of the Plan.

"Restriction Period" means the period during which Restricted Units awarded under Section 8 of the Plan is subject to forfeiture.

"SAR" means a unit appreciation right awarded by the Committee under Section 7 of the Plan.

"SAR Award Agreement" means any written agreement in a form approved by the Committee to be entered into by the Company and the Holder to evidence the Award of SARs under Section 7 of the Plan.

"Securities Act" means the Securities Act of 1933, as amended.

"Subsidiary" of any Person (with respect to such Subsidiary, the "parent") means any other Person whose (a) securities having ordinary voting power to elect a majority of its board of directors or managing or general partners (or other persons having similar functions) or (b) other ownership interests (including partnership and membership interests) ordinarily constituting a majority interest in the capital, profits or cash flow of such Person, are at the time, directly or indirectly, owned or controlled by such parent, or by one or more other Subsidiaries of such parent, or by such parent and one or more of its other Subsidiaries.

"Successor Holder" means: (i) the legal representative of the estate of a deceased Holder or (ii) the person who shall acquire the right to exercise an Award by bequest or inheritance or other transfer or by reason of the death of the Holder or (iii) persons who shall acquire the right to exercise an Award on behalf of the Holder as the result of a determination by a court or other governmental agency of the incapacity of the Holder.

"Ten Percent Holder" means a person who owns (or is deemed to own pursuant to Section 424(d) of the Code) securities possessing more than ten percent (10%) of the total combined voting power of all classes of securities of the Company, any parent or of any of its Subsidiaries.

"Termination of Service" means a Holder's termination of employment or other service, as applicable, with the Company and its Subsidiaries for any reason, including death, Disability, termination by the Company with or without Cause and resignation by the Holder.

"Units" means all ownership interests in the Company.

2. EFFECTIVE DATE AND TERMINATION OF PLAN.

The effective date of the Plan is March 21, 2005; provided that no Common Units shall be issued pursuant to an Award unless and until the Plan has been approved by the holders of the Units, which approval shall be within twelve (12) months before or after the date the Plan is adopted by the Board. The Plan shall terminate on, and no Awards shall be granted hereunder on or after the 10th year anniversary of the effective date of the Plan; provided, however, that the Board may at any time prior to that date terminate the Plan. However, the termination of the Plan shall not affect any Awards granted prior to such termination.

3. ADMINISTRATION OF PLAN.

(a) The Plan shall be administered by the Committee, which shall have full power and authority to interpret the Plan. The Committee shall have full authority to determine to whom Awards will be granted, the type and amount of Awards to be granted, the terms and conditions of Awards granted under the Plan and the terms of Award Agreements to be entered into with Holders.

(b) The Award Agreement shall contain such terms, provisions and conditions not inconsistent herewith as determined by the Committee. The Holder shall take whatever additional actions and execute whatever additional documents the Committee may in its

reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Holder pursuant to the express provisions of the Plan and the Award Agreement.

4. ELIGIBILITY.

(a) General. Any employee, consultant or non-employee director of the Company or a Subsidiary who is designated by the Committee as eligible to participate in the Plan shall be eligible to receive an Award under the Plan.

(b) Ten Percent Holders.

(i) A Ten Percent Holder shall not be granted an Option or SAR (if such SAR could be settled in Units) unless the per unit exercise price of such Option or such SAR is at least (i) one hundred ten percent (110%) of the Fair Market Value of a Common Unit on the date of grant or (ii) such lower percentage of the Fair Market Value of a Common Unit on the date of grant as is permitted by Section 260.140.42 of Title 10 of the California Code of Regulations at the time of the grant of the Option or SAR. In addition, an Option or SAR (if such SAR could be settled in Units) granted to a Ten Percent Holder shall not be exercisable after the expiration of five (5) years from the date of grant.

(ii) A Ten Percent Holder shall not be granted a Restricted Unit Award, unless the purchase price per Common Unit of the Restricted Unit Award is at least (i) one hundred percent (100%) of the Fair Market Value of a Common Unit on the date of grant or (ii) such lower percentage of the Fair Market Value of a Common Unit on the date of grant as is permitted by Section 260.140.42 of Title 10 of the California Code of Regulations at the time of the grant of the award.

(c) Consultants. A consultant shall not be eligible for the grant of an Award if, at the time of grant, either the offer or the sale of the Company's securities to such consultant is not exempt under Rule 701 of the Securities Act ("Rule 701") because of the nature of the services that the consultant is providing to the Company, because the consultant is not a natural person, or because of some other provision of Rule 701.

5. UNITS SUBJECT TO THE PLAN.

(a) Subject to adjustments as provided in Section 12, as of the effective date of the Plan, the aggregate maximum number of Common Units available for grant under the Plan and the MagnaChip Semiconductor LLC Equity Incentive Plan shall be 6,190,864. Any Common Units that have been reserved for distribution in payment for an Award but are later forfeited or for any other reason are not issued under the Plan may again be made the subject of Awards under the Plan.

(b) Upon issuance of an Award under the Plan, the Holder and any Successor of the Holder agrees to be bound by the LLC Agreement to the same extent as would a "Member," as that term is defined in the LLC Agreement, and to execute a Joinder to the LLC Agreement in the form of Exhibit B thereto. Without limiting the generality of the foregoing, each Holder agrees to any transfer restrictions, drag-along rights or other obligations delineated

in the LLC Agreement. Additionally, any amendment to the LLC Agreement that effects a provision contained herein shall be deemed to be an amendment to the Plan.

(c) The Holder and any Successor of the Holder agree to be bound by the provisions in Annex I hereto regarding required transfers.

(d) The certificates (if any) for Common Units issued hereunder may include any legend which the Committee deems appropriate to reflect any restrictions on transfer hereunder, under the Securityholders' Agreement, the LLC Agreement or under the Award Agreement, or as the Committee may otherwise deem appropriate.

(e) Plan Reserve Limitation. To the extent required by Section 260.140.45 of Title 10 of the California Code of Regulations, the total number of Common Units issuable upon exercise of all outstanding Options and the total number of Common Units provided for under any Unit bonus or similar plan of the Company shall not exceed the applicable percentage as calculated in accordance with the conditions and exclusions of Section 260.140.45 of Title 10 of the California Code of Regulations, based on the Common Units of the Company that are outstanding at the time the calculation is made.

6. OPTIONS.

Options give an employee, consultant or non-employee director the right to purchase a specified number of Common Units from the Company for a specified time period at a specified price. Options issued under the Plan are Non-Qualified Options. The grant of Options shall be subject to the following terms and conditions:

(a) Option Grants: Options shall be evidenced by an Option Award Agreement. Such agreement shall conform to the requirements of the Plan, and may contain such other provisions as the Committee shall deem advisable.

(b) Option Price: Unless otherwise determined by the Committee and provided for in an Option Award Agreement or as provided for in Section 4(b), the Exercise Price of an Option shall be not less than the Fair Market Value of a Common Unit on the date of grant.

(c) Term of Options: The Option Award Agreements shall specify when an Option may be exercisable and the terms and conditions applicable thereto. The term of an Option shall in no event be greater than ten years. Unless earlier expired, forfeited or otherwise terminated, each Option shall expire in its entirety upon the day after the last day of its term. The Option shall also expire, be forfeited and terminate at such times and in such circumstances as otherwise provided hereunder, in the LLC Agreement, in the Securityholders' Agreement or under the Option Award Agreement.

(d) Vesting: The total number of Common Units subject to an Option may, but need not, vest and therefore become exercisable in periodic installments that may, but need not, be equal. The Option may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on performance or other criteria) as the

Committee may deem appropriate. The vesting provisions of individual Options may vary. Each Option, to the extent that the Holder has not had a Termination of Service and the Option has not otherwise lapsed, expired, terminated or been forfeited, shall vest according to the schedule set forth in the Option Award Agreement. No Option shall become exercisable until such Option becomes vested.

(e) Minimum Vesting. Notwithstanding the foregoing Section 6(d), to the extent that the following restrictions on vesting are required by Section 260.140.41(f) of Title 10 of the California Code of Regulations at the time of the grant of the Option, then:

(i) An Option granted to an employee who is not an officer, director or consultant shall provide for vesting of the total number of Common Units subject to the Option at a rate of at least twenty percent (20%) per year over five (5) years from the date the Option was granted, subject to reasonable conditions such as continued employment; and

(ii) Options granted to officers, directors or consultants may have such vesting provisions as the Committee.

(e) No Rights as Securityholder: Except as required by law, the Holder shall not have any rights as a securityholder with respect to any Units covered by the Options granted under the Plan until such time as the Units issuable upon exercise of such Options have been so issued.

(f) Restrictions on Transferability: An Option shall not be pledged, assigned or transferred except by will or by the laws of descent and distribution, and shall be exercisable during the lifetime of the Holder only by the Holder. The Successors of the Holder shall, in all cases, be subject to the provisions of the Option Award Agreement between the Company and the Holder. Notwithstanding the generality of the foregoing, the Committee may (but need not) permit other transfers of Options; provided such transfers otherwise conform to (i) the LLC Agreement, (ii) the provisions set forth in Annex I and, (iii) to the extent permitted by Section 260.140.41(d) of Title 10 of the California Code of Regulations.

(g) Effect of Termination of Service on Outstanding Options:

(i) Termination of Service by Reason of Death or Disability: If a Holder incurs a Termination of Service due to death or Disability, any unexercised Option granted to the Holder may thereafter be exercised by the Holder (or, where appropriate, the Successor Holder), to the extent it was exercisable at the time of termination or on such accelerated basis as the Committee may determine at or after grant, (x) for a period of 12 months or such longer or shorter term from the date of such Termination of Service as determined by the Committee at or after the grant date (but in no event shorter than six (6) months after the date of Termination of Service) or (y) until the expiration of the stated term of the Option, if shorter.

(ii) Termination Not for Cause: If a Holder incurs a Termination of Service by the Company or the Subsidiary not for Cause, any vested unexercised Option granted to the Holder may thereafter be exercised by the Holder (or, where appropriate, the Successor Holder), to the extent it was vested and exercisable at the time of termination or on such

accelerated basis as the Committee may determine at or after grant, (x) for a period of 60 days from the date of such Termination of Service or such longer or shorter period as determined by the Committee at or after the grant date (but in no event shall the period be shorter than 30 days) or (y) until the expiration of the stated term of the Option, if shorter.

(iii) Termination for Cause: Unless otherwise provided by the Committee at or after grant, if a Holder incurs a Termination of Service by the Company or the Subsidiary for Cause, all unexercised Options awarded to the Holder shall terminate on the date of such termination.

(iv) Voluntary Termination: If a Holder incurs a Termination of Service by the Company or the Subsidiary not for Cause, any vested unexercised Option granted to the Holder may thereafter be exercised by the Holder (or, where appropriate, the Successor Holder), to the extent it was vested and exercisable at the time of termination or on such accelerated basis as the Committee may determine at or after grant, (x) for a period of 30 days from the date of such Termination of Service or such longer period as determined by the Committee at or (y) after the grant date or until the expiration of the stated term of the Option, whichever period is shorter.

(h) Exercise of Option: Subject to vesting and other restrictions provided for hereunder or otherwise imposed in accordance herewith, an Option may be exercised, and payment in full of the aggregate Exercise Price made, by a Holder (or, where appropriate, the Successor Holder) only by notice (in the form prescribed by the Committee) to the Company specifying the number of Common Units to be purchased. Without limiting the scope of the Committee's discretion hereunder, the Committee may impose such other restrictions on the exercise of Options (whether or not in the nature of the foregoing restrictions) as it may deem necessary or appropriate; provided that the Option shall become exercisable at the minimum rates described for vesting in Section 6(e).

(i) Payment of Option Price: The aggregate Exercise Price shall be paid in full upon the exercise of the Option. Payment must be made by one of the following methods:

(i) cash or a certified or bank cashier's check;

(ii) if approved by the Committee in its sole discretion, Common Units previously owned and held for such period of time as necessary to avoid a charge for financial accounting purposes and having an aggregate Fair Market Value on the date of exercise equal to the aggregate Exercise Price;

(iii) with consent of the Committee, which may be granted or withheld in its sole discretion, by delivery of a properly executed notice of option exercise together with irrevocable written consent to the Committee to withhold that number of Common Units (rounded up to the nearest whole unit) the Fair Market Value of which is equal to the sum of the Exercise Price and the federal, state or local income taxes legally required to be withheld with respect to the exercise of such Option and to deliver to the Holder the net number of whole Common Units remaining after such withholding, plus cash equal to the Fair Market Value of any fractional Unit eliminated by rounding; or

(iv) by any combination of such methods of payment or any other legal method acceptable to the Committee in its discretion.

7. APPRECIATION RIGHTS.

SARs give an employee, consultant or non-employee director the right to receive, upon exercise of the SAR, the increase in the Fair Market Value of a specified number of Common Units from the date of grant of the SAR to the date of exercise. The grant of SARs shall be subject to the following terms and conditions:

(a) SARs are rights to receive a payment in cash or Common Units as selected by the Committee. The value of these rights, which are determined by the appreciation in the Common Units subject to the SAR, shall be evidenced by a SAR Award Agreement. Such agreement shall conform to the requirements of the Plan and may contain such other provisions as the Committee shall deem advisable.

(b) Except as provided in Section 4(b), the base price of a SAR shall be not less than 100% of the Fair Market Value of the Common Units subject to the SAR on the date of grant.

(c) An SAR shall entitle the recipient to receive a payment equal to the excess of the Fair Market Value of the Common Units covered by the SAR on the date of exercise over the base price of the SAR. Such payment may be in cash, in Common Units, or in any combination, as the Committee shall determine.

(d) Term of SARs: The SAR Award Agreements shall specify when an SAR may be exercisable and the terms and conditions applicable thereto. Subject to Section 4(b), the term of an SAR shall in no event be greater than ten years. Unless earlier expired, forfeited or otherwise terminated, each SAR shall expire in its entirety upon the day after the last day of its term. The SAR shall also expire, be forfeited and terminate at such times and in such circumstances as otherwise provided hereunder, in the LLC Agreement, in the Securityholders' Agreement or under the SAR Award Agreement.

(e) Vesting: The total number of Common Units subject to a SAR may, but need not, vest and therefore become exercisable in periodic installments that may, but need not, be equal. The SAR may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on performance or other criteria) as the Committee may deem appropriate. The vesting provisions of individual SARs may vary. Each SAR, to the extent that the Holder has not had a Termination of Service and the SAR has not otherwise lapsed, expired, terminated or been forfeited, shall vest according to the schedule set forth in the SAR Award Agreement. No SAR shall become exercisable until such SAR becomes vested.

(f) Minimum Vesting. Notwithstanding the foregoing Section 7(e), to the extent that the following restrictions on vesting are required by Section 260.140.41(f) of Title 10 of the California Code of Regulations at the time of the grant of the SAR which is payable in Units, then:

(i) A SAR payable in Units and granted to an employee who is not an officer, director or consultant shall provide for vesting of the total number of Common Unites subject to the SAR at a rate of at least twenty percent (20%) per year over five (5) years from the date the SAR was granted, subject to reasonable conditions such as continued employment; and

(ii) SARs granted to officers, directors or consultants may have such vesting provisions as the Committee.

(g) No Rights as Securityholder: Except as required by law, the Holder shall not have any rights as a securityholder with respect to any Units covered by the SARs granted under the Plan until such time as the Units issuable, if any, upon exercise of such SARs have been so issued.

(h) Restrictions on Transferability: A SAR shall not be pledged, assigned or transferred except by will or by the laws of descent and distribution, and shall be exercisable during the lifetime of the Holder only by the Holder. The Successors of the Holder shall, in all cases, be subject to the provisions of the SAR Award Agreement between the Company and the Holder. Notwithstanding the generality of the foregoing, the Committee may (but need not) permit other transfers of SAR; provided such transfers otherwise conform to the requirements of (i) the LLC Agreement, (ii) the provisions set forth in Annex I and, (iii) to the extent permitted by Section 260.140.41(d) of Title 10 of the California Code of Regulations.

(i) Effect of Termination of Service on Outstanding SAR:

(i) Termination of Service by Reason of Death or Disability: If a Holder incurs a Termination of Service due to death or Disability, any unexercised SAR granted to the Holder may thereafter be exercised by the Holder (or, where appropriate, the Successor Holder), to the extent it was exercisable at the time of termination or on such accelerated basis as the Committee may determine at or after grant, (x) for a period of 12 months from the date of such Termination of Service or such longer or shorter period as determined by the Committee at or after grant (but in no event shall the period be shorter than 6 months after Termination of Service) or (y) until the expiration of the stated term of the SAR, whichever period is shorter.

(ii) Termination Not for Cause: If a Holder incurs a Termination of Service by the Company or the Subsidiary not for Cause, any vested unexercised SAR granted to the Holder may thereafter be exercised by the Holder (or, where appropriate, the Successor Holder), to the extent it was vested and exercisable at the time of termination or on such accelerated basis as the Committee may determine at or after grant, (x) for a period of 60 days from the date of such Termination of Service or such longer or shorter period as determined by the Committee (but in no event shorter than 30 days for a SAR payable in Units) or until the expiration of the stated term of the SAR, if shorter.

(iii) Termination for Cause: Unless otherwise provided by the Committee at or after grant, if a Holder incurs a Termination of Service by the Company or the Subsidiary for Cause, all unexercised SARs awarded to the Holder shall terminate on the date of such termination.

(iv) Voluntary Termination: If a Holder incurs a Termination of Service by the Company or the Subsidiary not for Cause, any vested unexercised SARs granted to the Holder may thereafter be exercised by the Holder (or, where appropriate, the Successor Holder), to the extent it was vested and exercisable at the time of termination or on such accelerated basis as the Committee may determine at or after grant, (x) for a period of 30 days from the date of such Termination of Service or such longer or, if the SAR is payable only in cash, shorter period of time as determined by the Committee or (y) until the expiration of the stated term of the Option, if shorter.

(j) Exercise of SAR: Subject to vesting and other restrictions provided for hereunder or otherwise imposed in accordance herewith, a SAR may be exercised by a Holder (or, where appropriate, the Successor Holder) only by notice (in the form prescribed by the Committee) to the Company specifying the number of Common Units for which the SAR will be exercised. Without limiting the scope of the Committee's discretion hereunder, the Committee may impose such other restrictions on the exercise of SARs (whether or not in the nature of the foregoing restrictions) as it may deem necessary or appropriate; provided that the SARs shall become exercisable at the minimum rates described for vesting in Section 7(f).

8. RESTRICTED UNITS.

An Award of Restricted Units is an issuance of a specified number of Common Units to an employee, consultant or non-employee director, which Units are subject to forfeiture upon the happening of specified events. Such an Award shall be subject to the following terms and conditions:

(a) An Award of Restricted Units shall be evidenced by a Restricted Unit Agreement. Such agreement shall conform to the requirements of the Plan and may contain such other provisions as the Committee shall deem advisable.

(b) Unless otherwise provided by the Board or the Committee, upon a determination of the number of Restricted Units to be distributed to the Holder, the Committee shall direct that a certificate or certificates representing the number of Common Units be issued to the Holder with the Holder designated as the registered owner. Such certificate(s), if any, representing such Units shall be legended as to sale, transfer, assignment, pledge or other encumbrances during the Restriction Period and deposited by the Holder, with the Company, to be held in escrow during the Restriction Period.

(c) During the Restriction Period the Holder shall have the right to receive dividends from and to vote the Restricted Units.

(d) The Restricted Unit Agreement shall specify the duration of the Restriction Period and the performance, employment, service or other conditions (including Termination of Service on account of death, Disability or other cause) under which the Restricted Units may be forfeited to the Company. At the end of the Restriction Period the restrictions imposed hereunder shall lapse with respect to the number of Restricted Units as determined by the Committee, and the legend shall be removed and such number of Common Units delivered to the Holder (or, where appropriate, the Holder's legal representative). The

Committee may, in its sole discretion, modify or accelerate the vesting and delivery of Restricted Units.

(e) Purchase Price. At the time of grant of a Restricted Unit Award, the Board will determine the price to be paid by the Participant for each Unit subject to the Restricted Unit Award. Subject to the provisions of Section 4(b) regarding Ten Percent Holders, the price to be paid by the Participant for each Unit subject to the Restricted Unit Award shall not be less than eighty-five percent (85%) of the Common Unit's Fair Market Value on the date such award is made or at the time the purchase is consummated. A Restricted Unit Award may be awarded as a bonus (i.e., with no cash purchase price to be paid) to the extent permissible under applicable law.

(f) Consideration. At the time of the grant of a Restricted Unit Award, the Board will determined the consideration permissible for the payment of the purchase price of the Restricted Unit Award. The purchase price of Common Unit acquired pursuant to the Restricted Unit Award shall be paid in one of the following ways: (i) in cash at the time of purchase; (ii) at the discretion of the Board and to the extent legally permissible, according to a deferred payment or other similar arrangement with the Participant; (iii) by services rendered or to be rendered to the Company; (iv) in any other form of legal consideration that may be acceptable to the Board.

(g) Vesting. Subject to the "Repurchase Limitation" in Section 8(i), Common Units acquired under a Restricted Unit Award may, but need not, be subject to a repurchase right in favor of the Company in accordance with a vesting schedule to be determined by the Board.

(h) Termination of Service. Subject to the "Repurchase Limitation" in Section 8(i), in the event of a Termination of Service, the Company may repurchase or otherwise reacquire any or all of the Common Units held by the Holder that have not vested as of the date of termination under the terms of the Restricted Unit Award agreement. Provided that the "Repurchase Limitation" in Section 8(i) is not violated, the Company will not exercise its repurchase right until at least six (6) months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes) have elapsed following the purchase of the Restricted Units unless otherwise determined by the Board or provided in the Restricted Unit Award agreement.

(i) Repurchase Limitation. The terms of any repurchase right shall be specified in the Restricted Unit Award, and the repurchase price may be either the Fair Market Value of the Common Units on the date of Termination of Service or the lower of (i) the Fair Market Value of the Common Units on the date of repurchase or (ii) their original purchase price. To the extent required by Section 260.140.41 and Section 260.140.42 of Title 10 of the California Code of Regulations at the time a Restricted Unit Award is made, any repurchase right contained in a Restricted Unit Award granted to a person who is not an officer, director or consultant shall be upon the terms described below:

(i) Fair Market Value. If the repurchase right gives the Company the right to repurchase the Common Units upon Termination of Service at not less than the Fair Market Value of the Common Units to be purchased on the date of Termination of Service, then (i) the right to repurchase shall be exercised for cash or cancellation of purchase money

indebtedness for the Common Units within ninety (90) days of the Termination of Service (or in the case of Common Units issued upon exercise of Restricted Unit Awards after such date of termination, within ninety (90) days after the date of the exercise) and (ii) the right terminates upon a Public Offering.

(ii) Original Purchase Price. If the repurchase right gives the Company the right to repurchase the Common Units upon the Termination of Service at the lower of (i) the Fair Market Value of the Common Units on the date of repurchase or (ii) their original purchase price, then (x) the right to repurchase shall lapse at the rate of at least twenty percent (20%) of the Common Units per year over five (5) years from the date the Restricted Unit Award is granted (without respect to the date the Restricted Unit Award was exercised or became exercisable) and (y) the right to repurchase shall be exercised for cash or cancellation of purchase money indebtedness for the Common Units within ninety (90) days of termination of Continuous Service (or in the case of Common Units issued upon exercise of Options after such date of termination, within ninety (90) days after the date of the exercise).

(j) Restrictions on Transferability: The right to purchase a Restricted Unit Award shall not be pledged, assigned or transferred except by will or by the laws of descent and distribution, and shall be exercisable during the lifetime of the Holder only by the Holder.

9. TAX WITHHOLDING.

The Company shall be entitled to withhold from any payments or deemed payments any amount of tax withholding determined by the Committee to be required by law. Without limiting the generality of the foregoing, the Committee may, in its discretion, require a Holder to pay to the Company at such time as the Committee determines the amount that the Committee deems necessary to satisfy the Company's obligation to withhold federal, state or local income or other taxes incurred by reason of the exercise or vesting of any Award.

10. REGULATIONS AND APPROVALS.

(a) The obligation of the Company to issue Common Units with respect to an Award granted under the Plan shall be subject to all applicable laws, rules and regulations, including all applicable federal and state securities laws, and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Committee.

(b) Without in any manner limiting the Committee's authority as set forth in Section 11, the Committee may make such changes to the Plan as may be necessary or appropriate to comply with the rules and regulations of any government authority or to obtain tax benefits applicable to an Award.

(c) Each Award is subject to the requirement that, if at any time the Committee determines, in its discretion, that the listing, registration or qualification of Common Units issuable pursuant to the Plan is required by any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance of an Award, no issuance of Common Units shall be made in whole or in part, unless listing, registration, qualification,

consent or approval has been effected or obtained free of any conditions in a manner acceptable to the Committee.

(d) In the event that the disposition of Common Units acquired pursuant to the Plan is not covered by a then current registration statement under the Securities Act, and is not otherwise exempt from such registration, such Common Units shall be restricted against transfer to the extent required under the Securities Act, and the Committee may require any individual receiving Common Units pursuant to the Plan, as a condition precedent to receipt of such Common Units, to represent to the Company in writing that such Common Units will be disposed of only if registered for sale under the Securities Act or if there is an available exemption for such disposition.

11. INTERPRETATION AND AMENDMENTS, OTHER RULES.

(a) The Committee may make such rules and regulations and establish such procedures for the administration of the Plan as it deems appropriate. Without limiting the generality of the foregoing, the Committee may (i) determine the extent, if any, to which any Award shall be forfeited (whether or not such forfeiture is expressly contemplated hereunder); (ii) interpret the Plan and the Award Agreements hereunder, with such interpretations to be conclusive and binding on all persons and otherwise accorded the maximum deference permitted by law; and (iii) take any other actions and make any other determinations or decisions that it deems necessary or appropriate in connection with the Plan or the administration or interpretation thereof. Unless otherwise expressly provided hereunder, the Committee, with respect to any grant, may exercise its discretion hereunder at the time of the grant or thereafter. In the event of any dispute or disagreement as to the interpretation of the Plan or of any rule, regulation or procedure, or as to any question, right or obligation arising from or related to the Plan, the decision of the Committee shall be final and binding upon all persons.

(b) The Board may amend the Plan or any Award as it shall deem advisable, except that no amendment may adversely affect a Holder with respect to an Award previously granted unless such amendments are required in order to comply with applicable laws; provided that the Board may not make any amendment in the Plan that would, if such amendment were not approved by the holders of the Units, cause the Plan to fail to comply with any requirement of applicable law or regulation, unless and until the approval of the holders of such Units is obtained.

12. CHANGES IN CAPITAL STRUCTURE; CERTAIN CORPORATE TRANSACTIONS.

(a) Changes in Capital Structure: In the event of a reorganization, recapitalization, spin-off, split-off, split-up, dividend payable in units, issuance of stock rights, reclassification, combination of units, shares or other securities, merger, consolidation or any other change in the structure of the Company affecting the Units, or any distribution to partners, members or other equity holders, other than a cash distribution or any other event which in the judgment of the Committee necessitates action by way of adjusting the terms of the outstanding Awards, then the Committee, in its full discretion, shall make appropriate adjustment in the number and kind of units authorized for use under the Plan and any adjustments to outstanding

Awards as it determines appropriate. The adjustments to outstanding Awards shall include, but not be limited to, the number of Common Units covered, the respective prices and/or limitations applicable to the outstanding Awards. No fractional Units shall be issued pursuant to such an adjustment. The Fair Market Value of any fractional Units or shares resulting from adjustments pursuant to this Section 12 shall, where appropriate, be paid in cash to the Holder. The determinations and adjustments made by the Committee pursuant to this Section 12 shall be conclusive.

(b) Certain Corporate Transactions: In the event (1) the Company is consolidated with or otherwise combined with or acquired by a person or entity, (2) of a merger of the Company with or into another entity, (3) of a Change of Control of the Company, (4) of a divisive reorganization, liquidation or partial liquidation of the Company, including, but not limited to, a Change of Control or (5) of the occurrence of an event described in a Holder's Award Agreement as a "Certain Corporate Transaction," the Committee may, on a Holder by Holder basis:

(i) accelerate the vesting of all outstanding Options and/or SARs issued under the Plan that remain unvested and terminate the Option and/or SAR immediately prior to the date of any such transaction, provided that the Holder shall have been given at least seven days written notice of such transaction and of the Committee's intention to cancel the Options and/or SARs with respect to all Common Units for which the Option and/or SAR remains unexercised;

(ii) fully vest and/or accelerate the Restriction Period of any Awards;

(iii) terminate the Award immediately prior to the date of any such transaction, provided that the Holder shall have been given at least seven days written notice of such transaction and of the Committee's intention to cancel the Award with respect to all Common Units for which the Award remains unexercised or subject to restriction or forfeiture;

(iv) after having given the Holder a chance to exercise any outstanding vested Options or SARs, terminate any or all of the Holder's unexercised Options or SARs.

(v) cancel any outstanding Awards with respect to all Common Units for which the Award remains unexercised or for which the Award is subject to forfeiture in exchange for a cash payment of an amount equal to the difference between the then Fair Market Value (provided that the Committee may, in its sole discretion, determine that the Fair Market Value of an unvested or restricted Award is zero) of the Award less the Exercise Price of an Option, the base price of an SAR or the price (if any) of Restricted Units. If the Fair Market Value of the Common Units subject to the Award is less than the Exercise Price of an Option, the base price of an SAR or the price (if any) of Restricted Units, the Award shall be deemed to have been paid in full and shall be canceled with no further payment due the Holder;

(vi) require that the Award be assumed by the successor corporation or that awards for shares or other interests in the successor corporation with equivalent value be substituted for such Award; or

(vii) take such other action as the Committee shall determine to be reasonable under the circumstances to permit the Holder to realize the value of the Award.

The application of the foregoing provisions, including, without limitation, the issuance of any substitute options, shall be determined in good faith by the Committee in its sole discretion. Any adjustment may provide for the elimination of fractional Common Units in exchange for a cash payment equal to the Fair Market Value of the eliminated fractional Common Units.

(c) Committee Authority: The judgment of the Committee with respect to any matter referred to in this Section 12 shall be conclusive and binding upon each Holder without the need for any amendment to the Plan.

13. MISCELLANEOUS.

(a) No Rights to Employment or Other Service: Nothing in the Plan or in any grant made pursuant to the Plan shall confer on any individual any right to continue in the employ or other service of the Company or its Subsidiaries or interfere in any way with the right of the Company or its Subsidiaries and its holders of Units to terminate the individual's employment or other service at any time.

(b) No Fiduciary Relationship: Nothing contained in the Plan, and no action taken pursuant to the provisions of the Plan, shall create or shall be construed to create a trust of any kind, or a fiduciary relationship between the Committee, the Company or its Subsidiaries, or their officers or the Board, on the one hand, and the Holder, the Company, its Subsidiaries or any other person or entity, on the other.

(c) Notices: All notices under the Plan shall be in writing, and if to the Company, shall be delivered to the Committee or mailed to its principal office, addressed to the attention of the Committee; and if to the Holder, shall be delivered personally, sent by facsimile transmission or mailed to the Holder at the address appearing in the records of the Company. Such addresses may be changed at any time by written notice to the other party given in accordance with this Section 13(c).

(d) Exculpation and Indemnification: The Company shall indemnify and hold harmless the members of the Committee and the Board, from and against any and all liabilities, costs and expenses incurred by such persons as a result of any act or omission to act in connection with the performance of such person's duties, responsibilities and obligations under the Plan, to the maximum extent permitted by law, other than such liabilities, costs and expenses as may result from the gross negligence, bad faith, willful misconduct or criminal acts of such persons.

(e) Captions: The use of captions in this Plan is for convenience. The captions are not intended to provide substantive rights.

(f) Governing Law: THE PLAN SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE WITHOUT REFERENCE TO PRINCIPLES OF CONFLICTS OF LAWS.

(g) Information Obligation. To the extent required by Section 260.140.46 of Title 10 of the California Code of Regulations, the Company shall deliver financial statements to Holders at least annually. This Section 13(g) shall not apply to key employees whose duties in connection with the Company assure them access to equivalent information.

IN WITNESS WHEREOF, on behalf of MagnaChip Semiconductor LLC and pursuant to the direction of the Board, the undersigned hereby adopts the Plan as set forth herein.

MagnaChip Semiconductor LLC

By: _____

Title: _____

**ANNEX I**

Section 4.02 *Right to Compel Participation in Certain Transfers*. (a) If the Institutional Securityholders together propose (i) to Transfer not less than 50% of each of their respective Initial Ownership of any class or series of Eligible Securities to a Third Party in a bona fide sale or (ii) a Transfer in which the Eligible Securities to be Transferred by the Institutional Securityholders, plus the Eligible Securities to be Transferred by the Other Securityholders pursuant to this Section 4.02(a), constitute more than 50% of the outstanding Eligible Securities in a particular class or series to a Third Party pursuant to a bona fide sale, or (iii) a sale of all or substantially all of the assets of the Company to a Third Party pursuant to a bona fide sale (any of (i), (ii) or (iii), a "**Compelled Sale**"), the Institutional Securityholders together may at their option require all Other Securityholders to vote all securities of the Company then held by such Other Securityholders in favor of such Compelled Sale and to Transfer the Drag-Along Portion of such class or series of Eligible Securities ("**Drag-Along Rights**") then held by every Other Securityholder, and in the case of a Compelled Sale involving Common Units (but subject to and at the closing of the Compelled Sale) to exercise such number of options or warrants (including the Warrant and including, at the option of Hynix, pursuant to Section 2(c) thereof) for Common Units held by every Other Securityholder as is required in order that a sufficient number of Common Units are available to Transfer the relevant Drag-Along Portion of each such Other Securityholder, for the same consideration per unit of the relevant class of Eligible Security and otherwise on the same terms and conditions as the Institutional Securityholders, provided that any Other Securityholder who holds options or warrants (including the Warrant) the exercise price per share of which is greater than the per share price at which the Common Units are to be Transferred to the Third Party may, if required by the Institutional Securityholders to exercise such options or warrants (including the Warrant), in place of such exercise, submit to irrevocable cancellation thereof without any liability for payment of any exercise price with respect thereto. If the Compelled Sale is not consummated with respect to any Common Units acquired upon exercise of such options or warrants (including the Warrant), or the Compelled Sale is not consummated, such options or warrants (including the Warrant) shall be deemed not to have been exercised or canceled, as applicable. The CVC US Securityholder Representative and the FP Securityholder Representative, on behalf of the Institutional Securityholders, shall provide written notice of such Compelled Sale to the Other Securityholders (a "**Compelled Sale Notice**") not later than the 15th day prior to the proposed Compelled Sale. The Compelled Sale Notice shall identify the transferee, in the case of a Compelled Sale pursuant to clauses (i) or (ii) of this Section 4.02(a), the number of Eligible Securities subject to the Compelled Sale, the consideration for which either a Transfer or a sale of all or substantially all of the assets of the Company, as appropriate, is proposed to be made (the "**Compelled Sale Price**") and all other material terms and conditions of the Compelled Sale. The number of Eligible Securities to be sold by each Other Securityholder will be the Drag-Along Portion of the class of Eligible Securities that such Other Securityholder owns. Each Other Securityholder shall be required to participate in the Compelled Sale on the terms and conditions set forth in the Compelled Sale Notice and to tender all its Eligible Securities as set forth below. The price payable in such Transfer shall be the Compelled Sale Price. Not later than the tenth day following the date of the Compelled Sale Notice (the "**Compelled Sale Notice Period**"), each of the Other Securityholders shall deliver to a representative of the Institutional

Securityholders designated in the Compelled Sale Notice certificates (to the extent the Eligible Securities are certificated), and in the case of options or warrants (including the Warrant), the applicable instrument, representing all Eligible Securities comprising the Drag-Along Portion held by such Other Securityholder, duly endorsed, together with all other documents required to be executed in connection with such Compelled Sale or, if such delivery is not permitted by applicable law, an unconditional agreement to deliver such Eligible Securities pursuant to this Section 4.02(a) at the closing for such Compelled Sale against delivery to such Other Securityholder of the consideration therefor. If an Other Securityholder should fail to deliver such certificates to the Institutional Securityholders, the Company (subject to reversal under Section 4.02(b)) shall cause the books and records of the Company to show that such Eligible Securities are bound by the provisions of this Section 4.02(a) and that such Eligible Securities shall be Transferred to the Third Party immediately upon surrender for Transfer by the holder thereof. The Other Securityholders shall (a) be required (i) to bear their proportionate share of any escrows, holdbacks or adjustments in purchase price and any transaction expenses, (ii) to make such representations, warranties and covenants and enter into such agreements as are customary for transactions of the nature of the Compelled Sale, in each case under the terms of any definitive agreements relating to such Compelled Sale, (b) benefit from all of the same provisions of the definitive agreements as the Institutional Securityholders, (c) with respect to each class of Eligible Securities to be Transferred in such Compelled Sale, have the right to receive the same form of consideration and same amount of consideration as each other holder of such class, and (d) if any holders of a class of Eligible Securities are given an option as to the form and amount of consideration received, each holder of such class of Eligible Securities shall be given the same option, it being understood that any liability of any Other Securityholder for indemnification or similar post-closing obligations shall not exceed the consideration such Other Securityholder receives in the Compelled Sale and shall be a proportional share of any such liability based on such Other Securityholder's share of the aggregate consideration in the Compelled Sale.

(b) The Institutional Securityholders shall have a period of 90 days from the date of receipt of the Compelled Sale Notice to consummate the Compelled Sale on the terms and conditions set forth in such Compelled Sale Notice, *provided* that, if such Compelled Sale is subject to regulatory approval, such 90-day period shall be extended until the expiration of five Business Days after all such approvals have been received, but in no event later than 180 days following the receipt of the Compelled Sale Notice by the Other Securityholders. If the Compelled Sale shall not have been consummated during such period, the Institutional Securityholders shall return to each of the Other Securityholders all certificates or other applicable instruments (including the Warrant) representing Eligible Securities that such Other Securityholders delivered for Transfer pursuant hereto, together with any documents in the possession of the Institutional Securityholders executed by the Other Securityholders in connection with such proposed Transfer, and all the restrictions on Transfer contained in the Securityholders' Agreement or otherwise applicable at such time with respect to such Eligible Securities owned by the Other Securityholders shall again be in effect.

(c) Concurrently with the consummation of the Transfer of Eligible Securities pursuant to this Section 4.02, the CVC US Securityholder Representative and the FP Securityholder Representative, on behalf of the Institutional Securityholders, shall give notice thereof to the Other Securityholders, shall remit to each of the Other Securityholders who have

surrendered their certificates or other applicable instruments the total consideration (the cash portion of which is to be paid by wire transfer of immediately available funds, or if requested by the Other Securityholders, bank or certified check) for the Eligible Securities Transferred pursuant hereto, less such Other Securityholder's proportionate share of any escrows, holdbacks or adjustments in purchase price, and any transaction expenses and shall furnish such other evidence of the completion and time of completion of such Transfer and the terms thereof as may be reasonably requested by such Other Securityholders. The Institutional Securityholders shall promptly remit any additional consideration payable upon the release of any escrows or holdbacks or the payment of any adjustments.

(d) Notwithstanding anything contained in this Section 4.02, there shall be no liability on the part of the Institutional Securityholders to the Other Securityholders (other than the obligation to return any certificates or other applicable instruments representing Eligible Securities received by the Institutional Securityholders) if the Transfer of Eligible Securities pursuant to this Section 4.02 is not consummated for whatever reason, regardless of whether the Institutional Securityholders have delivered a Compelled Sale Notice. Whether to effect a Transfer of Eligible Securities pursuant to this Section 4.02 by the Institutional Securityholders is in the sole and absolute discretion of the Institutional Securityholders.

(e) This Section 4.02 shall terminate upon the third anniversary of the First Public Offering.

*Definitions*

Capitalized terms not otherwise defined in this Annex I shall have the meaning set forth in the MagnaChip Semiconductor LLC Equity Incentive Plan (the "**Plan**"). The following terms, as used herein, have the following meanings:

"**Affiliate**" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with such Person, *provided* that no securityholder of the Company shall be deemed an Affiliate of any other securityholder solely by reason of any investment in the Company. For the purpose of this definition, the term "**control**" (including with correlative meanings, the terms "**controlling**", "**controlled by**" and "**under common control with**"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"**Aggregate Ownership**" means, with respect to any Securityholder or group of Securityholders, and with respect to any class of Eligible Securities, the total number of shares, units (or other unit of measurement into which such securities are designated) of such class of Eligible Securities "beneficially owned" (as such term is defined in Rule 13d-3 of the Exchange Act) (without duplication) by such Securityholder or group of Securityholders as of the date of such calculation, calculated as if all units issuable in respect of securities convertible into or exchangeable for such units, have been issued and all options, warrants (including the Warrant) and other rights to purchase or subscribe for units of such class of Eligible Securities have been exercised (regardless of any vesting provisions contained therein); *provided*, that the determination of the Aggregate Ownership of a Securityholder with respect to Common Units

shall not include any of a Securityholder's Preferred Units that have not been converted into Common Units at the time of determination.

"**Business Day**" means any day except a Saturday, Sunday or other day on which commercial banks in New York City are authorized by law to close.

"**Company Securities**" means (i) the Common Units and Preferred Units, (ii) securities convertible into or exchangeable for Common Units and/or Preferred Units and (iii) options, warrants (including the Warrant) or other rights to acquire Common Units, Preferred Units or any other equity or equity-linked security issued by the Company.

"**CVC US Securityholder Representative**" means CVC Equity Fund as agent for CVC Employee Fund, CVC Equity Fund, CVC Executive Fund, CVC Co-Investors, and their Permitted Transferees that are Securityholders. The entity appointed as the CVC US Securityholder Representative may be replaced at any time and from time to time by the vote of a majority of the Eligible Securities held by CVC Employee Fund, CVC Equity Fund and CVC Executive Fund, CVC Co-Investors, and their Permitted Transferees.

"**Dollars**" or "**$**" means the lawful currency of the United States of America.

"**Drag-Along Portion**" means, with respect to any Other Securityholder and any series or class of Eligible Securities, (i) the Aggregate Ownership of such series or class of Eligible Securities by such Other Securityholder multiplied by (ii) a fraction, the numerator of which is the number of units of such series or class of Eligible Securities proposed to be purchased by a Third Party in the applicable Compelled Sale under Section 4.02 and the denominator of which is the Fully-Diluted number of units of such series or class of Eligible Securities.

"**Eligible Securities**" means (a) the Company Securities and (b) any New Securities purchased by a Securityholder pursuant to Section 4.04.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

"**First Public Offering**" means the first Public Offering of Common Units (or securities into which the Common Units have been converted or changed) after the date hereof.

"**FP Securityholder Representative**" means FP LP as agent for FP LP and FP Fund A and their Permitted Transferees that are Securityholders. The entity appointed as the FP Securityholder Representative may be replaced at any time and from time to time by the vote of a majority of the Eligible Securities held by FP LP and FP Fund A and their Permitted Transferees.

"**Fully Diluted**" means, with respect to any series or class of Eligible Securities, all outstanding units of such series or class of Eligible Securities and all units issuable in respect of securities convertible into or exchangeable for such units, all options, warrants (including the Warrant) and other rights to purchase or subscribe for units of such series or class of Eligible Securities or securities convertible into or exchangeable for units of such series or class of Eligible Securities, *provided* that, to the extent any of the foregoing options, warrants or other

rights to purchase or subscribe for such Eligible Securities are subject to vesting, the Eligible Securities subject to vesting shall be included in the definition of "**Fully Diluted**" only upon and to the extent of such vesting.

"**Initial Ownership**" means, with respect to any Securityholder and any series or class of Eligible Securities, the Aggregate Ownership of such series or class by such Securityholder as of October 6, 2004, or, in the case of any Person who shall become a party to the Securityholders' Agreement on a later date, as of such later date, in each case taking into account any unit split, unit dividend, reverse unit split or similar event.

"**Institutional Securityholder**" means each of CVC US and FP and, to the extent either entity shall have transferred any of its Eligible Securities to any of its Permitted Transferees, shall mean the Institutional Securityholder and such Permitted Transferees, taken together.

"**New Securities**" means any equity securities of the Company issued after the date hereof that do not constitute Company Securities.

"**Other Securityholders**" means all Securityholders other than the Institutional Securityholders and, to the extent any such Other Securityholders shall have transferred any of their Eligible Securities to any of their Permitted Transferees, shall mean the Other Securityholders and such Permitted Transferees, taken together. For purposes of this Annex I, "Other Securityholders" shall include recipients of Awards under the Plan.

"**Permitted Transferee**" means

1.1.1.1. in the case of CVC Asia II Limited, CVC Asia LP, CVC Asia Investors and each of their respective Permitted Transferees, each of (A) CVC Asia II, LP, Asia Enterprise II Domestic LLC, Asia Enterprise II Offshore, L.P., Citigroup, Inc. or any of its Affiliates in their capacity as co-investors with such Persons and any other fund, co-investment partnership or similar investment vehicle formed for the purpose of investing with CVC Asia LP or CVC Asia II LP (each a "**CVC Asia Pacific Fund**"), (B) any general or limited partner of any CVC Asia Pacific Fund or co-investment partnership (each, a "**CVC Asia Pacific Partner**," and, collectively, the **"CVC Asia Pacific Partners**"), and any corporation, partnership or other entity that is an Affiliate of any CVC Asia Pacific Partner (collectively "**CVC Asia Pacific Affiliates**"), (C) any managing director, general partner, director, limited partner, officer or employee of any CVC Asia Pacific Fund, any CVC Asia Pacific Partner or any CVC Asia Pacific Affiliate, or any spouse, lineal descendant, sibling, parent, heir, executor, administrator, testamentary trustee, legatee or beneficiary of any of the foregoing persons described in this clause (C) (collectively, "**CVC Asia Pacific Associates**"), (D) any trust, the beneficiaries of which, any charitable trust, the grantor of which, or any corporation, limited liability company or partnership, the stockholders, members or general or limited partners of which include only one or more CVC Asia Pacific Funds, CVC Asia Pacific Partners, CVC Asia Pacific Affiliates, CVC Asia Pacific Associates, their spouses or their lineal descendants

and (E) with respect to CVC Asia II Limited, Citicorp North America, Inc. ("**Citicorp N.A.**") in its capacity as a secured lender under the certain Specific Recourse Loan Facility Agreement (the "**CVC Asia Loan Agreement**"), dated as of September 15, 2004, and any Affiliate of Citicorp N.A. to whom Citicorp N.A. assigns its rights and obligations under the CVC Asia Loan Agreement (the Persons described in clauses (A) through (E), the "**CVC Asia Pacific Permitted Transferees**"); *provided*, that each of CVC Employee Fund, CVC Equity Fund and CVC Executive Fund shall not be a "Permitted Transferee" of any CVC Asia Pacific Investors; *provided further* that to the extent a Person is a Permitted Transferee under both subparagraphs (i) and (ii) of this definition of "Permitted Transferee" such Person may transfer any Eligible Securities it receives as a Permitted Transferee pursuant to this subparagraph (i) only to a CVC Asia Pacific Permitted Transferee and, for purposes of any provision of the Securityholders' Agreement pursuant to which the Eligible Securities of CVC Asia Pacific Investors and its Permitted Transferees are aggregated hereunder, such Person shall be deemed a Permitted Transferee pursuant to this subparagraph (i) only to the extent of the Eligible Securities held by such Person as a Permitted Transferee pursuant to this subparagraph (i);

1.1.1.2. in the case of CVC Employee Fund, CVC Equity Fund, CVC Executive Fund, CVC Co-Investors and each of their respective Permitted Transferees, (A) any CVC US fund or co-investment partnership or similar investment vehicle, (B) (1) any general or limited partner of any CVC US fund or co-investment partnership (collectively, a "**CVC US Partner**"), and (2) Citigroup and any corporation, partnership or other entity that is an Affiliate of Citigroup or any CVC US Partner (collectively "**CVC US Affiliates**"), (C) any CVC Co-Investor, Diana K. Mayer or any managing director, general partner, director, limited partner, officer or employee of any CVC US fund, any CVC US Partner or any CVC US Affiliate, or any spouse, lineal descendant, sibling, parent, heir, executor, administrator, testamentary trustee, legatee or beneficiary of any of the foregoing persons described in this clause (C) (collectively, "**CVC US Associates**"), (D) any trust, the beneficiaries of which, any charitable trust, the grantor of which, or any corporation, limited liability company or partnership, the stockholders, members or general or limited partners of which include only CVC US, CVC US Partners, CVC US Affiliates, CVC Associates, their spouses or their lineal descendants (the Persons described in clauses (A) through (D), the "**CVC US Permitted Transferees**"); *provided*, that each of CVC Asia II Limited, CVC Asia LP and CVC Asia Investors shall not be a "Permitted Transferee" of CVC US; *provided further* that to the extent a Person is a Permitted Transferee under both subparagraphs (i) and (ii) of this definition of "Permitted Transferee" such Person may transfer any Eligible Securities it receives as a Permitted Transferee pursuant to this subparagraph (ii) only to a CVC US Permitted Transferee and, for purposes of any provision of the Securityholders' Agreement pursuant to which the Eligible Securities of CVC US and its Permitted Transferees are aggregated hereunder, such Person shall be deemed a Permitted Transferee pursuant to this subparagraph (ii) only to the extent of the Eligible Securities held by such Person as a Permitted Transferee pursuant to this subparagraph (ii);

1.1.1.3. in the case of FP LP, FP Fund A, and each of their Permitted Transferees, (A) any FP fund or co-investment partnership or limited liability company, including without limitation, FP Annual Investors, LLC, a Delaware limited liability company and FP-Magnachip Coinvest, LLC, a Delaware limited liability company, (B) (1) any general or limited partner of any FP fund or co-investment partnership (collectively, an "**FP Partner**"), and (2) any corporation, partnership or other entity that is an Affiliate of any FP Partner (collectively "**FP Affiliates**") or (3) any manager or member of any FP co-investment limited liability company (collectively, "**FP Member**"), (C) any managing director, general partner, director, limited partner, officer or employee of any FP fund, any FP Partner, any FP Affiliate or any FP Member, or any spouse, lineal descendant, sibling, parent, heir, executor, administrator, testamentary trustee, legatee or beneficiary of any of the foregoing persons described in this clause (C) (collectively, "**FP Associates**"), (D) any trust, the beneficiaries of which, any charitable trust, the grantor of which, or any corporation, limited liability company or partnership, the stockholders, members or general or limited partners of which include only FP, FP Partners, FP Affiliates, FP Associates, FP Members, their spouses or their lineal descendants;

1.1.1.4. in the case of Peninsula and its Permitted Transferees, any Affiliate of Peninsula; *provided*, that the consent of both the CVC US Securityholder Representative and the FP Securityholder Representative, which consent shall not be unreasonably withheld shall be obtained prior to such Transfer;

1.1.1.5. in the case of Hynix and its Permitted Transferees, any controlled Affiliate of Hynix; and

1.1.1.6. in the case of any Other Securityholder (other than Peninsula and Hynix) that is or becomes a party to the Securityholders' Agreement and its Permitted Transferees, (A) a Person to whom Common Units are Transferred from such Other Securityholder (1) by will or the laws of descent and distribution or (2) by gift without consideration of any kind, *provided* that, in the case of clause (2), such transferee is (x) the spouse or the lineal descendant, sibling or parent of such Securityholder, or (y) if such Securityholder is a trust, or family corporation, limited liability company or partnership of the type described in the following clause (B), a beneficiary of, or a stockholder, member or partner of, such Securityholder or (B) any trust, the beneficiaries of which, any charitable trust, the grantor of which, or any corporation, limited liability company or partnership, the stockholders, members or general or limited partners of which include only such Other Securityholder or its Permitted Transferees.

"**Person**" means an individual, corporation, limited liability company, partnership, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"**Preferred Units**" means the Series A Preferred Units and the Series B Preferred Units.

"**Public Offering**" means an underwritten public offering of the Common Units of the Company (or any successor to the Company) pursuant to an effective registration statement under the Securities Act other than pursuant to a registration statement on Form S-4 or Form S-8 or any similar or successor form, *provided* that the proceeds of such public offering amount to at least $30,000,000 of gross proceeds to the Company (or any successor to the Company).

"**Securities**" means the Common Units and Preferred Units.

"**Securities Act**" means the United States Securities Act of 1933, as amended.

"**Securityholder**" means each Person (other than the Company) who shall be a party to or bound by the Securityholders' Agreement, so long as such Person shall "beneficially own" (as such term is defined in Rule 13d-3 of the Exchange Act) any Eligible Securities.

"**Securityholders' Agreement**" means the Amended and Restated Securityholders' Agreement dated as of October 6, 2004 among (i) the Company, (ii) CVC Capital Partners Asia Pacific LP, a Cayman Islands limited partnership ("**CVC Asia LP**"), Asia Investors LLC, a Delaware limited liability company ("**CVC Asia Investors**") and CVC Capital Partners Asia II Limited, a Jersey company ("**CVC Asia II Limited**" and, collectively with CVC Asia LP and CVC Asia Investors, "**CVC Asia Pacific Investors**"), (iii) Citigroup Venture Capital Equity Partners, L.P., a Delaware limited partnership ("**CVC Equity Fund**"), CVC Executive Fund LLC, a Delaware limited liability company ("**CVC Executive Fund**"), CVC/SSB Employee Fund, L.P., a Delaware limited partnership ("**CVC Employee Fund**"), the persons named on Schedule I thereto (collectively, the "**CVC Co-Investors**" and, collectively with CVC Equity Fund, CVC Executive Fund and CVC Employee Fund, "**CVC US**"), (iv) Francisco Partners, L.P., a Delaware limited partnership ("**FP LP**"), Francisco Partners Fund A, L.P., a Delaware limited partnership ("**FP Fund A**" and, collectively, with FP LP and FP Fund A, "**FP**"), (v) Peninsula Investment Pte. Ltd., a Singapore private company ("**Peninsula**"), (vi) Hynix Semiconductor Inc. ("**Hynix**"), (vii) certain management investors named therein and (viii) such persons that shall sign joinder agreements to the Securityholders' Agreement in accordance with the terms hereof.

"**Series A Preferred Units**" means the Series A Preferred Membership Interests of the Company having the rights, including voting rights, described in the LLC Agreement and any securities into which such Series A Preferred Membership Interests may hereafter be converted or changed.

"**Series B Preferred Units**" means the Series B Preferred Membership Interests of the Company having the rights, including voting rights, described in the LLC Agreement and any securities into which such Series B Preferred Membership Interests may hereafter be converted or changed.

"**Subsidiary**" means, with respect to any Person, any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of

directors or other persons performing similar functions are at the time directly or indirectly owned by such Person.

"**Third Party**" means a prospective purchaser(s) of (i) Eligible Securities from a Securityholder or (ii) all or substantially all of the assets of the Company, in an arm's-length transaction where such purchaser is not a Permitted Transferee or other Affiliate of any Securityholder.

"**Transfer**" means, with respect to any Eligible Security, (i) when used as a verb, to sell, assign, dispose of, exchange, pledge, encumber, hypothecate or otherwise transfer such security or any participation or interest therein, whether directly or indirectly, or agree or commit to do any of the foregoing and (ii) when used as a noun, a direct or indirect sale, assignment, disposition, exchange, pledge, encumbrance, hypothecation or other transfer of such security or any participation or interest therein or any agreement or commitment to do any of the foregoing.

"**Warrant**" means the warrant dated as of the Closing Date issued by the Company to Hynix for the purchase of Common Units.

**Exhibit 10.26**

Execution Copy

**R&D EQUIPMENT UTILIZATION AGREEMENT**

Between

Hynix Semiconductor Inc.

And

MagnaChip Semiconductor, Ltd.

October 6, 2004

/*****/ = Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

**Table of Contents**

**R&D EQUIPMENT UTILIZATION AGREEMENT**

This R&D EQUIPMENT UTILIZATION AGREEMENT (this "Agreement"), dated as of October 6, 2004, is entered into by and between:

(1) Hynix Semiconductor Inc., a company organized and existing under the laws of the Republic of Korea ("Korea") with its registered office at San-136-1, Ami-Ri, Bubal-Eub, Ichon-Si, Kyoungki-Do, Korea ("Hynix"); and

(2) MagnaChip Semiconductor, Ltd., a company organized and existing under the laws of Korea with its registered office at 1, Hyangjeong-Dong, Heungduk-Gu, Cheongju-Si, Chungcheongbuk-Do, Korea ("NewCo") (each a "Party", and collectively the "Parties").

**RECITALS**

WHEREAS, the Parties have entered into a certain business transfer agreement dated June 12, 2004, as amended (the "BTA") pursuant to which, among other things, NewCo has agreed to purchase and acquire the Acquired Assets (as defined in the BTA) from Hynix subject to the terms and conditions set forth in the BTA;

WHEREAS, Hynix owns the Hynix Equipments in the research center located at Cheongju, Korea (the "Research Center"), KrF Scanner and ArF Scanner in the research and development line in the "R2" building located at Ichon, Korea and the Hynix New Analysis Equipments in the M8/M9 line in the "C3" building located at Cheongju, Korea, and NewCo will own the NewCo Measurement Equipments in the Research Center and lease the NewCo Analysis Equipments after the Closing;

WHEREAS, the Parties desire to enter into an agreement as contemplated by the BTA whereby NewCo will use the Hynix Equipments, Hynix New Analysis Equipments, KrF Scanner and ArF Scanner and engage Hynix to provide NewCo with the maintenance and operation services for the NewCo Equipments, and Hynix will grant to NewCo the right to use the Hynix Equipments, Hynix New Analysis Equipments, KrF Scanner and ArF Scanner and provide NewCo with the maintenance and operation services for the NewCo Equipments; and

WHEREAS, the execution and delivery of this Agreement is a condition to Closing under the BTA.

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements hereinafter set forth, and intending to be legally bound hereby, the Parties agree as follows:

**Article 1. Definitions**

1.1. Unless otherwise defined herein, all capitalized terms used herein shall have the meanings set forth below:

"Affiliate" shall have the meaning ascribed to such term in the BTA.

"Aggregate Usage Value" shall mean statistical weight of the Measurement and Analysis Equipments, the numerical values of which are set forth in Exhibits A to D and G.1 and G.2 hereto.

"ArF Scanner" shall mean the ArF scanner and its auxiliary facilities owned by Hynix and installed in the "R2" building located in Ichon, Korea as of the Closing Date, the details of which are specified in Exhibit F hereto.

"AUP" shall mean the agreed-upon-procedures which Samil PricewaterhouseCoopers (formerly Samil Accounting Corporation) has performed in connection with the financial statements attached in Schedule 2.4 of the BTA.

"BTA" shall have the meaning ascribed to such term in the Recitals.

"Business" shall have the meaning ascribed to such term in the BTA. Any reference to the "conduct of the Business" or the "operation of the Business" shall refer to the conduct or operation of the Business as conducted as of the execution date of the BTA.

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which banks in Seoul are authorized or obligated by relevant law to close.

"Closing" shall have the meaning ascribed to such term in the BTA.

"Closing Date" shall have the meaning ascribed to such term in the BTA.

"Confidential Information" shall have the meaning ascribed to such term in Section 19.1.

"Coordinating Committee" shall have the meaning ascribed to such term in Section 8.1.

"Damages" shall mean any and all losses, settlements, expenses, liabilities, obligations, claims, damages (including any governmental penalty or costs of investigation, clean-up and remediation), deficiencies, royalties, interest, costs and expenses (including reasonable attorneys' fees and all other expenses reasonably incurred in investigating, preparing or defending any litigation or proceeding, commenced or threatened incident to the successful enforcement of this Agreement), the extent of which are recoverable under Korean law. For the purposes of Articles 14 and 15, Damages also shall include any and all increases in insurance premiums that are reasonably demonstrably attributable to the breach by NewCo or Hynix, as the case may be, of its representations, warranties, agreements and covenants expressly contained in this Agreement, or negligence, gross negligence, intentional breach or willful misconduct of NewCo or Hynix, as the case may be, for the two following annual policy periods.

"Event of Force Majeure" shall have the meaning ascribed to such term in Section 11.1.

"Governmental Authorization" shall mean any approval, consent, license, permit, waiver or other authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Entity or otherwise pursuant to any applicable laws, or any registration with, or report or notice to, any Governmental Entity pursuant to any applicable laws.

"Governmental Entity" shall mean a court, arbitral tribunal, administrative agency or commission or other governmental or other regulatory authority or agency.

"Hynix Analysis Equipments" shall mean certain analysis equipments owned by Hynix and installed in the Research Center as of the Closing Date, the details of which are specified in Exhibit A and Exhibit B hereto.

"Hynix Equipments" shall mean Hynix Measurement Equipments A, Hynix Measurement Equipments B and Hynix Analysis Equipments.

"Hynix Measurement Equipments A" shall mean certain measurement equipments owned by Hynix and installed in the Research Center as of the Closing Date, the details of which are specified in Exhibit C hereto.

"Hynix Measurement Equipments B" shall mean certain measurement equipments owned by Hynix and installed in the Research Center as of the Closing Date, the details of which are specified in Exhibit D hereto.

"Hynix New Analysis Equipments" shall mean certain analysis equipments owned by Hynix, and installed in the M8/M9 line in the "C3" building in Cheongju, Korea the details of which are specified in Exhibit H hereto.

"Indemnified Party" shall have the meaning ascribed to such term in Section 14.1.

"Indemnifying Party" shall have the meaning ascribed to such term in Section 14.1.

"Maintenance Activities" shall have the meaning ascribed to such term in Section 7.1.

"KrF Scanner" shall mean the KrF scanner and its auxiliary facilities owned by Hynix and installed in the "R2" building located at Ichon, Korea as of the Closing Date, the details of which are specified in Exhibit E hereto.

"Measurement and Analysis Equipments" shall mean certain measurement and analysis equipments, consisting of Hynix Equipments and NewCo Equipments.

"NewCo Analysis Equipments" shall mean certain analysis equipments owned by Chung Nam University and leased to NewCo, the details of which are specified in Exhibit G.2 hereto.

"NewCo Equipments" shall mean NewCo Analysis Equipments and NewCo Measurement Equipments.

"NewCo Measurement Equipments" shall mean certain measurement equipments transferred to NewCo by Hynix upon Closing and installed in the Research Center as of the Closing Date, the details of which are specified in Exhibit G.1 hereto.

"Notice of Sale" shall have the meaning ascribed to such term in Article 16.

"Operators" shall have the meaning ascribed to such term in Section 3.5.

"Permitted Business" shall mean the Business or any other semiconductor, information technology or other technology related business.

"Research Center" shall have the meaning ascribed to such term in the Recitals.

"Subsidiaries" shall have the meaning ascribed to such term in the BTA.

"Term" shall have the meaning ascribed to such term in Article 2.

"Warrant Issuer" shall have the meaning ascribed to such term in the BTA.

1.2. Rules of Interpretation.

(a) When a reference is made in this Agreement to a section or article, such reference shall be to a section or article of this Agreement unless otherwise clearly indicated to the contrary.

(b) Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation."

(c) The words "hereof", "hereto", "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and article, section, paragraph, exhibit and schedule references are to the articles, sections, paragraphs, exhibits and schedules of this Agreement unless otherwise specified.

(d) The meaning assigned to each term defined herein shall be equally applicable to both the singular and the plural forms of such term, and words denoting any gender shall include all genders. Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning.

(e) A reference to any party to this Agreement or any other agreement or document shall include such party's successors and permitted assigns.

(f) A reference to any legislation or to any provision of any legislation shall include any amendment to, and any modification or re-enactment thereof, any legislative provision substituted therefor and all regulations and statutory instruments issued thereunder or pursuant thereto.

(g) The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provisions of this Agreement.

(h) Headings are for convenience only and do not affect the interpretation of the provisions of this Agreement.

(i) Any Exhibits attached hereto are incorporated herein by reference and shall be considered as part of this Agreement.

**Article 2. Term of Agreement; Duration of Use/Services**

2.1. This Agreement shall become effective on the date hereof and continue in full force and effect for an initial term of five (5) years thereafter unless otherwise earlier terminated pursuant to this Agreement (the "Initial Term"). After the Initial Term, this Agreement may be extended for additional one (1)-year periods by mutual written agreement of the Parties at least ninety (90) days prior to the expiration of the Initial Term or any extension thereof (the "Renewal Period(s)"). The Term of this Agreement is, collectively, the Initial Term and any Renewal Period(s).

2.2. Notwithstanding any other provision of this Agreement to the contrary, (i) NewCo may terminate this Agreement with respect to the use of any piece(s) of the Hynix Equipments; Hynix New Analysis Equipments, KrF Scanner and/or ArF Scanner and/or any other use/service provided by Hynix hereunder (including the provision of technical assistance and/or maintenance and operation services), in whole or in part, by providing Hynix with sixty (60) days prior notice of such termination and (ii) NewCo shall not be obligated to pay Hynix any fees attributable to such cancelled use/service(s), or part thereof, except as otherwise accrued prior to termination.

**Article 3. Obligations of Hynix**

3.1. Subject to the terms and conditions hereunder, the Parties agree that the Hynix Equipments shall be used based on the following principles:

(a) Hynix Measurement Equipments A shall be solely used by Hynix; and

(b) Hynix Measurement Equipments B and Hynix Analysis Equipments shall be used by Hynix and NewCo on a "first come first served" basis.

3.2. Subject to Section 5.2, Hynix shall grant to NewCo the right to use the KrF Scanner.

3.3. Subject to Section 5.3, Hynix shall grant to NewCo the right to use the ArF Scanner.

3.4. Subject to Section 5.4, Hynix shall grant to NewCo the right to use the Hynix New Analysis Equipments.

3.5. Hynix shall, through its directors, officers, employees, agents or representatives who are responsible for the operation and maintenance of Hynix Equipments, Hynix New

Analysis Equipments, KrF Scanner and/or ArF Scanner (collectively, the "Operators"), provide NewCo with such assistance (such as instructions, explanations, consultations or interpretations of data) as may be necessary or prudent for NewCo's use of the Hynix Equipments, Hynix New Analysis Equipments, KrF Scanner and/or ArF Scanner.

3.6. Hynix shall provide such maintenance and operation services, such as normal inspections or repairs, as may be necessary or prudent for the maintenance and operation of the NewCo Equipments.

3.7. In addition to the right to use the pieces of equipment or receive the maintenance and operation services on pieces of equipment set forth herein, the Parties acknowledge and agree that there may be additional pieces of equipment which have not been identified but which the Business has historically been granted the right to use or for which the Business has historically received maintenance and operation services, which such use or maintenance and operation services shall continue to be required or desired by NewCo. If, within one year of the Closing Date, any such additional equipment or additional maintenance and operation services are identified and requested reasonably in advance by NewCo, Hynix shall grant NewCo the right to use such additional equipment and shall provide such maintenance and operation services in a manner consistent with the usage and maintenance and operation services accorded to NewCo with respect to like equipment hereunder, at a price no greater than actual cost, and, to the extent applicable, calculated by taking into account the AUP. Any such additional use/services shall be provided until the fifth anniversary of the date hereof, subject to Section 2.2. With respect to additional maintenance and operation services and the right to use additional equipment which historically have not been provided by Hynix with respect to the Business ("New Service"), at the request of NewCo, the Parties will discuss in good faith the provision of any such New Service by Hynix to NewCo.

3.8. All services provided by Hynix to NewCo under this Agreement (including the provision of technical assistance and/or maintenance and operation services) shall be performed in compliance with all applicable laws and regulations in all material respects, in a manner, to the extent and at a time, substantially consistent with past practice and in the manner, extent and time in which Hynix performs similar services for its own benefit (including with respect to using employees with similar levels and experience).

**Article 4. Obligations of NewCo**

4.1. NewCo shall pay to Hynix the fees set forth in Article 6 which are exclusive of all taxes or duties imposed by any Governmental Entity with respect to this Agreement.

4.2. NewCo shall comply, in all material respects, with (i) all laws and regulations, (ii) all reasonable internal safety, security and administrative rules and regulations adopted by Hynix, and (iii) the reasonable directions and instructions given by the Operators to NewCo, provided Hynix has provided NewCo with written notice and copies, with respect to each item set forth in subitems (ii) through (iii) of this sentence, to the extent that each of the foregoing are applicable to NewCo's use of the Hynix Equipments, Hynix New Analysis Equipments, KrF Scanner and/or ArF Scanner.

4.3. Subject to Article 17, unless Hynix otherwise agrees, NewCo shall use the Hynix Equipments, Hynix New Analysis Equipments, KrF Scanner and/or ArF Scanner for the sole purpose of operating and maintaining NewCo's business. NewCo and NewCo's employees may access and/or operate any of the Hynix Measurement Equipments B, Hynix Analysis Equipments and Hynix New Analysis Equipments without consent or notification. NewCo and NewCo's employees may not access the KrF Scanner or the ArF Scanner without the prior written consent of Hynix, which consent shall not be unreasonably withheld. Upon written notice to Hynix, NewCo may grant any third party the right to access and/or operate any of the Hynix Measurement Equipments B. NewCo may not grant any third party the right to access any Hynix Analysis Equipments, Hynix New Analysis Equipments, KrF Scanner and/or ArF Scanner without Hynix's prior written consent. No consent or notification shall be required for measurement or analysis of third party samples, or for measurement or analysis by NewCo or Hynix of samples on behalf of a third party.

**Article 5. Use of Equipments**

5.1. The use of the Hynix Equipments shall be arranged based on the principles set forth in Section 3.1; provided, however, that (i) with respect to the Hynix Measurement Equipments B, a Party shall not make a reservation for any particular piece of such Hynix Measurement Equipments B for more than */*****/*, and (ii) with respect to the Hynix Analysis Equipments, a Party shall not request for an analysis of samples which requires use of such Hynix Analysis Equipments for more than */*****/*; and provided that in case of emergency or longer required use or reservation time, the Parties shall mutually consult in good faith on a reasonable schedule for use or reservation.

5.2. NewCo shall be permitted to use the KrF Scanner for up to */*****/*; provided that should NewCo's usage requirements change, the Parties shall negotiate in good faith to accommodate the needs of NewCo's business. NewCo shall make a request at least two (2) days prior to the date of intended use of the KrF Scanner and Hynix shall notify NewCo within one (1) day of such request (a) whether NewCo can use KrF Scanner on such requested date and (b) if NewCo cannot use the KrF Scanner on such requested date, the next available time for NewCo's use; provided, however, that in case of emergency, the Parties shall mutually consult in good faith and agree to change the applicable reservations to the extent possible to accommodate NewCo's requested use.

5.3. NewCo shall be permitted to use the ArF Scanner for up to */*****/*; provided that should NewCo's usage requirements change, the Parties shall negotiate in good faith to accommodate the needs of NewCo's business. NewCo shall make a request at least two (2) days prior to the date of intended use of the ArF Scanner and Hynix shall notify NewCo within one (1) day of such request (a) whether NewCo can use ArF Scanner on such requested date and (b) if NewCo cannot use the ArF Scanner on such requested date, the next available time for NewCo's use; provided, however, that in case of emergency, the Parties shall mutually consult in good faith and agree to change the applicable reservations to the extent possible to accommodate NewCo's requested use.

/*****/ = Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

5.4. NewCo shall be permitted to use the Hynix New Analysis Equipments for the number of hours per week and hours per month as are specified for each piece of equipment on Exhibit H; provided that should NewCo's usage requirements change, the Parties shall negotiate in good faith to accommodate the needs of NewCo's business. NewCo shall make a request at least two (2) days prior to the date of intended use of the Hynix New Analysis Equipments and Hynix shall notify NewCo within one (1) day of such request (a) whether NewCo can use the Hynix New Analysis Equipments on such requested date and (b) if NewCo cannot use the Hynix New Analysis Equipments on such requested date, the next available time for NewCo's use; provided, however, that in case of emergency, the Parties shall mutually consult in good faith and agree to change the applicable reservations to the extent possible to accommodate NewCo's requested use.

5.5. The right to use any equipment shall include the right to use, with respect to such equipment, any software used for data processing, reservations, and delivery of results of analysis or measurement and any software embedded in such equipment.

**Article 6. Fees**

6.1. In consideration for NewCo's use of Hynix Measurement Equipments B and Hynix Analysis Equipments, and the Hynix's maintenance and operation service for NewCo Measurement Equipments and NewCo Analysis Equipments hereunder, NewCo shall pay to Hynix a certain portion of the costs and expenses incurred by Hynix in connection with operating and maintaining the Measurement and Analysis Equipments, which shall consist of (a) Labor Charge, (b) Asset Charge, (c) Fixed Overhead Charge, (d) Variable Overhead Charge and (e) Part and Repair Charge as provided in Appendix I (see also Appendix I for definitions of the charges set forth above).

6.2. The fees per hour for NewCo's use of the KrF Scanner, ArF Scanner and each piece of equipment consisting of the Hynix New Analysis Equipments shall be calculated in accordance with the formula provided in Appendix II.

6.3. Any fees for the use/services hereunder are set forth in this Article 6 and there are no other fees for the use/services except as set forth in this Article 6. To the extent applicable, calculations hereunder shall be made by taking into account the AUP.

6.4. Notwithstanding anything herein to the contrary but subject to the last sentence of Section 3.7, the Parties acknowledge and agree that it is their mutual intent that the fees for the use/services hereunder shall be no greater than the actual cost reasonably incurred to provide such use/services. The Parties agree to cooperate in good faith in furtherance of the foregoing, including by adjusting the fees from time to time if necessary in order to effectuate this intent and by conducting, at the request of NewCo, an audit of the fees in each calendar year during which use/services are provided (at a time within the first six months of the succeeding calendar year mutually agreed to in good faith) to compare the costs actually incurred to provide the use/services hereunder during such period with the fees paid for such use/services. Hynix may dispute the results of any such audit, provided that Hynix shall notify NewCo in writing of such disputed results within 30 days of Hynix's receipt of the results of the audit. In the event of any such dispute, Hynix and NewCo shall attempt to reconcile their

differences and any resolution by them as to any disputed amounts shall be final, binding and conclusive on Hynix and NewCo. If Hynix and NewCo are unable to reach a resolution to such effect of all disputed amounts within 30 days of receipt of Hynix's written notice of dispute to NewCo, NewCo and Hynix shall submit the amounts remaining in dispute for resolution to the Independent Accounting Firm, which shall, within 30 days after such submission, determine and report to Hynix and NewCo with respect to the amounts disputed. The findings of the Independent Accounting Firm shall be final, binding and conclusive on Hynix and NewCo. If the results of any such audit as finally determined indicate that NewCo has, in the aggregate with respect to all costs audited, paid more than the amount otherwise required to have been paid pursuant to this Agreement, Hynix shall promptly (and in no event later than 30 days from the date of such determination) refund the amount of such overpayment to NewCo. If the results of any such audit as finally determined indicate that NewCo has, in the aggregate with respect to all costs audited, paid less than the amount otherwise required to have been paid pursuant to this Agreement, NewCo shall promptly (and in no event later than 30 days from the date of such determination) pay the amount of such underpayment to Hynix. For any individual deficiency or overpayment indicated by the results of any such audit as finally determined, the Party owing the payment shall pay to the other Party, in addition to such payment due, interest thereon at a rate of eight (8%) percent per annum of such deficiency or overpayment for the period from the date of such deficiency or overpayment until the date finally paid or reimbursed, as the case may be. The total costs involved in any such audit shall be paid by: (i) NewCo, in the case that the audit demonstrates a deviation in the aggregate with respect to all audited costs of less than 5% from the amount otherwise required to have been paid pursuant to this Agreement, (ii) both Parties equally, in the case that the audit demonstrates a deviation from 5% to 10% and (iii) Hynix, in the event that the audit demonstrates a deviation greater than 10%. Hynix will use its commercially reasonable efforts to minimize the costs incurred to provide the use/services hereunder, including managing its part stock reasonably in an effort to avoid excess. The Parties agree that the audit contemplated hereunder shall be conducted only once in each calendar year for all of the following agreements entered into by and between the Parties and/or their Affiliates as of the date hereof: General Service Supply Agreement, R&D Equipment Utilization Agreement, IT & FA Service Agreement, Taiwan Overseas Sales Services Agreement, U.S. Overseas Sales Services Agreement, Japan Overseas Sales Services Agreement, U.K. Overseas Sales Services Agreement and Hong Kong Overseas Sales Services Agreement.

**Article 7. Maintenance Activities**

7.1. During the Term of this Agreement, if Hynix has scheduled or otherwise has planned to undertake inspection, testing, preventive maintenance, corrective maintenance, repairs, replacement, improvement or other similar activities to all or any part of the Hynix Measurement Equipments B, Hynix Analysis Equipments, Hynix New Analysis Equipments, KrF Scanner and/or ArF Scanner (collectively, the "Maintenance Activities"), Hynix may, for the duration of such Maintenance Activities interrupt, suspend or curtail NewCo's use of such Hynix Measurement Equipments B, Hynix Analysis Equipments, Hynix New Analysis Equipments, KrF Scanner and/or ArF

Scanner to the extent that the Maintenance Activities for the affected part of Hynix Measurement Equipments B, Hynix Analysis Equipments, Hynix New Analysis Equipments, KrF Scanner and/or ArF Scanner are necessary or advisable. In the event that Hynix is required to perform corrective maintenance, repairs due to malfunction or non-routine inspection due to a suspected malfunction, Hynix shall give NewCo prior written notice of such activities to the extent reasonably possible. In the event that Hynix proposes to conduct any other Maintenance Activities, Hynix shall give NewCo as much prior written notice as reasonably possible of such activities, which in any event shall not be less than 30 days prior written notice, and Hynix shall consult with NewCo prior to undertaking or permitting to occur any such Maintenance Activity. Upon Hynix's receipt of any notice of any Maintenance Activities by any third party suppliers, Hynix promptly shall provide NewCo written notice thereof and shall consult with NewCo to the extent reasonably possible prior to permitting any such Maintenance Activities to occur.

7.2. If NewCo receives such notice as set forth in Section 7.1, then to the extent that the use of Hynix Measurement Equipments B, Hynix Analysis Equipments, Hynix New Analysis Equipments, KrF Scanner and/or ArF Scanner during the Maintenance Activities are insufficient to meet NewCo's requirements for NewCo's use thereof in accordance with the terms and conditions hereof, Hynix shall (i) discuss in good faith NewCo's obtaining alternate sources similar to such equipment as is/are affected for the duration of the Maintenance Activities, (ii) to the extent that Hynix obtains any alternate sources for such use/services and equipment, Hynix shall make available a pro-rata share of such alternate sources to NewCo, and (iii) if the foregoing are not available or are insufficient to meet NewCo's requirements, Hynix shall cooperate with NewCo to locate alternate sources for such services and equipment. To the extent the foregoing alternate sources are provided by Hynix, there shall be no incremental cost or expense to NewCo. To the extent the foregoing alternate sources are provided by third-parties, NewCo shall bear the actual costs of the services and equipment it uses.

**Article 8. Coordinating Committee**

8.1. Within thirty (30) days after the effective date of this Agreement, the Parties shall establish a coordinating committee (the "Coordinating Committee") which shall consist of four (4) members, two (2) of which shall be appointed by Hynix and two (2) of which shall be appointed by NewCo. Each Party, upon prior written notice to the other Party, may from time to time remove or replace any member appointed by such Party.

8.2. Except as the Parties may otherwise agree in writing, the Coordinating Committee shall have the power and responsibility under this Agreement to:

(a) act as a forum for the liaison between the Parties with respect to the day-to-day implementation of this Agreement;

(b) subject to Article 18, seek to resolve disputes; and

(c) undertake such other functions as the Parties may agree in writing.

**Article 9. Payment**

9.1. Hynix shall invoice NewCo on the tenth (10th) day of each calendar month for the fees provided under Article 6 for the immediately preceding calendar month, which invoices shall specify the use and/or services provided for the applicable month and the amount of fees for such use and/or services calculated in accordance with Article 6. By the twenty-fifth (25th) day of each calendar month so invoiced NewCo shall pay the invoiced amount and value added tax thereto to Hynix's designated account by means of a wire transfer in immediately available funds. All payments hereunder shall be made in Korean Won.

9.2. If NewCo fails to make any payment due hereunder by the date it is due, NewCo shall pay Hynix, in addition to the amount of such payment due, interest on the outstanding amounts of the fees at a rate of eight (8%) percent per annum of the outstanding amount, prorated to reflect the pro rata portion of such interest calculated from and including the relevant due date until the date the fees are fully paid.

9.3. Notwithstanding any dispute on the amount of payment under this Agreement, each Party shall continue to perform its obligations hereunder (including obligations to make payments of the amounts included on the invoices provided under Section 9.1 which are not disputed in good faith) and be entitled to exercise its rights under this Agreement; provided, however, that if NewCo fails to pay in full the portion of sums invoiced by Hynix which are not disputed by NewCo in good faith for three (3) calendar months after such sums become due, Hynix may suspend or curtail the performance of its obligations hereunder of the type for which payment was not made until such payment is made in full. Any invoice amount that remains disputed after thirty (30) days shall be referred to the Coordinating Committee in accordance with Section 18.2.

9.4. Hynix shall, at the request by NewCo, provide NewCo with relevant data and records for the determination of Hynix's compliance with its obligations under this Agreement (other than with respect to calculation of fees hereunder which will be governed by Section 6.4); provided that NewCo may make no more than one such request per calendar quarter and any such request must be reasonably specific. In this regard, Hynix shall prepare and maintain proper books and records of all matters pertaining to the use of Hynix Measurement Equipments B, Hynix Analysis Equipments, Hynix New Analysis Equipments, KrF Scanner and ArF Scanner, and services provided by Hynix, under this Agreement. Subject to the first sentence of this Section 9.4 and Article 19, upon seven (7) days prior written notice, NewCo, or its authorized representatives, may examine during normal business hours, the books, records and documents of Hynix to the extent necessary for verification of compliance under this Agreement; provided, however, that if Hynix is to provide such books and records on certain equipment to NewCo for NewCo's examination and photocopying purposes, Hynix may blackout any information contained in such books and records that relate to Hynix other than information regarding usage time, number of samples or any other information that is required for the determination of Hynix's compliance with its obligations under this Agreement.

9.5. Notwithstanding anything herein to the contrary, in the event of a bankruptcy filing with respect to NewCo, NewCo shall deposit with Hynix an amount equal to the fees paid by NewCo during the immediately preceding full calendar month under the terms of this Agreement, against which will be credited fees payable by NewCo over the thirty day

period following such deposit. NewCo shall renew such deposit each thirty days in each case by reference to the fees paid by NewCo during the full calendar month immediately preceding any such renewal until such bankruptcy protection filing has been accepted by the bankruptcy court. For the avoidance of doubt, NewCo shall not be relieved of responsibility for, and shall pay when due, any fees for services hereunder during any such thirty day period to the extent in excess of the then actual deposit.

**Article 10. Representations, Warranties and Covenants**

10.1. Each Party hereby represents and warrants to the other Party that all of the statements contained in this Section 10.1 are true and correct with respect to such Party as of the effective date of this Agreement and at all times thereafter during the Term.

(a) Organization. Such Party is duly incorporated and validly existing under the laws of Korea and has full power and authority to perform its respective obligations herein.

(b) Authorization. Such Party has full corporate power and authority to execute and deliver this Agreement. The execution, delivery and performance by such Party of this Agreement have been duly authorized by all corporate actions on the part of such Party that are necessary to authorize the execution, delivery and performance by such Party of this Agreement.

(c) Binding Agreement. This Agreement has been duly executed and delivered by such Party and, assuming due and valid authorization, execution and delivery hereof by the other Party, is a valid and binding obligation of such Party, enforceable against such Party in accordance with its terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws of general application affecting enforcement of creditors' rights generally and (ii) the availability of the remedy of injunctive relief may be subject to the discretion of the court before which any proceeding therefor may be brought or the general principle of good faith and fairness provided for in the Korean Civil Code.

(d) No Violation of Laws or Agreements. The execution, delivery and performance of this Agreement does not, (i) contravene any provision of the articles of incorporation or bylaws, or other similar organizational documents, of such Party; or (ii) violate, conflict with, result in a breach of, or constitute a default (or an event which might, with the passage of time or the giving of notice, or both, constitute a default) under any agreement to which such Party is a party or by which it is bound.

(e) Governmental Authorizations. Such Party has obtained all required Governmental Authorizations in connection with the performance of the obligations herein.

10.2. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS AGREEMENT OR IN THE BTA, NEITHER PARTY NOR ANY OTHER PERSON OR ENTITY ACTING ON BEHALF OF SUCH PARTY, MAKES ANY

REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED (INCLUDING ANY REPRESENTATION OR WARRANTY FOR SUFFICIENCY, SATISFACTORY RESULT OR FITNESS FOR PARTICULAR PURPOSE WITH RESPECT TO THE SERVICE PROVIDED HEREUNDER).

10.3. Each Party covenants and agrees to endeavor to cooperate with the other Party so as to minimize any interference with the other Party's operation of its business.

**Article 11. Force Majeure**

11.1. Neither Party shall be liable to the other Party for failure of or delay in the performance of any obligations under this Agreement due to causes reasonably beyond its control including (i) war, insurrections, riots, explosions and inability to obtain raw materials due to then current market situations; (ii) natural disasters and acts of God, such as violent storms, earthquakes, floods and destruction by lightning; (iii) the intervention of any governmental authority or changes in relevant laws or regulations which restrict or prohibit either Party's performance of its obligations under this Agreement or implementation of this Agreement; or (iv) strikes, lock-outs and work-stoppages (each, an "Event of Force Majeure"). Upon the occurrence of an Event of Force Majeure, the affected Party shall notify the other Party as soon as reasonably possible of such occurrence, describing the nature of the Event of Force Majeure and the expected duration thereof. Notwithstanding the foregoing, the Party receiving services hereunder shall be under a continuing obligation to make payments for such services which have already been supplied to the Party prior to the occurrence of an Event of Force Majeure.

11.2. If a Party is unable, by reason of an Event of Force Majeure, to perform any of its obligations under this Agreement, then such obligations shall be suspended to the extent and for the period that the affected Party is unable to perform. If this Agreement requires an obligation to be performed by a specified date, such date shall be extended for the period during which the relevant obligation is suspended due to such an Event of Force Majeure under this Agreement.

11.3. Notwithstanding anything to the contrary contained herein, a third party supplier's failure to meet its obligations in accordance with the applicable third party supplier agreement shall not constitute an Event of Force Majeure and Hynix shall be liable to NewCo for any breach of this Agreement resulting from such failure; provided that any such liability to NewCo shall be limited to the extent that such third party supplier's liability to Hynix is limited under the applicable third party supplier agreement; provided, further, that any such liability to NewCo shall be limited to the amount that Hynix actually recovers from such third party supplier. In the case of a material breach by a third party supplier, and in the event that NewCo incurs Damages resulting from such breach of the applicable third party supplier agreement material to NewCo, Hynix shall use commercially reasonable efforts to vigorously pursue all available actions for Damage compensation from any such third party supplier. In the event Hynix receives any compensation for Damages from the third party supplier for any breach, Hynix shall pay to NewCo a pro rata portion of such actual Damages received from the third party supplier based on the amount of Damages suffered by NewCo relative to the aggregate amount of Damages suffered by

both Parties. Each Party shall be responsible for a portion of the reasonable and documented expenses of any such actions for Damage compensation in proportion to the allocation of any recovery of Damages pursuant to the preceding sentence; provided that the Parties shall cooperate in good faith to minimize such expenses and consult with each other in advance with respect to the conduct of any such action.

11.4. To the extent that the equipment or services affected due to a third party's failure to meet its obligations under the applicable third party supplier agreement are insufficient to meet NewCo's requirements for NewCo's use thereof in accordance with the terms and conditions hereof, Hynix shall (i) to the extent Hynix has alternative sources available internally, provide such alternate sources for the affected equipment or services for the duration the equipment or services are affected, (ii) to the extent that Hynix obtains any alternate sources for such equipment or services, Hynix shall make available a pro-rata share of such alternate sources to NewCo, and (iii) if the foregoing are not available or are insufficient to meet NewCo's requirements, Hynix shall cooperate with NewCo to locate alternate sources for such equipment or services. To the extent the foregoing alternate sources are provided by Hynix, there shall be no incremental cost or expense to NewCo. To the extent the foregoing alternate sources are provided by third parties, NewCo shall bear the actual costs of the services it uses. To the extent that any service which both Parties utilize for their respective businesses remains partially available during an Event of Force Majeure (e.g., Hynix makes some quantity of service available but not the usual amount or Hynix otherwise accesses an alternative source of some quantity of service), each Party shall receive, to the extent practically possible, equal provision of such service up to the amount it would otherwise receive if there were no Event of Force Majeure.

## Article 12. Termination

12.1. Termination. This Agreement may be terminated at any time during the Term of this Agreement as follows:

(a) by either Party's serving a written notice thereof to the other Party and the Coordinating Committee in the event of a material breach or default by such other Party of its obligations hereunder, which default shall not have been cured by the breaching Party, or otherwise resolved by the Coordinating Committee, within sixty (60) days after written notice is provided by the non-breaching Party to the breaching Party and Coordinating Committee;

(b) by Hynix's serving sixty (60) days prior written notice thereof to NewCo if NewCo ceases to conduct any Permitted Business (provided that an assignment pursuant to Article 17 shall not trigger the application of this provision in so far as such assignee does not cease to conduct any Permitted Business); or

(c) by NewCo's serving a written notice of termination to Hynix, at such time as NewCo has terminated all of Hynix's obligations to provide the use of equipment and services hereunder in accordance with Section 2.2.

12.2. Upon termination of this Agreement, each Party shall discontinue the use of all Confidential Information provided by the other Party in connection with this Agreement, and shall promptly return to the other Party any and all Confidential Information, including documents originally conveyed to it by the other Party and any copies thereof made thereafter.

12.3. Except as provided in this Section 12.3 and Section 12.4, following the termination or expiration of this Agreement all obligations and liabilities of the Parties under or arising from this Agreement shall cease and be of no effect, and neither Party shall have any liability under or arising from this Agreement as a consequence of the termination or expiration of this Agreement in accordance with Section 12.1 except for fraud or willful breach of this Agreement. Notwithstanding the foregoing, termination of this Agreement shall be without prejudice to the accrued rights and liabilities of the Parties prior to the termination of this Agreement.

12.4. The respective rights and obligations of the Parties under Section 9.4 and Articles 14, 15, 16, 18 and 19 and other Sections which by their nature are intended to extend beyond termination, shall survive the termination or expiry of this Agreement.

**Article 13. [Intentionally Omitted]**

**Article 14. Indemnification**

14.1. Subject to Article 15 hereof, each Party (the "Indemnifying Party") shall defend, indemnify and hold harmless the other Party (and its shareholders, partners, members, directors, officers, employees, agents and representatives) (collectively, the "Indemnified Party") from and against, and shall pay to the Indemnified Party the amount of any Damages arising from any breach of any representation, warranty, agreement or covenant made by the Indemnifying Party under this Agreement or the negligence, gross negligence or willful misconduct of the Indemnifying Party.

**Article 15. Limitation on Liability**

15.1. Notwithstanding anything to the contrary herein, neither Party shall have any liability whatsoever to the other Party, and the other Party shall have no rights or remedies whatsoever (in each case whether in contract, tort, including negligence, or otherwise), for or in connection with any failure to provide any services or fees for services (as applicable) in accordance with this Agreement to the extent such failure is attributable to the occurrence of an Event of Force Majeure.

15.2. Notwithstanding anything to the contrary, no Party shall be liable to the other Party, whether by way of indemnity or otherwise, for any punitive damages, whether any such damages arise out of contract, equity, tort (including negligence), strict liability or otherwise, arising out of, or related to, this Agreement and each Party hereby waives, to the fullest extent permitted by law, all rights with respect to the punitive damages.

15.3. Notwithstanding anything to the contrary contained herein, the liability of each Party (the "Breaching Party") hereunder, for Damages resulting from the Breaching Party's breach

of this Agreement or its negligence, gross negligence or willful misconduct shall be limited to (a) in the event that the Breaching Party proves that such breach was the result of the negligence of the Breaching Party and no other reason or, in the case of a tort claim, the Indemnifying Party proves that such Damages resulted from the negligence of the Indemnifying Party and no other reason the aggregate amount received by the Breaching Party in fees hereunder for the calendar year prior to the year of determination for the use/service affected by such breach and (b) in all other events, including if the breach was the result of gross negligence, willful misconduct or intentional breach, the maximum amount permitted by Korean law.

15.4. If any Indemnified Party is at any time entitled to recover under any third-party policy of insurance (excluding any self-insurance that is not reinsured with a third party), in respect of any Damages for which indemnification is sought under Article 14, the Indemnified Party shall, at the request of the Indemnifying Party, use its commercially reasonable efforts to enforce such recovery for the benefit of the Indemnifying Party and, upon recovery under such policy, reduce the amount of Damages for which it is seeking indemnification under Article 14 by the amount actually recovered under the policy (net of and costs, charges and expenses of the Indemnified Party in connection with such recovery).

**Article 16. Right of First Refusal**

In the event Hynix wishes to sell or otherwise dispose of all or any part of the Hynix Equipments, Hynix New Analysis Equipments, KrF Scanner, ArF Scanner or any other equipment that is the subject matter of this Agreement (collectively, the "Used Equipments") at any time during the Term, Hynix shall first make an offer for sale of such Used Equipments to NewCo by giving NewCo a written notice setting forth the purchase price and other terms and conditions thereof ("Notice of Sale"). NewCo shall notify Hynix in writing whether NewCo accepts or rejects such offer made by Hynix in the Notice of Sale within thirty (30) days after the receipt thereof (such thirty-day period, the "Notice Period"). Unless NewCo accepts in writing such offer made by Hynix in the Notice of Sale prior to the expiration of the Notice Period, Hynix shall be free to sell or otherwise dispose of all or any part of such Used Equipments offered through the Notice of Sale to a third party within thirty (30) days from the date of expiration of the Notice Period; provided, however, that such sale or disposal to a third party shall not be made under the terms and conditions more favorable than the offer made to NewCo in the Notice of Sale. If Hynix sells or otherwise disposes of any of such Used Equipments (other than Hynix Measurement Equipments A) to a third party, then, to the extent Hynix replaces such equipment with equipment that is substitutive thereof, NewCo shall have the option to use such replacement equipment on terms and conditions consistent with the terms and conditions of NewCo's use of the equipment that was sold or disposed of (with the fees being calculated in accordance with Appendix I or II hereof), and to the extent Hynix does not replace such equipment, Hynix shall provide NewCo with the use of alternative equipment that is substantially the same as the equipment that was sold or disposed of on terms and conditions consistent with the terms and conditions of NewCo's use of the equipment that was sold or disposed of (with the fees being calculated in accordance with Appendix I or II hereof); provided, however, that Hynix shall not be obligated to provide NewCo with the use of such alternative equipment following the third anniversary of the date hereof if NewCo has rejected the offer made in a Notice of Sale with respect to the applicable Used Equipment.

**Article 17. Assignment**

17.1. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns; provided, however, that no Party will assign its rights or delegate its obligations under this Agreement without the express prior written consent of the other Party, except that (i) NewCo may assign its rights hereunder as collateral security to any bona fide financial institution engaged in financing in the ordinary course providing financing to the Warrant Issuer or its Subsidiaries and any of the foregoing financial institutions may assign such rights in connection with a sale of NewCo in the form then being conducted by NewCo substantially as an entirety; (ii) Hynix and NewCo each may, upon written notice to the other Party (but without the obligation to obtain the consent of such other Party), assign this Agreement or any of its rights and obligations under this Agreement to any person, entity or organization that succeeds (by purchase, merger, operation of law or otherwise) to all or substantially all of the capital stock, assets or business of such party, to all or substantially all of its assets and liabilities or to all or substantially all of the assets and liabilities of the portion of the Party's business to which the subject of this Agreement relates or of a division of the Party, if such person or entity agrees in writing to assume and be bound by all of the relevant obligations of such Party under this Agreement; and (iii) NewCo may, upon written notice to Hynix (but without the obligation to obtain the consent of Hynix), assign this Agreement or any of its rights and obligations under this Agreement to one or more direct or indirect Subsidiaries of Warrant Issuer.

17.2. Notwithstanding anything to the contrary contained herein, Hynix may not subcontract the performance of all or any parts of its obligations under this Agreement to any third party or parties, without the prior written consent of NewCo.

**Article 18. Governing Law; Dispute Resolution**

18.1. This Agreement shall be governed by and construed in accordance with the laws of Korea, without reference to the choice of law principles thereof.

18.2. Each Party seeking the resolution of a dispute arising under this Agreement must provide written notice of such dispute to the other Party, which notice shall describe the nature of such dispute. All such disputes shall be referred initially to the Coordinating Committee for resolution. Decisions of the Coordinating Committee under this Section 18.2 shall be made by unanimous vote of all members and shall be final and legally binding on the Parties. If a dispute is resolved by the Coordinating Committee, then the terms of the resolution and settlement of such dispute shall be set forth in writing and signed by both Parties. In the event that the Coordinating Committee does not resolve a dispute within thirty (30) days of the submission thereof, such dispute shall be resolved in accordance with Section 18.3. Notwithstanding the foregoing, Hynix and NewCo shall each continue to perform its obligations under this Agreement during the pendency of such dispute in accordance with this Agreement.

18.3. The Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to an injunction to prevent any breach of this Agreement and to enforce specifically the terms and provisions of this Agreement by bringing a relevant action in the Seoul Central District Court in Seoul, Korea, in addition to any other remedy to which any Party may be entitled at law or in equity. In addition, the Parties agree that any dispute, claims or controversy between the Parties arising out of or relating to this Agreement, whether in contract, tort, equity or otherwise and whether relating to the meaning, interpretation, effect, validity, performance or enforcement of this Agreement, which is not resolved by the Coordinating Committee pursuant to Section 18.2 may be submitted to the exclusive jurisdiction of the Seoul Central District Court, in Seoul, Korea. Each of the Parties irrevocably waives, to the fullest extent permitted by law, any objection which it may now, or hereafter, have with respect to the jurisdiction of, or the venue in, the Seoul Central District Court.

**Article 19. Confidentiality**

19.1. Neither Party shall, except as expressly permitted by the terms of this Agreement, disclose to any third party the terms and conditions of this Agreement, the existence of this Agreement and any Confidential Information which either Party obtains from the other Party in connection with this Agreement and/or use such Confidential Information for any purposes whatsoever other than those contemplated hereunder; provided, however, that this Agreement (and its terms and conditions) may be disclosed and filed publicly in connection with a public offering of securities by NewCo or its Affiliates. "Confidential Information" shall mean any and all information including technical data, trade secrets or know-how, disclosed by either Party to the other Party in connection with this Agreement, which is marked as "Proprietary" or "Confidential" or is declared by the other Party, whether in writing or orally, to be confidential, or which by its nature would reasonably be considered confidential.

19.2. The obligation of confidentiality in Section 19.1 shall not apply to any information that: (a) was known to the other Party without an obligation of confidentiality prior to its receipt thereof from the disclosing Party; (b) is or becomes generally available to the public without breach of this Agreement, other than as a result of a disclosure by the recipient Party, its representatives, its Affiliates or the representatives of its Affiliates in violation of this Agreement; (c) is rightfully received from a third party with the authority to disclose without obligation of confidentiality and without breach of this Agreement; or (d) is required by law or regulation to be disclosed by a recipient Party or its representatives (including by oral question, interrogatory, subpoena, civil investigative demand or similar process), provided that written notice of any such disclosure shall be provided to the disclosing Party in advance. If a Party determines that it is required to disclose any information pursuant to applicable law (including the requirements of any law, rule or regulation in connection with a public offering of securities by NewCo or its Affiliates) or receives any demand under lawful process to disclose or provide information of the other Party that is subject to the confidentiality provisions hereof, such Party shall notify the other Party prior to disclosing and providing such information and

shall cooperate at the expense of the requesting Party in seeking any reasonable protective arrangements requested by such other Party. Subject to the foregoing, the Party that receives such request may thereafter disclose or provide information to the extent required by such law or by lawful process.

**Article 20. Miscellaneous**

20.1. Exercise of Right. A Party may exercise a right, power or remedy at its discretion, and separately or concurrently with another right, power or remedy. A single or partial exercise of a right, power or remedy by a Party does not prevent a further exercise of that or of any other right, power or remedy. A failure to exercise a right, power or remedy or a delay in exercising a right, power or remedy by a Party does not prevent such Party from exercising the same right thereafter.

20.2. Extension; Waiver. At any time during the Term, each of Hynix and NewCo may (a) extend the time for the performance of any of the obligations or other acts of the other or (b) waive any inaccuracies in the representations and warranties of the other contained in this Agreement or in any document delivered pursuant to this Agreement. Any agreement on the part of a Party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Party. The failure of any Party to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of those rights. Any rights under this Agreement may not be waived except in writing signed by the Party granting the waiver or varied except in writing signed by the Parties.

20.3. Notices. Any notice, request, demand, waiver, consent, approval or other communication which is required or permitted to be given to any Party shall be in writing and shall be deemed duly given only upon delivery to the Party personally (including by reputable overnight courier service), when telecopied (with confirmation of transmission having been received) during normal business hours or three days after being mailed by registered or certified mail (return receipt requested), with postage and registration or certification fees thereon prepaid, addressed to the Party at its address set forth below (or at such other address for a party as shall be specified by such Party by like notice):

If to Hynix, to:

Hynix Semiconductor Inc.
Hynix Youngdong Building
891 Daechi-dong, Gangnam-gu
Seoul 135-738, Korea
Attention: Mr. O.C. Kwon
Facsimile: 82-2-3459-5955

If to NewCo, to:

MagnaChip Semiconductor, Ltd.
1 Hyangjeong-dong
Heungduk-gu
Cheongju City
Chung Cheong Bok-do, Korea
Facsimile: 82-43-270-2134
Attention: Dr. Youm Huh

with a copy to:

Dechert LLP
30 Rockefeller Plaza
New York, NY 10112
Telephone: (212) 698-3500
Facsimile: (212) 698-3599
Attention: Geraldine A. Sinatra, Esq.
Sang H. Park, Esq.

20.4. Fees and Expenses. All costs and expenses incurred in connection with this Agreement shall be paid by the Party incurring such expenses, except as specifically provided to the contrary in this Agreement.

20.5. Entirety; No Third Party Beneficiaries. This Agreement (a) constitutes the entire agreement between the Parties and supersedes all prior agreements and understandings, both written or oral, between the Parties with respect to the subject matter hereof and (b) is not intended to confer upon any person other than the Parties hereto any rights or remedies hereunder.

20.6. Severability of Provisions. Any term or provision of this Agreement that is held by a court of competent jurisdiction or other authority to be unlawful, invalid, void or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction or other authority declares that any term or provision hereof is unlawful, invalid, void or unenforceable, the Parties agree that the court making such determination shall have the power to reduce the scope, duration, area or applicability of the term or provision, to delete specific words or phrases, or to replace any unlawful, invalid, void or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the unlawful, invalid or unenforceable term or provision.

20.7. Amendment and Modification. This Agreement (for the avoidance of doubt, including Exhibits attached hereto) may be amended, modified and supplemented in any and all respects, but only by a written instrument signed by the Parties hereto expressly stating that such instrument is intended to amend, modify or supplement this Agreement.

20.8. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement.

20.9. Election of Remedies. Neither the exercise of nor the failure to exercise a right or to give notice of a claim under this Agreement shall constitute an election of remedies or limit any Party in any manner in the enforcement of any other remedies that may be available to such Party, whether at law or in equity.

20.10. Language. This Agreement is being originally executed in the English language only. In the event that the Parties agree to have a Korean version of this Agreement following signing, this Agreement may be translated into Korean. The Parties acknowledge that the Korean version of this Agreement shall be for reference purposes only, and in the event of any inconsistency between the two texts, the English version shall control.

20.11. Relationship of the Parties. Each Party shall perform its obligations hereunder as an independent contractor. This Agreement does not create a fiduciary or agency relationship between Hynix and NewCo, each of which shall be and at all times remain independent companies for all purposes hereunder. Nothing in this Agreement is intended to make either Party a general or special agent, joint venturer, partner or employee of the other for any purpose.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed by its duly authorized representatives as of the date first above written.

| HYNIX SEMICONDUCTOR INC. | | MAGNACHIP SEMICONDUCTOR, LTD. | |
|---|---|---|---|
| By: | _____ | By: | _____ |
| Name: | _____ | Name: | _____ |
| Title: | _____ | Title: | _____ |

**Exhibit 10.27**

# LICENSE AGREEMENT
# (ModularBCD)

**DATED March 18, 2005**

**BETWEEN**

**ADVANCED ANALOGIC TECHNOLOGIES INC.**

**AND**

**MAGNACHIP SEMICONDUCTOR, LTD.**

**LICENSE AGREEMENT**
**(ModularBCD)**

This agreement (the "**Agreement**") is made effective as of March 18, 2005, by and between Advanced Analogic Technologies Inc., a California corporation with its principal place of business located at 830 E. Arques Ave, Sunnyvale California 94085 (hereafter called "**AATI**") and MagnaChip Semiconductor, Ltd. with its principal place of business located at 1, Hyangjeong-dong, Hungduk-gu, Cheongju-si, Chungbuk, South Korea (hereafter called "**MAGNACHIP**").

**RECITALS**

WHEREAS, AATI and/or its affiliates own certain technology related to ModularBCD Technology (as defined below), and

WHEREAS, MAGNACHIP wishes to obtain a license to certain technology of AATI, and AATI has agreed to license such technology pursuant to the terms and conditions set forth herein, including a use restriction, and

WHEREAS, AATI wishes to provide for the manufacture, assembly, test and delivery of certain products (defined below)**,** and MAGNACHIP has agreed to undertake such obligations pursuant to the terms and conditions set forth in the Wafer Supply Agreement dated June 4, 2002 ("**Wafer Agreement**"), as those terms and conditions are amended by an Amendment effective on the Effective Date hereof.

NOW, THEREFORE, the MAGNACHIP and AATI agree as follows:

**AGREEMENT**

**1. DEFINITIONS**. The following terms will have the meanings attributed thereto, unless otherwise provided herein:

**1.1** "**AATI Field**" means the design, manufacturing, testing, sale, offer for sale, or distribution of Products, which are using AATI ModularBCD Technology described hereunder.

**1.2** "**AATI Improvements**" shall have the meaning attributed thereto in Section 3.3.

**1.3** "**AATI Intellectual Property**" means those Intellectual Property Rights that AATI owns or has a right to license consistent with the scope of the license hereunder.

**1.4** "**AATI Licensed Products**" means those AATI Products whose manufacture includes the use of MAGNACHIP Technology.

**1.5** "**AATI Products**" means those Low-Voltage Power Management Products of AATI, including, but not limited to, those identified on **Exhibit A**, as may be amended by AATI from time to time.

**1.6** "**AATI IC Technology**" means the designs, technology and other information provided by AATI to MAGNACHIP related to ModularBCD Technology and related device and processing under this

Agreement. **AATI IC Technology** includes the processes, methods, devices and apparatus described in the United States and foreign patent and patent applications listed on **Exhibit B** along with any improvements, derivatives, continuation patents, foreign filings, continuation in part (CIP) applications, and all work by AATI or its employees related to ModularBCD Technology preceding said applications (dating back to September 1998) continuing through the term of this Agreement. AATI IC Technology also includes the features, devices, processes, apparatus and methods identified in **Exhibit C** and protected by the Patents in Exhibit B. For purposes of clarity and notwithstanding the above definition of **AATI IC Technology**, **AATI IC Technology** does not include discrete trench-gated vertical power MOSFETs and AATI's proprietary TrenchDMOS Technology used to produce discrete vertical power MOSFETs, circuit designs, packaging technology, the multi-chip combination of TrenchDMOS or discrete transistors with integrated circuits containing ModularBCD Technology or other integrated circuits, and other related designs, technologies and information.

**1.7** "**Basic Semiconductor Technology**" means designs, technology and other information used to design, manufacture and test semiconductors, including etching, depositions, diffusion, cleaning, photolithography, and other semiconductor processes or sequences (such as LOCOS). **Basic Semiconductor Technology** ***does not include*** process architecture or the process integration (and resulting process flow) of an integrated process such as ModularBCD Technology. It also does not include "specialized" unit process steps such as directionally deposited oxides, chained and non-Gaussian implants, etc.

**1.8** "**Battery Management**" means a Low-Voltage Power Management Products comprising any device or solution that manages battery performance, including controls the charging and discharging of batteries, electrochemical cells, and fuel cells. **Battery Management** includes battery charger circuits, protection of LiIon or Lithium polymer batteries from potentially damaging overcharged and over-discharged conditions, the multiplexing and sequencing of different batteries in multi-battery systems (e.g. in notebook computers), and voltage clamping to limit the maximum voltage output from a charger circuit. **Battery Management** functions typically include sensing the battery's condition (voltage, temperature, total coulombs) and interrupting or permitting current flow (switching).

**1.9** "**Competing Products**" means products that compete with the AATI Products after the date of this Agreement. If any portion of a Product includes or integrates the functions of a Competing Product, then such product is a "**Competing Product**."

**1.10** "**Confidential Information**" means any information disclosed by either Party (the "**Disclosing Party**") to the other Party (the "**Receiving Party**") under this Agreement, either directly or indirectly, in writing, orally or by inspection of tangible objects (including without limitation documents, prototypes, samples and equipment), which is designated as "Confidential," "Proprietary" or some similar designation. Information communicated orally or through inspection shall be considered **Confidential Information** if such information is confirmed in writing as being Confidential Information within a reasonable time after the initial disclosure. **Confidential Information** may also include information disclosed to a Disclosing Party by Third Parties. Notwithstanding any designation of "Confidential", **Confidential Information** includes the AATI IC Technology.

**1.11** "**Effective Date**" means the date at which this Agreement is signed by both Parties.

**1.12** "**Facility**" means the MAGNACHIP-owned wafer fabrication facility located in Gumi, Korea and Cheong-ju, Korea or such other MAGNACHIP-owned facility that the Parties may agree upon in writing.

**1.13** "**MAGNACHIP Field**" means Basic Semiconductor Technology, along with the design, manufacture, test, and sales of products not related to analog semiconductors, power semiconductors, or the AATI Field (such as memory ICs, digital ICs, displays, sensors, and other non-analog non-power semiconductor products).

**1.14** "**MAGNACHIP Licensed Products**" means Non-Competing Products of MAGNACHIP, i.e. Non-Competing Products marketed and sold under a MAGNACHIP-owned brand or sold by MAGNACHIP to a Third Party as wafer sales, die sales or finished good sales through MAGNACHIP's foundry services business that include, employ or rely upon AATI IC Technology.

**1.15** "**MAGNACHIP Improvements**" shall have the meaning attributed thereto in Section 3.3.

**1.16** "**MAGNACHIP Intellectual Property**" means those Intellectual Property Rights that MAGNACHIP owns or has a right to license consistent with the scope of the license hereunder.

**1.17** "**MAGNACHIP Technology**" means the Basic Semiconductor Technology, and technology *not related* to analog and power semiconductor manufacture such as memory IC and digital IC processes, provided by MAGNACHIP to AATI.

**1.18** "**Intellectual Property Rights**" means any intellectual property right existing now or during the term of this Agreement recognized throughout the world, including without limitation copyright, maskwork rights, patent rights, trade secrets and know-how. For the purposes of this Agreement, "**Intellectual Property Rights**" excludes trademarks, service marks and domain names.

**1.19** "**Improvements**" means all copyrightable material, notes, records, drawings, designs, inventions, patents, improvements, developments, discoveries and trade secrets first conceived, made or discovered by a Party during the period of this Agreement which relate in any manner to, or are derived from, the AATI IC Technology, the MAGNACHIP Technology or Confidential Information licensed or provided hereunder, including any enhancements, modifications or derivations thereto.

**1.20** "**Joint Improvements**" shall have the meaning attributed thereto in Section 3.3.

**1.21** "**Load Switching and Power Supervision**" involves Low-Voltage Power Management Products which shuts-off or limits loads to save power when the load is not in use (load switching) or to supervise power by sensing when an adequate power supply condition is reached (voltage monitoring as a power good indicator), including the sequencing of multiple power supplies. Voltage references, along with voltage detectors and microprocessor reset ICs are considered as power supervision type products. Some load switching functions may include slow-turn-on to limit in-rush current (and over-current) or over-temperature protection to prevent damage during a shorted load condition.

**1.22** "**Low-Voltage Power Management Products**" means those products that have low- voltage power management characteristics. For the purpose of this Agreement, "**Low-Voltage**" shall be defined as semiconductor components rated at *35 volts or less*. "**Power Management Products**" include the following semiconductor components: (1) Integrated Circuits, (2) Power Integrated Circuits, (3) Discrete Power MOSFETs, (4) Intelligent and Application-Specific Power MOSFETs, and (5) Multi-chip Combinations of ICs and Power MOSFETs which include any Product controlling the flow of power in the

following broadly defined functions: (1) Port Protection, (2) Battery Management, (3) Load Switching & Power Supervision, and/or (4) Voltage Regulation & DC/DC Conversion.

**1.23** "**Other Technology**" means all designs, technology and information other than AATI IC Technology are beyond the scope of this Agreement. Other Technology includes, without limitation, TrenchDMOS Technology (as defined in the License Agreement (TrenchDMOS) between AATI and MAGNACHIP of even date with this Agreement.

**1.24** "**Port Protection**" means Low-Voltage Power Management Products having functions that include limiting current, clamping voltage, providing ESD protection, facilitating over-temperature protection, and preventing operation during under-voltage or shorted-load conditions. **Port Protection** includes protecting any input or output pin (or connector) from damage, especially during the connection or disconnection of components while power is available at the connector (hot plugging) such as PC Cards (PCMCIA), Universal Serial Bus (USB), IEEE1394 (FireWire), Bluetooth, camera modules, external peripherals, and PCB (printed circuit board) hot plugging. **Port Protection** may also include protocol-specific functions such as sensing of the port condition, power supply voltage sequencing, noise suppression between loads, and in-rush induced noise spikes. Port Protection may also include supplying power to a port (such as USB on-the-go) or by driving an external load (such as a speaker in a class D audio output).

**1.25** "**ModularBCD Technology**" means that technology related to the fabrication of electronic devices and semiconductor integrated circuits capable of monolithically integrating fully-isolated devices without the need for epitaxial layers or high-thermal-budget processing (including long or high-temperature diffusions, deep diffusions, or any processes that substantially redistribute dopant profiles from their *as-implanted* distributions through thermal diffusion). **ModularBCD Technology** is distinguished by its extensive use of high-energy ion implantation methods (including multi-energy chained-implants) to form and isolate any and various combinations of electronic devices including N-channel and P-channel MOSFETs (i.e. CMOS), NPN and PNP bipolar transistors (i.e. complementary bipolars), DMOS (double-junction) transistors, lateral and quasi-vertical *trench-gated* power MOSFET devices, along with on-chip passives (such as high-sheet-resistance resistors and poly-to-poly capacitors). Isolation of components is achieved using deeply-implanted junctions without requiring epitaxy, isolation diffusions, trench isolation, or SOI (silicon-on-insulator) materials. **ModularBCD Technology** can also be characterized by its *multi-voltage* capability whereby components and circuitry operating at different voltages can be integrated and isolated with little or no interaction among the differing voltage components, and with no substantial area penalty for mixing voltages within the integrated circuit. **ModularBCD Technology** includes but is not limited to the processes, methods, devices and apparatus described in United States and foreign Patent and Patent applications listed in **Exhibit B** along with any improvements, derivatives, continuation patents, foreign filings, continuation in part (CIP) applications, and all work by AATI or its employees related to ModularBCD Technology preceding said applications (dating back to September 1998) continuing through the term of this Agreement. **ModularBCD Technology** features includes but is not limited to the features, device structures, apparatus and fabrication methods listed in **Exhibit C** and protected by the Patents in Exhibit B.

**1.26** "**Net Sales**" means the gross selling die or wafer price (depending on how such is sold) invoiced by MAGNACHIP, its affiliates and authorized manufacturers on sales or other dispositions of MAGNACHIP Licensed Products, less the following items to the extent they are included in such gross revenues and separately stated on the invoice: (i) normal and customary rebates, refunds and discounts actually given by seller, (ii) insurance, transportation and other delivery charges actually paid by seller, (iii) sales, excise, value-added and other taxes, (iv) testing and packaging costs and (v) wafer thinning, and other

outside expenses incurred in manufacturing, but not included in the Projected Wafer Costs. Sales between MAGNACHIP, its affiliates and authorized manufacturers shall not be included in Net Sales (but sales or other dispositions by MAGNACHIP, its affiliates and authorized manufacturers to third parties shall be counted as Net Sales). If any MAGNACHIP Licensed Products are sold or transferred in whole or in part for consideration other than cash, Net Sales shall include the fair market value of such MAGNACHIP Licensed Product. For purposes of this definition of **Net Sales**, "authorized manufacturer" means any entity (other than a MAGNACHIP affiliate) that manufacturers (including any assembly and packaging of MAGNACHIP Licensed Products) and sells MAGNACHIP Licensed Products under authority, directly or indirectly, from MAGNACHIP.

**1.27** "**Non-Competing Products**" means Products that either (i) Operate above 35V, or (ii) Do NOT perform Power Management functions (namely **Port Protection, Load Switching & Power Supervision, Battery Management, or Voltage Regulation & DC/DC Conversion**). Specific examples of Non-Competitive Products are listed in **Exhibit D**.

**1.28** "**Party**" means each of AATI and MAGNACHIP (and collectively "**Parties**" means both MAGNACHIP and AATI). The term Party (whether referred to as a "Party" or "Parties" or "AATI" or "MAGNACHIP") does not include any affiliates of such Party except for wholly owned subsidiaries, unless expressly agreed upon in writing by both Parties. In addition, the terms Party, AATI, MAGNACHIP and Parties shall not include any assignees or successors in interest except as provided for under **Section 12.3**.

**1.29** "**Products**" means semiconductor devices; integrated circuits; discrete transistors; or semiconductor components; whether in wafer form or separated into individual dice (chips), whether assembled into packages, modules, chip-scale packages, bumped, or otherwise unassembled, whether tested or untested. Products include both Competing Products and Non-Competing Products.

**1.30** "**Release-to-Design (RTD) Date**" means the date when IC circuit design using ModularBCD Technology can commence. The **RTD Date** requires the completion of working test devices and the extraction of SPICE simulation models. Thereafter design of the first integrated circuit product can commence.

**1.31** "**Release-to-Manufacturing (RTM) Date**" means the date when the first integrated circuit Product using ModularBCD Technology is successfully qualified. The **RTM Date** requires the successful fabrication and burn-in qualification of three (3) wafer runs of said Product. Thereafter both Product and ModularBCD Technology are qualified and manufacturing production can commence.

**1.32** "**Third Party**" means any company, corporation, partnership, person or commercial entity other than a Party.

**1.33** "**Voltage Regulation & DC/DC Conversion**" means Low-Voltage Power Management Products that regulate voltage (or in some cases current) by linear (i.e. linear regulators or LDO's), switched capacitive (i.e. charge pumps), and switched inductor (i.e. switching or PWM regulator) methods. The input voltage is generally stepped up and/or down in voltage by the converter circuitry then the output is regulated by some sort of feedback to produce constant output voltage (or in some cases constant output current). Linear regulators and charge pumps need external capacitors while switching regulators also require one or more inductors. Voltage Regulation applications include regulators for cell phones, CPUs, chip sets, displays, RF ICs, DSPs, memory, data busses, whole systems, and more. Constant current applications include LED drivers for portable electronics display backlights.

**1.34** "**Projected Wafer Cost**" means the estimated cost of a wafer, including the substrate, but not including back grind or project costs. This will also be the same cost that AATI will pay directly for said wafers from MAGNACHIP. The projected wafer costs shall be mutually agreed upon by both parties and both parties agree to revisit the projected wafer cost on an annual basis in the future.

**1.35** "**Customer**" means any third party purchaser of products under this Agreement who is not an affiliate, parent company or subsidiary of MAGNACHIP or AATI.

**2. LICENSE**

**2.1 License by AATI**.

(a) Subject to the terms and conditions set forth in this Agreement, AATI hereby grants and agrees to grant to MAGNACHIP, and MAGNACHIP accepts, the following license:

(i) a non-exclusive and non-transferable (except pursuant to **Section 12.3**), license under the AATI Intellectual Property to:

(1) make at the Facility (but not have made elsewhere), design, develop, offer to sell, sell, use, import, and otherwise dispose of the MAGNACHIP Licensed Products;

(2) practice, at the Facility, any *process or method* involved in the manufacture or use of MAGNACHIP Licensed Products; and

(3) to make, use and have made any *manufacturing apparatus* involved in the manufacture or use of MAGNACHIP Licensed Products.

(ii) a non-exclusive nontransferable (except pursuant to **Section 12.3**) license under the AATI Intellectual Property to use the AATI IC Technology for the sole purpose of manufacturing and repairing AATI Products, at the Facility, for distribution to AATI.

(iii) a non-exclusive and non-transferable (except pursuant to **Section 12.3**), license on a world-wide basis under the AATI Intellectual Property to use, reproduce modify and make derivative works of the copyrightable materials of the AATI IC Technology solely for use in connection with the exercise of the license granted in **Section 2.1(a)(i)** and **(ii).**

(b) MAGNACHIP Licensed Products shall be royalty-bearing in accordance with **Section 5**.

(c) MAGNACHIP shall have no license under the AATI Intellectual Property to supply AATI Products or Competing Products to any party other than AATI without AATI's prior written approval except as provided for in **Section 2.3**. Further, for clarity and notwithstanding anything to the contrary set forth in this Agreement, to the extent (i) a MAGNACHIP License Product includes or relies upon both AATI IC Technology and Other Technology, or (ii) the practice of any rights granted under this **Section 2.1** infringes or misappropriates any AATI Intellectual Property due to such Other Technology, then (iii) the use of the Other Technology shall not be considered licensed under this Agreement, but shall instead require a

separate license from AATI (which AATI may grant or withhold in its sole discretion). The parties acknowledge that AATI and MAGNACHIP have executed a separate License Agreement (TrenchDMOS) concurrently with this Agreement.

(d) MAGNACHIP shall have the right, upon prior approval of AATI in writing, to sublicense to Third Parties its right under **Section 2.1(a)**. Except as expressly provided in this **Section 2.1**, MAGNACHIP shall have no right to sublicense the rights granted in this **Section 2.1**.

**2.2 License by MAGNACHIP**:

(a) Subject to the terms and conditions set forth in this Agreement, MAGNACHIP hereby grants and agrees to grant to AATI, and AATI accepts, a non-exclusive, irrevocable, royalty-free, fully paid-up and non-transferable (except pursuant to **Section 12.3 ,** and, under no circumstances, to any other manufacturer of the Products apart from MAGNACHIP), and only for the Term of this Agreement, license on a world-wide basis under the MAGNACHIP Intellectual Property to:

(i) make and have made AATI Licensed Products solely in the Facility,

(ii) design, develop, offer to sell, sell, use, import and otherwise dispose of AATI Licensed Products made or to be made in the Facility,

(iii) practice, solely within the Facility, any *process or method* involved in the manufacture of the AATI Licensed Products,

(iv) to practice any process or method involved in the *use* of the AATI Licensed Products made in the Facility, and

(v) make and have made any *manufacturing apparatus* involved in the manufacture or use of AATI Licensed Products that incorporates or is based upon MAGNACHIP Technology and to use such apparatus exclusively at the Facility.

**2.3 Competing Products**. In no event shall MAGNACHIP utilize any AATI IC Technology in connection with the design, manufacturing, distribution or sale of any Competing Product without the prior written permission of AATI. MAGNACHIP agrees to provide AATI at least thirty (30) days prior written notice prior to MAGNACHIP's manufacture, distribution or sale (or assisting others with regard to the same) of any Competing Product. At no time my AATI utilize MAGNACHIP Licensed Products or MAGNACHIP Intellectual property in connection with the design or manufacturing of AATI Products or AATI Licensed Products outside of MAGNACHIP' Facility without MAGNACHIP' expressed written approval.

**3. OWNERSHIP AND RESERVATION**

**3.1 By AATI**. Subject to the rights granted to or retained by MAGNACHIP under **Sections 2**, **3.2** and **3.3**, the Parties acknowledge and agree that as between the Parties, all title to and ownership of all AATI Intellectual Property and AATI IC Technology not expressly granted herein shall remain the sole and exclusive property of AATI. Nothing herein shall be construed as granting MAGNACHIP any ownership rights in the AATI Intellectual Property and AATI IC Technology. AATI grants no rights, license or title to its technology beyond the scope of this Agreement, unless otherwise agreed to in writing by both parties.

**3.2 By MAGNACHIP**: Subject to the rights granted to or retained by AATI under **Sections 2**, **3.1** and **3.3**, the Parties acknowledge and agree that as between the Parties, all title to and ownership of all MAGNACHIP Technology and MAGNACHIP Intellectual Property not expressly granted herein shall remain the sole and exclusive property of MAGNACHIP. Nothing herein shall be construed as granting AATI any ownership rights in the MAGNACHIP Intellectual Property and MAGNACHIP Technology. MAGNACHIP grants no rights, license, or title to its technology beyond the scope of this Agreement, unless otherwise agreed to in writing by both parties.

**3.3 Improvements**. With respect to any Improvements, ownership shall be allocated as follows:

(a) **AATI Improvements**. All Improvements to AATI IC Technology that are created or conceived solely by AATI shall be solely owned by AATI (the "**AATI Improvements**"). AATI shall own all right, title, and interest in the AATI Improvements and all Intellectual Property therein (excluding MAGNACHIP' rights in and ownership of any Joint Improvement under Section 3.3(c) below). AATI shall have the exclusive right to apply for or register any patents, mask work rights, copyrights, and such other proprietary protections with respect thereto. Nothing herein shall be construed as granting MAGNACHIP any ownership rights in the AATI Intellectual Property and AATI IC Technology. AATI grants no rights, license or title to such technology and/or Intellectual Property outside the scope of this Agreement.

(b) **MAGNACHIP Improvements:** All Improvements to MAGNACHIP Technology that are created or conceived solely by MAGNACHIP shall be solely owned by MAGNACHIP (the "**MAGNACHIP Improvements**"). MAGNACHIP shall own all right, title, and interest in the MAGNACHIP Improvements, and all Intellectual Property therein (excluding AATI's rights in and ownership of any Joint Improvement under Section 3.3(c) below). MAGNACHIP shall have the exclusive right to apply for or register any patents, mask work rights, copyrights, and such other proprietary protections with respect thereto. Nothing herein shall be construed as granting AATI any ownership rights in the MAGNACHIP Intellectual Property and MAGNACHIP Technology. MAGNACHIP grants no rights, license or title to such technology and/or Intellectual Property outside the scope of this Agreement.

(c) **Joint Improvements**. Any Improvement which is jointly created or conceived by the Parties pursuant to this Agreement shall:

(i) if created or conceived as an Improvement to AATI IC Technology as a result of the licenses granted to MAGNACHIP in Section 2 or access to the AATI IC Technology or AATI Confidential Information, be considered:

(1) a "**Joint Improvement**" under this Section 3.3(c), if falling *outside* the AATI Field; or

(2) an "**AATI Improvement**" under Section 3.3(a), if falling *within* the AATI Field; and

(ii) if created or conceived as an Improvement to MAGNACHIP Technology as a result of the licenses granted to AATI in Section 2 or access to the MAGNACHIP Technology or MAGNACHIP Confidential Information, be considered:

(1) a "**Joint Improvement**" under this Section 3.3(c), if falling *outside* the MAGNACHIP Field; or

(2) a "**MAGNACHIP Improvement**" under Section 3.3(b), if falling *within* the MAGNACHIP Field.

(iii) The Parties shall cooperate with each other in obtaining and securing all possible United States and foreign rights to the Joint Improvements and enforcing such rights. The Parties agree to meet and confer prior to any public dissemination, use or sale of Joint Improvement in order to ensure that any related patent applications have been filed prior to such event, and shall not make such dissemination, use or sale of Joint Improvement until related patent applications have been filed. The Parties shall share equally in the costs of obtaining Joint Improvement rights which are jointly owned, including but not limited to the costs of preparing, filing and prosecuting applications and patent maintenance fees. If a Party determines that it does not want to pursue or continue to pursue obtaining a particular Joint Improvement right which otherwise would be jointly owned, and the other Party elects to do so (the "electing Party"), the cost related to that particular Joint Improvement right shall be borne solely by the electing Party and the electing Party shall have sole and full ownership of such Joint Improvement right, including any derivatives, continuations, divisions, reissues and reexaminations of that Joint Improvement right.

(iv) MAGNACHIP hereby irrevocably transfers, conveys and assigns to AATI all of its right, title, and interest in any Improvements described in Section 3.3(c)(i)(B) (AATI Improvement). MAGNACHIP shall execute such documents, render such assistance, and take such other action as AATI may reasonably request, at AATI's expense, to apply for, register, perfect, confirm, and protect AATI rights to such Improvements, and all Intellectual Property therein. AATI hereby irrevocably transfers, conveys and assigns to MAGNACHIP all of its right, title, and interest in any Improvements described in Section 3.3(c)(ii)(B) (MAGNACHIP Improvement). AATI shall execute such documents, render such assistance, and take such other action as MAGNACHIP may reasonably request, at MAGNACHIP's expense, to apply for, register, perfect, confirm, and protect MAGNACHIP's rights to such Improvements, and all Intellectual Property therein.

(v) MAGNACHIP and AATI shall each have the right to exploit all Joint Improvements (that are not AATI Improvements or MAGNACHIP Improvements) without being required any additional payment to the other, *provided however*, in the event a Party refuses to cooperate and pay costs related to the Joint Improvement under Section 3(c)(iii), such Party shall have no rights to use or exploit such Joint Improvement under the terms of this Agreement.

(d) **Independently Developed**. Notwithstanding the above, to the extent that any Improvements is solely created by a Party under this Agreement, without reference or use of the other Party's Technology, Intellectual Property or Confidential Information (as defined below), then such Party shall exclusively own such Improvements.

**3.4 Waiver of Moral Rights**. Each party hereby waives any and all "moral rights," meaning any right to identification of authorship or limitation on subsequent modification that a party (or its employees, agents or consultants) has or may have in the other party's Improvements, to the extent recognized by applicable law consistent with Berne Convention, art. 6bis.

**3.5 Attorney in Fact**. Each Party assigning any rights under Section 3 hereunder (the "**Assignor**") agrees that if the other Party (the "**Assignee**") is unable because of Assignor's unavailability, dissolution or incapacity, or for any other reason, to secure Assignor's signature to apply for or to pursue any application for any United States or foreign patents or mask work or copyright registrations covering the inventions assigned to Assignee above, then Assignor hereby irrevocably designates and appoints the company and its duly authorized officers and agents as Assignor's agent and attorney in fact, to act for and in Assignor's behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of patents, copyright and mask work registrations thereon with the same legal force and effect as if executed by Assignor. This power of attorney is deemed coupled with an interest and is irrevocable.

**3.6 Non-Exclusive Arrangement**. Nothing in this Agreement shall be construed to limit AATI's rights to manufacture, distribute or take any other action with respect to the AATI Products, AATI IC Technology, AATI Improvements or AATI Confidential Information or to authorize any other persons to do any of the foregoing except as it relates to MAGNACHIP Technology or *Improvements to MAGNACHIP Technology* pursuant to Section 3.3. Likewise nothing in this agreement shall be construed to limit MAGNACHIP's rights to manufacture, distribute or take any other action with respect to the MAGNACHIP Products, MAGNACHIP Technology, MAGNACHIP Improvements or MAGNACHIP Confidential Information or to authorize any other persons to do any of the foregoing, except as it relates to AATI IC Technology or *Improvements to AATI IC Technology* pursuant to Section 3.3.

**4. TECHNOLOGY DELIVERY & IMPLEMENTATION**.

**4.1 AATI Technology**. AATI will deliver to MAGNACHIP the **AATI IC Technology** promptly after the Effective Date in a form that is mutually acceptable to both Parties. AATI deliverables to MAGNACHIP are outlined in **Exhibit E**. Thereafter, AATI may (but is not obligated to) supplement the AATI IC Technology.

**4.2 MAGNACHIP Technology**: Upon the recommendation of MAGNACHIP or upon agreement of both Parties, MAGNACHIP will deliver to AATI the **MAGNACHIP Technology** listed in **Exhibit F** that may be applicable and useful in adapting and implementing the AATI IC Technology in said Facility. It is understood by both Parties that the applicability of such **MAGNACHIP Technology** to AATI IC Technology Implementation may vary by Facility. Thereafter, as agreed upon by both Parties, certain processing steps, methods, or features in the AATI IC Technology (such as unit process steps in the ModularBCD Technology process flow) may be adapted to incorporate **MAGNACHIP Technology** or variants thereof. MAGNACHIP may (but is not obligated to) supplement the **MAGNACHIP Technology** at a later date.

**4.3 AATI IC Technology Implementation**. Both Parties agree to implement with commercially reasonable effort, the AATI IC Technology in said Facility in accordance with the procedures for AATI IC Technology Implementation as described in **Exhibit G**.

(i) **Adapting AATI IC Technology for Facility**. In the event that AATI IC Technology is adapted or modified to best match or fit said Facility by utilizing MAGNACHIP Technology in certain steps or processes, such steps or techniques that constitute MAGNACHIP Technology shall remain the property of MAGNACHIP. Those portions of the AATI IC Technology not using MAGNACHIP Technology along with the integrated process flow of ModularBCD Technology constitute AATI IC Technology and shall remain the property of AATI.

(ii) **Initial AATI IC Technology Implementation**. The initial implementation of AATI IC Technology in said Facility does NOT constitute an Improvement to AATI IC Technology.

(iii) **Initial AATI IC Technology Implementation Milestones**. Both Parties will use commercially reasonable efforts to meet the milestones of the Initial AATI IC Technology Implementation including efforts to meet the objective *Release-to-Design (RTD) Date*, and the *Release-to-Manufacturing (RTM) Date*.

**5. ROYALTIES AND PAYMENT TERMS**.

**5.1 Royalty**.

(a) MAGNACHIP shall pay [*****] royalty for Products its produces for and sells to AATI (or AATI's affiliate as designated in writing by contract from AATI). AATI's wafer price from MAGNACHIP is covered under the AATI MAGNACHIP supply agreement and is not covered by this Agreement.

(b) In the case of Non-Competing Products, MAGNACHIP shall pay AATI [*****] royalty of Net Sales of all wafers produced using or incorporating the AATI Intellectual Property licensed herein (such MAGNACHIP payment to be offset by any payment due from AATI pursuant to Section 5.4 below); provided, however, that the Parties agree that the foregoing royalty rate is based on a presumption of a [*****] withholding tax rate as of the Effective Date, and so the Parties agree to negotiate in good faith an increase or decrease in such royalty rate at any time the withholding tax rate changes after the Effective Date. Customer shall be responsible for its own designs or pay for AATI's design with a release to AATI. Customer and/or MagnaChip shall be responsible for the qualification, orders, shipping logistics and quality.

(c) In the case of Competing Products, MAGNACHIP has no license under this Agreement to sell Competing Products to customers other than AATI (and AATI's affiliates). In the event that AATI has provided said customer with a license to have made, purchase, promote and sell Competing Products, however, MAGNACHIP may, to the extent it is a qualified manufacturer manufacture Competing Products for such licensee, to the extent authorized by AATI. In such instances, MAGNACHIP shall pay AATI [*****] of the difference between the **Net Sales** of a wafer produced using or incorporating the AATI Intellectual Property licensed herein, and the mutually agreed upon "**Projected Wafer Cost**" (such MAGNACHIP payment to be offset by any payment due from AATI pursuant to Section 5.4 below). AATI reserves the right to charge additional consideration directly to such customers (as opposed to MAGNACHIP) for such Competing Products. In such cases, (1) MAGNACHIP makes no representation to AATI with respect to the qualification and product quality; (2) AATI, at its election, may choose to assist such customers with respect to qualification and product quality; and (3) as between AATI and MAGNACHIP. MAGNACHIP shall be responsible for shipping logistics, orders and process quality of wafers.

(d) Both parties shall negotiate a mutually agreeable new cost price. In any case, both parties agree that they will review the pricing structure hereunder on an annual basis to ensure the pricing structure is mutually agreeable, and adjust such accordingly.

**5.2 Payment**. Within 30 days following the end of each calendar quarter, MAGNACHIP and AATI shall pay their respective royalty payments on invoices paid by the third party in U.S. Dollars and shall include a report sufficient to show the basis for calculation of the royalty payments made hereunder, including without limitation, quantity and identification of all Competing and Non-Competing Products

[*****] - Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

("**Report**"). Upon AATI approval, in lieu of payment on a quarterly basis MAGNACHIP may pay such outstanding royalties by issuing a credit against outstanding AATI invoices or toward new wafer starts for Products from MAGNACHIP.

**5.3 Records and Audit**. Each party shall retain records and supporting documentation sufficient to document the fee payable under this Agreement in any particular quarter in which this Agreement is in effect for at least three years following the end of such quarter and its compliance with **Section 5.2**. Upon prior reasonable written notice of no less than sixty (60) days by one party, the other party shall provide to a nationally recognized independent public accounting firm (the "**Auditors**") designated in writing by that party access during normal business hours to the audited party's personnel, outside accountants and data and records maintained in connection with this Agreement, in each case to the extent necessary or appropriate for the purpose of determining whether (i) calculations of the royalties payable under this Agreement are accurate and in accordance with this Agreement and/or (ii) MAGNACHIP has offered most favorable pricing to AATI in accordance with **Section 5.2** (an "**Audit**"). Audits will be conducted no more frequently than once per calendar year. Each party agrees to use commercially reasonable efforts to assist such Auditors in connection with such Audits. Any such Audits shall be conducted at the requesting party's sole cost and expense.

**5.4 Taxes**. Each Party shall bear any and all taxes and other charges incurred by or levied on it by its own country in connection with this Agreement; provided, however, that AATI shall bear fifty percent (50%) of any withholding or similar tax for foreign payments that is levied by the Korean Government upon any amounts due from MAGNACHIP to AATI under this Agreement, and MAGNACHIP is entitled to offset such AATI payment obligation from any amounts actually paid by MAGNACHIP to AATI under this Agreement, including but not limited to amounts due pursuant to Sections 5.1(b) and 5.1(c) above. MAGNACHIP will furnish AATI with each tax receipt issued by the Korean taxing authority to assist AATI in obtaining the credit in the United States.

**6. WARRANTY AND DISCLAIMER**.

**6.1 General**. Each Party represents and warrants to the other that:

(e) it has all requisite corporate power and authority to enter into this Agreement and to carry out the transactions contemplated by this Agreement; and

(f) the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated by this Agreement have been duly authorized by all requisite corporate action on the part of such Party

**6.2** EXCEPT FOR THE EXPRESS WARRANTIES SET FORTH IN THIS **SECTION 6**, NEITHER PARTY MAKES ANY OTHER WARRANTIES WITH RESPECT TO THE TECHNOLOGY AND INTELLECTUAL PROPERTY RIGHTS LICENSED HEREUNDER, WHETHER EXPRESSED OR IMPLIED, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR OF FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT.

**7. TERM AND TERMINATION OF AGREEMENT**.

**7.1 Term**. This Agreement shall have an initial term of three (3) years but shall be automatically renewed thereafter (and after each subsequent renewal term) for a renewal term of one year unless, at least sixty (60) days prior to the date of any such renewal, either Party hereto shall have given notice in writing to the other of its intention to terminate the Agreement. This Agreement shall thereafter be automatically terminated at the end of the term during which such notice is given.

**7.2 Termination for Default**. Should either Party materially default in the performance of any term or condition of this Agreement (a "**Default**"), in addition to all other legal rights and remedies, the other Party may terminate this Agreement by giving thirty (30) days written notice of said Default unless such Default is corrected within the notice period.

**7.3 Termination for Bankruptcy**: Either Party may terminate this Agreement by written notice in the event that the other Party makes an assignment for this benefit of creditors, or admits in writing inability to pay debts as they become due; or a Trustee or receiver for any substantial part of its assets is appointed by any court; or a proceeding is instituted under a provision of the Federal Bankruptcy Act by or against the other Party and is acquiesced in or is not dismissed within 60 days or results in an adjudication in bankruptcy. An assignment by AATI of all or part of its rights to payment hereunder as part of a working capital financing shall not be deemed cause for termination under this paragraph.

**7.4 Effect of Termination**. Upon termination or expiration of this Agreement for any reason, all licenses shall immediately terminate. Each Party shall return the Confidential Information of the other Party within thirty (30) days after the effective date of such termination or expiration. In addition Sections 1, 3, 5.3, 6, 7, 8, 9, 10, 11 and 12 shall survive any expiration or termination of this Agreement.

**8. INTELLECTUAL PROPERTY RIGHTS INDEMNITY**.

**8.1 By MAGNACHIP**:

(a) MAGNACHIP will defend or settle, at its expense, all claims, proceedings and/or suits brought by Third Parties against AATI, its Affiliates (including their directors, officers, and employees) and customers alleging that the MAGNACHIP Technology as provided by MAGNACHIP to AATI hereunder infringes or violates any patent, copyright, trade secret or other intellectual property right (herein "**Infringement Claim**") and will indemnify AATI from and pay all litigation costs, reasonable attorney's fees, settlement payments (subject to reasonable approval by MAGNACHIP) and damages awarded by a court having jurisdiction over such Infringement Claim with respect to any Infringement Claim; and provided that MAGNACHIP shall be relieved of its obligations under this **Section 8.1** unless AATI promptly notifies MAGNACHIP in writing of any such Infringement Claim and gives MAGNACHIP sole control, full authority, information and assistance (at MAGNACHIP's expense) for the defense or settlement of such Infringement Claim.

(b) Without limiting its obligations under Section 8.1(a), when notified of an action or motion that seeks to restrict the use, sale and/or distribution of any MAGNACHIP Technology hereunder (or part thereof), MAGNACHIP may but is not required nor obligated to, at its option and expense, (1) obtain the right for AATI the right to use the MAGNACHIP Technology as licensed hereunder, (2) substitute other functionally equivalent technology that does not infringe, or (3) modify such MAGNACHIP Technology so that it no longer infringes.

(c) Notwithstanding any provision to the contrary, the indemnification obligations in this Section 8.1 shall not be applicable to the extent an Infringement Claim arises from (1) use of the MAGNACHIP Technology in violation of the license terms herein, (2) the modification of any MAGNACHIP Technology by AATI, or (3) a combination of the MAGNACHIP Technology with other technology not provided by MAGNACHIP. THE FOREGOING SECTION 8.1 STATES THE SOLE LIABILITY OF MAGNACHIP, AND THE SOLE REMEDY OF AATI, WITH RESPECT TO INFRINGEMENT OR MISAPPROPRIATION OF ANY PATENT, COPYRIGHT, TRADE SECRET OR OTHER INTELLECTUAL PROPERTY RIGHT BY THE MAGNACHIP TECHNOLOGY OR MAGNACHIP INTELLECTUAL PROPERTY UNDER THIS AGREEMENT.

**8.2 By AATI**.

(a) AATI will defend or settle, at its expense, all claims, proceedings and/or suits brought by Third Parties against MAGNACHIP, its Affiliates (including their directors, officers, and employees) alleging that AATI IC Technology as provided by AATI to MAGNACHIP hereunder infringes or violates any patent, copyright, trade secret or other intellectual property right (herein "**Claim**") and will indemnify MAGNACHIP from and pay all litigation costs, reasonable attorney's fees, settlement payments (subject to AATI's reasonable approval) and damages awarded by a court having jurisdiction over such Claim with respect to any such Claim; and provided that AATI shall be relieved of its obligations under this **Section 8.2** unless MAGNACHIP promptly notifies AATI in writing of any such Claim and gives AATI sole control, full authority, information and assistance (at AATI's expense) for the defense or settlement of such Claim.

(b) Without limiting its obligations under Section 8.2(a), when notified of an action or motion that seeks to restrict the use, sale and/or distribution of any AATI IC Technology hereunder (or part thereof), AATI may but is not required or obligated to, at its option and expense, (1) obtain the right for MAGNACHIP the right to use the AATI IC Technology licensed hereunder, (2) substitute other functionally equivalent technology that does not infringe, or (3) modify such technology so that it no longer infringes.

(c) Notwithstanding any provision to the contrary, the indemnification obligations in this **Section 8.2** shall not be applicable to the extent a Claim arises from (1) use of the AATI IC Technology in violation of the license terms herein or (2) modification of the AATI IC Technology by a party other than AATI, or (3) a combination of the AATI IC Technology with other technology not provided by AATI or (4) MAGNACHIP acting as a foundry to any Third Party AATI Intellectual Property licensee, provided, however, that AATI has, in its written consent granting permission to MAGNACHIP to act as a foundry to such Third Party licensee, provided a written representation reasonably satisfactory to counsel to MAGNACHIP that AATI has indemnified such Third Party licensee from and against all claims, proceedings and/or suits brought against the Third Party licensee and alleging that AATI intellectual property as provided by AATI to the Third Party licensee infringes or violates any patent, copyright, trade secret or other intellectual property right. THE FOREGOING SECTION 8.2 STATES THE SOLE LIABILITY OF AATI, AND THE SOLE REMEDY OF MAGNACHIP, WITH RESPECT TO INFRINGEMENT OR MISAPPROPRIATION OF ANY PATENT, COPYRIGHT, TRADE SECRET OR OTHER INTELLECTUAL PROPERTY RIGHT BY AATI IC TECHNOLOGY PROVIDED TO MAGNACHIP BY AATI UNDER THIS AGREEMENT.

**9. OTHER INDEMNITIES**. Notwithstanding anything to the contrary in this Agreement or any Exhibit hereto, each party agrees to defend, indemnify and hold the other harmless from and against any and all claims, liability for damages, costs and expenses (including reasonable attorney's fees and disbursements) for any noncompliance by said party or its Affiliates or agents with the laws, rules or regulations of any jurisdiction, including export control laws.

**10. LIMITATION OF LIABILITY**.

EXCEPT FOR A BREACH OF SECTIONS 2.1(c) or 11 or LIABILITY UNDER SECTIONS 8 AND 9, IN NO EVENT WILL EITHER PARTY BE LIABLE FOR LOST PROFITS OR ANY CONSEQUENTIAL, SPECIAL, PUNITIVE, INCIDENTAL, OR INDIRECT DAMAGES, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY (INCLUDING WITHOUT LIMITATION, NEGLIGENCE), ARISING OUT OF OR RELATED TO THIS AGREEMENT WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. EACH PARTY ACKNOWLEDGES THAT FEES AGREED UPON BY THE PARTIES ARE BASED IN PART UPON THESE LIMITATIONS, AND THAT THESE LIMITATIONS WILL APPLY NOTWITHSTANDING ANY FAILURE OF ESSENTIAL PURPOSE OF ANY REMEDY. NOTWITHSTANDING THE FOREGOING, THIS LIMITATION OF LIABILITY SHALL NOT APPLY TO ANY CLAIM WITH RESPECT TO DEATH OR PERSONAL INJURY.

EXCEPT FOR A BREACH OF SECTIONS 2.1(c) or 11, IN NO EVENT SHALL EITHER PARTY'S LIABILITY UNDER THIS AGREEMENT EXCEED THE AMOUNT OF U.S. FIVE MILLION DOLLARS (US$5,000,000.00) IN THE AGGREGATE.

**11. CONFIDENTIALITY OF INFORMATION**.

**11.1** Each Receiving Party shall safeguard the Confidential Information and keep it in strict confidence, and shall use reasonable efforts, consistent with those used in the protection of its own confidential information of similar nature and significance, to prevent the disclosure of such Confidential Information to Third Parties.

**11.2** A Receiving Party shall limit the dissemination of the Confidential Information to only its shareholders, directors, officers, employees and agents, who have a specific need to know such Confidential Information for the purpose for which such Confidential Information is disclosed and prevent the dissemination of such Confidential Information to Third Parties; *provided however* a Receiving Party may disclose Confidential Information of the a Disclosing Party to the extent required to do so under applicable law. In the event such disclosure is required, the Receiving Party shall provide prompt prior written notice to the Disclosing Party, shall use commercially reasonable efforts to limit any such disclosure, shall cooperate in a reasonable manner with the Disclosing Party in resisting such disclosure, and provide sufficient time, if possible, for the Disclosing Party to seek a protective order or other legal recourse against disclosure.

**11.3** Each Receiving Party shall not use or disclose the Confidential Information for any purposes other than for the performance of this Agreement.

**11.4 Confidentiality of Terms**. The Parties shall keep the terms of this Agreement confidential and shall not now or hereafter divulge these terms to any Third Party except:

(a) with the prior written consent of the other Party; or

(b) to any governmental body having jurisdiction to call therefor; or

(c) as otherwise may be required by law or legal process, including to legal and financial advisors in their capacity of advising a Party in such matters; or

(d) to the extent reasonably necessary to comply with United States law in a filing with the Securities and Exchange Commission, or other governmental agency; or

(e) during the course of litigation so long as the disclosure of such terms and conditions are restricted in the same manner as is the confidential information of other litigating Parties and so long as (1) the restrictions are embodied in a court-entered protective order and (2) the disclosing Party informs the other Party in writing at least ten (10) days in advance of the disclosure; or

(f) in confidence to legal counsel, accountants, banks and financing sources and their advisors solely in connection with financial transactions or other corporate transactions, and said persons are held to the same level of confidentiality as set forth herein.

**11.5** Nothing contained in this **Section 11** shall be construed as granting or conferring any rights, licenses or establishing relationships by the disclosure or transmission of a Disclosing Party's Confidential Information.

**11.6** All Confidential Information disclosed to or received by a Receiving Party's under this Agreement shall always remain the property of the Disclosing Party, except for the license granted herein or other terms or conditions expressly provided herein. Upon the expiration or termination of this Agreement, the Receiving Party shall return to the Disclosing Party all Confidential Information and any documents or storage media (including any and all transcripts and copies thereof recording such Confidential Information.

**11.7** The confidentiality obligations set forth in this Article shall not apply to any information which:

(a) is already known by the Receiving Party at the time of its receipt from the Disclosing Party; or

(b) is or becomes publicly available or known through no breach of this Section 11, or any other agreement between the Parties by the Receiving Party ; or

(g) is made available to a Third Party by the Disclosing Party without any restriction on disclosure; or

(h) is rightfully received by the Receiving Party from a Third Party who is not restricted from disclosing such information and is not in wrongful possession of such information; or

(i) can be demonstrated has been independently developed by the Receiving Party without reference to the Disclosing Party's Confidential Information; or

(j) is disclosed with the prior written consent of the Disclosing Party.

**11.8** Each Receiving Party acknowledge that any disclosure or dissemination of any Confidential Information of the Disclosing Party which is not expressly authorized under this Agreement is likely to cause irreparable injury to such Disclosing Party, for which monetary damages is not likely to be an adequate remedy, and therefore such Party shall be entitled to equitable relief, without the posting of bond or security, in addition to any remedies it may have under this Agreement or at law.

**12. GENERAL**.

**12.1 Independent Contractors.** The Parties hereto are independent contractors. Nothing contained herein will constitute either Party the agent of the other Party, or constitute the Parties as partners or joint ventures. MAGNACHIP shall make no representations or warranties on behalf of AATI with respect to the MAGNACHIP Licensed Products or AATI IC Technology**.**

**12.2 Days**. Unless otherwise indicated, the term "days" used in this Agreement is assumed to be calendar days**.**

**12.3 Assignment**. Neither Party may assign or delegate this Agreement or any of its licenses, rights or duties under this Agreement, directly or indirectly (in a single transaction or any series of transactions), by operation of law or otherwise, without the prior written consent of the other Party. Notwithstanding, a Party may assign this agreement to an affiliate of such Party and in the case of a re-incorporation, reorganization or a sale or other transfer of substantially all such Party's assets or equity, including, without limitation, either party's right to sell all or spin-off all or substantially all of its assets to which this Agreement relates, whether by sale of assets or stock or by merger or other reorganization that the assignee has agreed in writing to be bound by all the terms and conditions of this Agreement, and further, provided that in no event shall either party (or its permitted successors) assign or transfer (in a single transaction or any series of transactions) this Agreement or any of its licenses, rights or duties hereunder, to a party primarily engaged in the manufacture, marketing or sale of a product that directly competes with the products of the other party without the prior written permission of such other party. Upon any such attempted prohibited assignment or delegation, such assignment shall be deemed null and void, and this Agreement will immediately automatically terminate. Subject to the terms of this **Section 12.3**, this Agreement will inure to the benefit of each Party's successors and assigns**.**

**12.4 Notices**. Any notice required or permitted to be given by either Party under this Agreement will be in writing or by email and will be deemed given: (i) one day after pre-paid deposit with a commercial courier service (e.g., DHL, FedEx), (ii) upon receipt, if personally delivered, (iii) three days after deposit, postage pre-paid, with first class airmail (certified or registered if available), or (iv) upon receipt, when sent by facsimile or e-mail (with a confirmation copy to follow by regular U.S. Mail), in any such case, to the other Party at its address below, or to such new address as may from time to time be supplied hereunder by the Parties hereto:

**Notice Address for AATI:**

Advanced Analogic Technologies Inc.
830 E. Arques Ave.
Sunnyvale, California 94085
Attn: President
Tel: (408) 737-4600
Fax: (408) 737-4611
Email:

**Notice Address for MAGNACHIP:**

MagnaChip Semiconductor, Ltd.
1, Hyangjeong-dong, Hungduk-gu, Cheongju-si, Chungbuk, South Korea
Attn: President & CEO, with copy to Legal Department
Tel: 82-2-3459-3007
Fax: 82-2-3459-3666
Email: youm.huh@magnachip.com

**12.5 Export Regulations**. MAGNACHIP understands and acknowledges that AATI is subject to regulation by agencies of the United States Government, including, but not limited to, the U.S. Department of Commerce, which prohibit export or diversion of certain technology to certain countries. Any obligations of AATI to provide technology are subject in all respects to such United States laws and regulations as from time to time govern the license and delivery of technology and services outside the United States. MAGNACHIP will comply with all applicable laws, and will not export, re-export, transfer, divert or disclose, directly or indirectly, including via remote access, the AATI IC Technology, Products, any confidential information contained or embodied in the AATI IC Technology or Products, or any direct product thereof, except as authorized under the Export Administration Regulations or other United States laws and regulations governing exports in effect from time to time**.**

**12.6 Payment**. Payment must be in U.S. Dollars. All references to "dollars" or "$" in this Agreement mean United States dollars**.**

**12.7 Legal Compliance**. MAGNACHIP will comply with all applicable laws in connection with its performance under this Agreement.

**12.8 Force Majeure**. Neither Party shall be responsible for delays or failures in performance not within its reasonable control resulting from acts of God, strikes or other labor disputes, riots, acts of war, acts of terrorism, plagues and epidemics, governmental regulations superimposed after the facts, communication line failures, power failures, fire or other disasters beyond its control. If it appears that MAGNACHIP's performance hereunder will be delayed for more than ninety (90) days, AATI shall have the right to terminate this Agreement, or to cancel without cancellation charges those Purchase Orders or portions thereof which are affected by the delay.

**12.9 Language**. This Agreement is in the English language only, which language will be controlling in all respects, and all versions hereof in any other language will not be binding on the Parties hereto. All communications and notices to be made or given pursuant to this Agreement must be in the English language. The Parties hereto confirm that it is their wish that this Agreement, as well as other documents relating hereto, including notices, have been and will be written in the English language only**.**

**12.10 Governing Law**. **The rights and obligations of the Parties under this Agreement will not be governed by the 1980 U.N. Convention on Contracts for the International Sale of Goods;**

rather such rights and obligations will be governed by and construed under the laws of the State of California, without reference to its conflict of laws principles.

**12.11 Arbitration**. Any controversy or claim arising out of or relating to this Agreement, or the existence, validity, breach or termination of this Agreement, whether during or after its term, will be finally settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association (*"AAA"*), as modified or supplemented as follows:

(a) To initiate arbitration, a Party will file the appropriate notice at the AAA. The arbitration proceeding will take place in San Francisco, CA or such other place as the Parties may agree in writing. The arbitration panel will be selected in accordance with the AAA standards. The Parties expressly agree that the arbitrators will be empowered to, at a Party's request, (i) issue an interim order requiring one or more other Parties to cease using and return the requesting Party's Confidential Information and/or (ii) grant injunctive relief.

(b) The arbitration award will be the exclusive remedy of the Parties for all claims, counterclaims, issues or accounting presented or pled to the arbitrators. The award will be granted and paid in U.S. Dollars exclusive of any tax, deduction or offset and will include reasonable attorneys fees and costs. Judgment on the arbitration award may be entered in any court that has jurisdiction thereof. Any additional costs, fees or expenses incurred in enforcing the arbitration award will be charged against the Party that resists its enforcement.

(c) Nothing in this **Section 12.11** will prevent a Party from seeking injunctive relief against another Party from any judicial or administrative authority pending the resolution of a dispute by arbitration. MAGNACHIP acknowledges that a violation of proprietary rights of AATI would result in irreparable injury entitling MAGNACHIP to injunctive relief.

**12.12 Modification and Waiver**. No amendment, waiver or any other change in any term or condition of this Agreement will be valid or binding unless mutually agreed to in writing by both Parties. The failure of a Party to enforce any provision of this Agreement, or to require performance by the other Party, will not be construed to be a waiver, or in any way affect the right of either Party to enforce such provision thereafter**.**

**12.13 Severability**. If a court or other body of competent jurisdiction finds, or the Parties mutually believe, any provision of this Agreement, or portion thereof, to be invalid or unenforceable, such provision will be enforced to the maximum extent permissible so as to effect the intent of the Parties, and the remainder of this Agreement will continue in full force and effect. The Parties shall negotiate in good faith an enforceable substitute provision that most nearly achieves the intent and economic effect of such invalid or unenforceable provision**.**

**12.14 Favored Pricing Terms**.

**12.15** The price charged AATI and its customers for any MAGNACHIP Licensed Products shall always be MAGNACHIP's lowest price charged any customer for such MAGNACHIP Licensed Product (or other products which are most *similar or substantially equivalent* to the manufacturing, function, and electrical specification of said MAGNACHIP Licensed Products) regardless of any special terms, conditions, rebates, or allowances of any nature. If MAGNACHIP provides MAGNACHIP Licensed Products or other technologies that are related to the AATI IC Technology or AATI Intellectual Property to any customer at a price less than provided for herein, MAGNACHIP shall adjust its price charged to AATI to

the lower price for any un-invoiced product and for all outstanding and future invoices for such product. AATI shall have the right to audit MAGNACHIP's compliance with this provision by conducting an Audit in accordance with **Section 5.3** of this Agreement.

**12.16 Entire Agreement**. The terms and conditions of this Agreement, including all exhibits hereto, constitute the entire agreement between the Parties and supersede all previous agreements and understandings, whether oral or written, between the Parties hereto with respect to the subject matter hereof**.**

**12.17 Authority**.

(i) **By AATI**. Execution or modification of this License Agreement requires the approval of the President (or the CEO) and the Chief Technical Officer (CTO) of AATI. No other employee of AATI can approve modifications to the Intellectual Property licenses contained herein.

(ii) **By MAGNACHIP**. Execution or modification of this License Agreement requires the approval of a representative officer or director of MAGNACHIP. No other employee of MAGNACHIP can approve modifications to the Intellectual Property licenses contained herein.

**12.18 Counterparts**. This Agreement may be executed in one or more counterparts, each of which shall be an original, and all of which taken together shall constitute a single instrument.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement the date and the year first herein above written.

**MAGNACHIP Semiconductor, Ltd.**

Signature: _____

Name: Youm Huh

Title: President and Chief Executive Officer (CEO)

Address: 891 Daechi-dong Kangnam-gu, Seoul, South Korea, 135-738

Facsimile: 82-2-3459-3666

**Advanced Analogic Technologies, Inc.:**

Signature: _____

Name: Richard K. Williams

Title: President, Chief Executive Officer (CEO) and Chief Technical Officer (CTO)

Address: 830 E. Arques Ave. Sunnyvale, California 94085

Facsimile: (408) 737-4611

**Exhibit 10.28**

# LICENSE AGREEMENT
# (TrenchDMOS)

**DATED March 18 2005**

**BETWEEN**

**ADVANCED ANALOGIC TECHNOLOGIES INC.**

**AND**

**MAGNACHIP SEMICONDUCTOR, LTD.**

**LICENSE AGREEMENT**
**(TrenchDMOS)**

This agreement (the "**Agreement**") is made effective as of March 18, 2005, by and between Advanced Analogic Technologies Inc., a California corporation with its principal place of business located at 830 E. Arques Ave, Sunnyvale California 94085 (hereafter called "**AATI**") and MagnaChip Semiconductor, Ltd. with its principal place of business located 1, Hyangjeong-dong, Hungduk-gu, Cheongju-si,Chungbuk, South Korea (hereafter called "**MAGNACHIP**").

**RECITALS**

WHEREAS, AATI and/or its affiliates own certain technology related to TrenchDMOS Technology (as defined below), and

WHEREAS, MAGNACHIP wishes to obtain a license to certain technology of AATI, and AATI has agreed to license such technology pursuant to the terms and conditions set forth herein, including a use restriction, and

WHEREAS, AATI wishes to provide for the manufacture, assembly, test and delivery of certain Products (defined below), and MAGNACHIP has agreed to undertake such obligations pursuant to the terms and conditions set forth in the Wafer Supply Agreement dated June 4, 2002 ("**Wafer Agreement**"), as those terms and conditions are amended by an Amendment effective on the Effective Date hereof.

NOW, THEREFORE, the MAGNACHIP and AATI agree as follows:

**AGREEMENT**

**1. DEFINITIONS**. The following terms will have the meanings attributed thereto, unless otherwise provided herein:

**1.1** "**AATI Field**" means the design, manufacturing, testing, sale, offer for sale, or distribution of Products, which are using AATI TrenchDMOS Technology described hereunder.

**1.2** "**AATI Improvements**" shall have the meaning attributed thereto in Section 3.3.

**1.3** "**AATI Intellectual Property**" means those Intellectual Property Rights that AATI owns or has a right to license consistent with the scope of the license hereunder.

**1.4** "**AATI Licensed Products**" means those AATI Products whose manufacture includes the use of MAGNACHIP Technology.

**1.5** "**AATI Products**" means those Low-Voltage TrenchDMOS Products of AATI, including, but not limited to, those identified on **Exhibit A**, as may be amended by AATI from time to time.

**1.6** "**AATI Discrete Technology**" means the designs, technology and other information provided by AATI to MAGNACHIP related to TrenchDMOS Technology and related device and processing under this Agreement. **AATI Discrete Technology** includes the processes, methods, devices and apparatus described in the United States and foreign patents and patent applications listed on **Exhibit B** along with any

improvements, derivatives, continuation patents, foreign filings, continuation in part (CIP) applications, and all work by AATI or its employees related to TrenchDMOS Technology preceding said applications (dating back to September 1998) continuing through the term of this Agreement. **AATI Discrete Technology** also includes the features, devices, processes, apparatus and methods identified in **Exhibit C** including those protected by the Patents in Exhibit B. For the purposes of clarity (and notwithstanding the above definition of **AATI Discrete Technology)**, **AATI Discrete Technology** does not include integrated circuit technology (including IC processes incorporating CMOS, BiCMOS, CBiC, and BCD device arsenals), IC processes used to produce power management integrated circuits (such as AATI's proprietary ModularBCD Technology), circuit designs, packaging technology, the multi-chip combination of TrenchDMOS or discrete transistors with integrated circuits, the multi-chip combination of TrenchDMOS or discrete devices with Schottky diodes, and other related designs, technologies and information.

**1.7** "**Basic Semiconductor Technology**" means designs, technology and other information used to design, manufacture and test semiconductors, including etching, depositions, diffusion, cleaning, photolithography, and other semiconductor processes or sequences (such as LOCOS). **Basic Semiconductor Technology** ***does not include*** process architecture or the process integration (and resulting process flow) of an integrated process such as TrenchDMOS Technology. It also does not include "specialized" unit process steps such as directionally deposited oxides, chained and non-Gaussian implants, etc.

**1.8** "**Competing Products**" means products that compete with the AATI Products after the date of this Agreement. If any portion of a Product includes or integrates the functions of a Competing Product, then such product is a "**Competing Product**."

**1.9 "Confidential Information"** means any information disclosed by either Party (the **"Disclosing Party"**) to the other Party (the **"Receiving Party"**) under this Agreement, either directly or indirectly, in writing, orally or by inspection of tangible objects (including without limitation documents, prototypes, samples and equipment), which is designated as "Confidential," "Proprietary" or some similar designation. Information communicated orally or through inspection shall be considered **Confidential Information** if such information is confirmed in writing as being Confidential Information within a reasonable time after the initial disclosure. **Confidential Information** may also include information disclosed to a Disclosing Party by Third Parties. Notwithstanding any designation of "Confidential", **Confidential Information** includes the AATI Discrete Technology.

**1.10 "Effective Date"** means the date at which this Agreement is signed by both Parties.

**1.11** "**Facility**" means the MAGNACHIP-owned wafer fabrication facility located in Gumi, Korea and Cheong-ju, Korea or such other MAGNACHIP-owned facility that the Parties may agree upon in writing.

**1.12** "**MAGNACHIP Field**" means Basic Semiconductor Technology, along with the design, manufacture, test, and sales of products not related to analog semiconductors, power semiconductors, or the AATI Field (such as memory ICs, digital ICs, displays, sensors, and other non-analog or non-power semiconductor products).

**1.13** "**MAGNACHIP Licensed Products**" means Non-Competing Products of MAGNACHIP, i.e. Non-Competing Products marketed and sold under a MAGNACHIP-owned brand or sold by MAGNACHIP to a Third Party as wafer sales, die sales or finished good sales through MAGNACHIP's foundry services business that include or rely upon AATI Discrete Technology.

**1.14** "**MAGNACHIP Improvements**" shall have the meaning attributed thereto in Section 3.3.

**1.15** "**MAGNACHIP Intellectual Property**" means those Intellectual Property Rights that MAGNACHIP owns or has a right to license consistent with the scope of the license hereunder.

**1.16** "**MAGNACHIP Technology**" means the Basic Semiconductor Technology, and technology *not related* to analog and power semiconductor manufacture such as memory IC and digital IC processes, provided by MAGNACHIP to AATI.

**1.17** "**Intellectual Property Rights**" means any intellectual property right existing now or during the term of this Agreement recognized throughout the world, including without limitation copyright, maskwork rights, patent rights, trade secrets and know-how. For the purposes of this Agreement, "**Intellectual Property Rights**" excludes trademarks, service marks and domain names.

**1.18** "**Improvements**" means all copyrightable material, notes, records, drawings, designs, inventions, patents, improvements, developments, discoveries and trade secrets first conceived, made or discovered by a Party during the period of this Agreement which relate in any manner to, or are derived from, the AATI Discrete Technology, the MAGNACHIP Technology or Confidential Information licensed or provided hereunder, including any enhancements, modifications or derivations thereto.

**1.19** "**Joint Improvements**" shall have the meaning attributed thereto in Section 3.3.

**1.20** "**Low-Voltage TrenchDMOS Products**" means those TrenchDMOS products that have low- voltage characteristics. For the purpose of this Agreement, "**Low-Voltage"** shall be defined as semiconductor components rated at *35 volts or less,* i.e. devices who drain-to-source breakdown specification not exceeding 35V. "**TrenchDMOS Products**" include the following semiconductor components: (1) Discrete power MOSFETs produced using TrenchDMOS Technology or portions of TrenchDMOS Technology (2) Multichip packages containing at least one discrete power MOSFET produced using TrenchDMOS Technology or portions of TrenchDMOS Technology (3) Monolithically integrated power MOSFETs produced using TrenchDMOS Technology or portions of TrenchDMOS Technology (including dual common-drain devices). "**TrenchDMOS Products**" collectively comprise N-channel or P-channel devices of differing drain and gate voltage ratings (i.e. Process Types). Some **TrenchDMOS Products** may also include gate-to-source ESD protection diodes.

**1.21** "Starting Material" means un-patterned epitaxial silicon wafers comprising either N-epi on an N++ Substrate or P-epi on a P++ Substrate, as applicable. Epitaxial doping and thickness vary with Process Type.

**1.22** "**TrenchDMOS Technology**" means that technology related to the fabrication of semiconductor electronic components comprising or containing at least one trench-gated MOSFET device having *vertical* current flow (i.e., where current flows between a topside source contact and a backside drain contact in a manner which is substantially perpendicular to the wafer's surface in the drain and/or channel regions of the device) and incorporating any of several unique features, processes, or characteristics (as described in **Exhibit C** ) including;

(a) A "*chained implant DMOS body*" (or CIDB) using sequential multiple and high energy (including MeV) ion implantations to form an active MOS channel;

(b) A trench gate with "*thick bottom oxide"* (TBOX) formed by *directional deposition* of dielectric material;

(c) A "*dual polysilicon trench gate"* process comprising an embedded trench gate contacted by a second polysilicon (also used to form optional PN polysilicon diodes);

(d) A "*hardmask self-aligned trench gate*" photolithographically defined by a dielectric hardmask layer *not removed* prior to the trench-etch and trench-fill processing steps;

(e) A "*super-self aligned*" (or SSA) trench gate photolithographically defined by a dielectric hardmask layer subsequently removed by chemical and/or CMP methods to facilitate contact across the entire silicon mesa (i.e. trench-to-trench);

(f) A high-speed embedded "*polycide*" trench gate comprising a *polysilicon-sealed silicide* trench gate structure (i.e. where the silicide does not touch the gate oxide);

(g) A "*planarized gate bus*" comprising the integration of narrow (trench-gates) and wide (trench-gate-bus) regions, sharing a common embedded polysilicon, planarized by CMP or etchback

(h) A rugged trench-gated DMOS combining thick bottom oxide (TBOX) with an embedded PN drain clamping diode (or "*TBOX clamping diode*"), said clamping diode being shallower than trenches but deeper than the polysilicon gates;

(i) A "*planarized silicided trench contact*" for a trench gated DMOS with improved ruggedness (avalanche capability);

(j) A "*salicide trench gate DMOS*", comprising self aligned silicided (i.e. salicide) polysilicon and mesa regions;

**TrenchDMOS Technology** can also be characterized by its low thermal budget fabrication (no long or high temperature diffusions), its high-density-capable device construction (287 Mcells/in$^2$ and up), a highly-reproducible short channel capable of low thresholds without punchthrough, and the unique benefits of its thick bottom oxide including lower gate charge (per trench width), reduced field-plate-induced breakdown, and improved reliability (since impact ionization and avalanche occur near the thick bottom oxide, not in the vicinity of thin gate oxide). **TrenchDMOS Technology** includes but is not limited to the processes, methods, devices, mask designs, and apparatus described in United States and foreign Patents and Patent applications listed in **Exhibit B** along with any improvements, derivatives, continuation patents, foreign filings, continuation in part (CIP) applications, and all work by AATI or its employees related to **TrenchDMOS Technology** preceding said applications (dating back to September 1998) continuing through the term of this Agreement. **TrenchDMOS Technology** features includes but is not limited to the features, device structures, apparatus and fabrication methods listed in **Exhibit C**. **TrenchDMOS Technology** collectively comprises processes and methods to manufacture N-channel and P-channel TrenchDMOS Products, for any and all drain-to-source and gate-to-source device voltage ratings (referred to herein as "Process Types").

**1.23** "**Net Sales**" means the gross selling die or wafer price (depending on how such is sold) invoiced by MAGNACHIP, its affiliates and authorized manufacturers on sales or other dispositions of

MAGNACHIP Licensed Products, less the following items to the extent they are included in such gross revenues and separately stated on the invoice: (i) normal and customary rebates, refunds and discounts actually given by seller, (ii) insurance, transportation and other delivery charges actually paid by seller, (iii) sales, excise, value-added and other taxes, and (iv) testing and packaging costs (v) backmetal and backgrind performed as a service to MAGNACHIP by any 3rd party vendor. Sales between MAGNACHIP, its affiliates and authorized manufacturers shall not be included in Net Sales (but sales or dispositions by MAGNACHIP, its affiliates and authorized manufacturers to third parties shall count as Net Sales). If any MAGNACHIP Licensed Products are sold or transferred in whole or in part for consideration other than cash, Net Sales shall include the fair market value of such MAGNACHIP Licensed Product. For purposes of this definition of **Net Sales**, "authorized manufacturer" means any entity (other than a MAGNACHIP affiliate) that manufacturers (including any assembly and packaging of MAGNACHIP Licensed Products) and sells MAGNACHIP Licensed Products under authority, directly or indirectly, from MAGNACHIP.

**1.24** "**Non-Competing Products**" means (i) Products comprising or containing vertical power MOSFETs that operate above 35V (i.e. have a drain to source breakdown voltage specification in excess of 35V), or (ii) Products that do not comprise or contain vertical power MOSFETs (including conventional planar lateral MOSFETs). For clarity, vertical MOS-bipolar merged devices such as the MOS gated thyristor, emitter switch thyristors, or IGBTs (insulated gate bipolar transistors) whether conventional or trench-gated are **Non-Competing Products**. Specific examples of Non—Competing Products are listed in **Exhibit D**.

**1.25** "**Other Technology**" means all designs, technology and information other than AATI Discrete Technology and beyond the scope of this Agreement. Other Technology includes, without limitation, ModularBCD Technology as defined in the License Agreement (ModularBCD) between AATI and MAGNACHIP of even date with this Agreement.

**1.26** "**Party**" means each of AATI and MAGNACHIP (and collectively "**Parties**" means both MAGNACHIP and AATI). The term Party (whether referred to as a "Party" or "Parties" or "AATI" or "MAGNACHIP") does not include any affiliates of such Party except for wholly owned subsidiaries, unless expressly agreed upon in writing by both Parties. In addition, the terms Party, AATI, MAGNACHIP and Parties shall not include any assignees or successors in interest except as provided for under **Section 12.3**.

**1.27** "**Process Type**" means the process variations of TrenchDMOS Technology in conductivity type, epitaxial doping, and gate oxide thickness that sets the device voltage ratings for drain minimum avalanche breakdown (i.e. $BV_{DSS}$) and for maximum gate voltage (i.e., its $V_{GS}$(max) specification). **Process Types** are coded by their ratings using the nomenclature Polarity-$BV_{DSS}$ -$V_{GS}$(max). A TrenchDMOS Process Type P3020, for example, refers to a P-channel device with a 30V drain rating and a 20V maximum gate voltage rating. Other **Process Types** in TrenchDMOS Technology include; P2012, P1208, N3020, N3012, and N2012.

**1.28** "**Products**" means semiconductor devices; integrated circuits, discrete transistors; or semiconductor components; whether in wafer form or separated into individual dice (chips), whether assembled into packages, modules, chip-scale packages, bumped, or otherwise unassembled, whether tested or untested. Products include both Competing Products and Non-Competing Products.

**1.29** "**AATI Wafer Price**" means the current price of an eight-inch wafer which AATI pays to MAGNACHIP, including the EPI substrate, but not including back metal, back grind or project costs.

The said wafer price shall be agreed upon by both Parties and both Parties agree to revisit the wafer price on an annual basis in the future.

**1.30 Customer** means any third party purchaser of products under this Agreement who is not an affiliate, parent company or subsidiary of MAGNACHIP or AATI.

**1.31** "**Release-to-Manufacturing (RTM) Date**" means the date when the first TrenchDMOS Product using TrenchDMOS Technology is successfully qualified for a particular TrenchDMOS Process Type, i.e. for a given drain and gate voltage specification. The **RTM Date** requires the successful fabrication and burn-in qualification of three (3) wafer runs of said Product for that Product Type. Thereafter both Product and TrenchDMOS Technology are qualified and manufacturing production *for that particular* Process Type can commence. Each specific Process Type (e.g. N2012, P3020) will require separate qualification to constitute a Release-to-Manufacturing (RTM) for that Process Type.

**1.32** "**Third Party**" means any company, corporation, partnership, person or commercial entity other than a Party.

**2. LICENSE**

**2.1 License by AATI**.

(a) Subject to the terms and conditions set forth in this Agreement, AATI hereby grants and agrees to grant to MAGNACHIP, and MAGNACHIP accepts, the following license:

(i) a non-exclusive and non-transferable (except pursuant to **Section 12.3**), license under the AATI Intellectual Property to:

(1) make at the Facility (but not have made elsewhere), design, develop, offer to sell, sell, use, import, and otherwise dispose of the MAGNACHIP Licensed Products;

(2) practice, at the Facility, any *process or method* involved in the manufacture or use of MAGNACHIP Licensed Products; and

(3) to make, use and have made any *manufacturing apparatus* involved in the manufacture or use of MAGNACHIP Licensed Products.

(ii) a non-exclusive nontransferable (except pursuant to **Section 12.3**) license under the AATI Intellectual Property to use the AATI Discrete Technology for the sole purpose of manufacturing and repairing AATI Products, at the Facility, for distribution to AATI.

(iii) a non-exclusive and non-transferable (except pursuant to **Section 12.3**), license on a world-wide basis under the AATI Intellectual Property to use, reproduce modify and make derivative works of the copyrightable materials of the AATI Discrete Technology solely for use in connection with the exercise of the license granted in **Section 2.1(a)(i)** and **(ii)**.

(b) MAGNACHIP Licensed Products shall be royalty-bearing in accordance with **Section 5**.

(c) MAGNACHIP shall have no license under the AATI Intellectual Property to supply AATI Products or Competing Products to any party other than AATI without AATI's prior written approval except as provided for in **Section 2.3**. Further, for clarity and notwithstanding anything to the contrary set forth in this Agreement, to the extent (i) a MAGNACHIP License Product includes or relies upon both AATI Discrete Technology and Other Technology, or (ii) the practice of any rights granted under this **Section 2.1** infringes or misappropriates any AATI Intellectual Property due to such Other Technology, then (iii) the use of the Other Technology shall not be considered licensed under this Agreement, but shall instead require a separate license from AATI (which AATI may grant or withhold in its sole discretion). The parties acknowledge that AATI and MAGNACHIP have executed a separate License Agreement (ModularBCD) concurrently with this Agreement.

(d) MAGNACHIP shall have the right, upon prior approval of AATI in writing, to sublicense to Third Parties its right under **Section 2.1(a)**. Except as expressly provided in this **Section 2.1**, MAGNACHIP shall have no right to sublicense the rights granted in this **Section 2.1**.

**2.2 License by MAGNACHIP**

(a) Subject to the terms and conditions set forth in this Agreement, MAGNACHIP hereby grants and agrees to grant to AATI, and AATI accepts, a non-exclusive, irrevocable, royalty free, fully paid-up and non-transferable (except pursuant to **Section 12.3**, and, under no circumstances, to any other manufacturer of the Products apart from MAGNACHIP), and only for the Term of this Agreement, license on a world-wide basis under the MAGNACHIP Intellectual Property to:

(i) make and have made AATI Licensed Products solely in the Facility,

(ii) offer to sell, sell, use, design, develop, import, and otherwise dispose of AATI Licensed Products made or to be made in the Facility,

(iii) practice, solely within the Facility, any *process or method* involved in the manufacture of the AATI Licensed Products,

(iv) to practice any process or method involved in the use of the AATI Licensed Products made in the Facility, and

(v) make and have made any *manufacturing apparatus* involved in the manufacture or use of AATI Licensed Products that incorporates or is based upon MAGNACHIP Technology and to use such apparatus exclusively at the Facility.

**2.3 Competing Products**. In no event shall MAGNACHIP utilize any AATI Discrete Technology in connection with the design, manufacturing, distribution or sale of any Competing Product without the prior written permission of AATI. MAGNACHIP agrees to provide AATI at least thirty (30) days prior written notice prior to MAGNACHIP's manufacture, distribution or sale (or assisting others with regard to the same) of any Competing Product. At no time may AATI utilize MAGNACHIP Licensed Products or MAGNACHIP Intellectual property in connection with the design or manufacturing of AATI Products or AATI Licensed Products outside of MAGNACHIP' Facility without MAGNACHIP' expressed written approval.

**3. OWNERSHIP AND RESERVATION**

**3.1 By AATI**. Subject to the rights granted to or retained by MAGNACHIP under **Sections 2**, **3.2** and **3.3**, the Parties acknowledge and agree that as between the Parties, all title to and ownership of all AATI Intellectual Property and AATI Discrete Technology not expressly granted herein shall remain the sole and exclusive property of AATI. Nothing herein shall be construed as granting MAGNACHIP any ownership rights in the AATI Intellectual Property and AATI Discrete Technology. AATI grants no rights, license or title to its technology beyond the scope of this Agreement, unless otherwise agreed to in writing by both parties.

**3.2 By MAGNACHIP** Subject to the rights granted to or retained by AATI under **Sections 2**, **3.1** and **3.3**, the Parties acknowledge and agree that as between the Parties, all title to and ownership of all MAGNACHIP Technology and MAGNACHIP Intellectual Property not expressly granted herein shall remain the sole and exclusive property of MAGNACHIP. Nothing herein shall be construed as granting AATI any ownership rights in the MAGNACHIP Intellectual Property and MAGNACHIP Technology. MAGNACHIP grants no rights, license or title to its technology beyond the scope of this Agreement, unless otherwise agreed to in writing by both parties.

**3.3 Improvements**. With respect to any Improvements, ownership shall be allocated as follows:

(a) **AATI Improvements**. All Improvements to AATI Discrete Technology that are created or conceived solely by AATI shall be solely owned by AATI (the "**AATI Improvements**"). AATI shall own all right, title, and interest in the **AATI Improvements** and all Intellectual Property therein (excluding MagnaChip' rights in and ownership of any Joint Improvement under Section 3.3(c) below). AATI shall have the exclusive right to apply for or register any patents, mask work rights, copyrights, and such other proprietary protections with respect thereto. [82]Nothing herein shall be construed as granting MAGNACHIP any ownership rights in the AATI Intellectual Property and AATI Discrete Technology. AATI grants no rights, license or title to such technology and/or Intellectual Property outside the scope of this Agreement.

(b) **MAGNACHIP Improvements** All Improvements to MAGNACHIP Technology that are created or conceived solely by MAGNACHIP shall be solely owned by MAGNACHIP (the "**MAGNACHIP Improvements**"). MAGNACHIP shall own all right, title, and interest in the MAGNACHIP Improvements, and all Intellectual Property therein (excluding AATI's rights in and ownership of any Joint Improvement under Section 3.3(c) below). MAGNACHIP shall have the exclusive right to apply for or register any patents, mask work rights, copyrights, and such other proprietary protections with respect thereto. Nothing herein shall be construed as granting AATI any ownership rights in the MagnaChip Intellectual Property and MagnaChip Technology. MagnaChip grants no rights, license or title to such technology and/or Intellectual Property outside the scope of this Agreement.

(c) **Joint Improvements**. Any Improvement which is jointly created or conceived by the Parties pursuant to this Agreement shall:

(i) if created or conceived as an Improvement to AATI Discrete Technology as a result of the licenses granted to MAGNACHIP in Section 2 or access to the AATI Discrete Technology or AATI Confidential Information, be considered:

(1) a "**Joint Improvement**" under this Section 3.3(c), if falling *outside* the AATI Field; or

(2) an "**AATI Improvement**" under Section 3.3(a), if falling *within* the AATI Field; and

(ii) if created or conceived as an Improvement to MAGNACHIP Technology as a result of the licenses granted to AATI in Section 2 or access to the MAGNACHIP Technology or MAGNACHIP Confidential Information, be considered:

(1) a "**Joint Improvement**" under this Section 3.3(c), if falling *outside* the MAGNACHIP Field; or

(2) a "**MAGNACHIP Improvement**" under Section 3.3(b), if falling *within* the MAGNACHIP Field.

(iii) The Parties shall cooperate with each other in obtaining and securing all possible United States and foreign rights to the Joint Improvements and enforcing such rights. The Parties agree to meet and confer prior to any public dissemination, use or sale of **Joint Improvement** in order to ensure that any related patent applications have been filed prior to such event, and shall not make such dissemination, use or sale of Joint Improvement until related patent applications have been filed. The Parties shall share equally in the costs of obtaining Joint Improvement rights which are jointly owned, including but not limited to the costs of preparing, filing and prosecuting applications and patent maintenance fees. If a Party determines that it does not want to pursue or continue to pursue obtaining a particular **Joint Improvement** right which otherwise would be jointly owned, and the other Party elects to do so (the "electing party"), the cost related to that particular Joint Improvement right shall be borne solely by the electing Party and the electing Party shall have sole and full ownership of such **Joint Improvement** right, including any derivatives, continuations, divisions, reissues and reexaminations of that **Joint Improvement** right.

(iv) MAGNACHIP hereby irrevocably transfers, conveys and assigns to AATI all of its right, title, and interest in any Improvements described in Section 3.3(c)(i)(2) (AATI Improvement). MAGNACHIP shall execute such documents, render such assistance, and take such other action as AATI may reasonably request, at AATI's expense, to apply for, register, perfect, confirm, and protect AATI rights to such Improvements, and all Intellectual Property therein. AATI hereby irrevocably transfers, conveys and assigns to MAGNACHIP all of its right, title, and interest in any Improvements described in Section 3.3(c)(ii)(b) (MAGANACHIP Improvement). AATI shall execute such documents, render such assistance, and take such other action as MAGNACHIP may reasonably request, at MAGNACHIP's expense, to apply for, register, perfect, confirm, and protect MAGNACHIP's rights to such Improvements, and all Intellectual Property therein.

(v) MAGNACHIP and AATI shall each have the right to exploit all Joint Improvements (that are not AATI Improvements or MAGNACHIP Improvements) without being required any additional payment to the other, *provided however*, in the event a Party refuses to cooperate and pay costs related to the Joint Improvement under Section 3(c)(iii),

such Party shall nave no rights to use or exploit such Joint Improvement under the terms of this Agreement.

(d) **Independently Developed**. Notwithstanding the above, to the extent that any Improvements is solely created by a Party under this Agreement, without reference or use of the other Party's Technology, Intellectual Property or Confidential Information (as defined below), then such Party shall exclusively own such Improvements.

**3.4 Waiver of Moral Rights**. Each party hereby waives any and all "moral rights," meaning any right to identification of authorship or limitation on subsequent modification that a party (or its employees, agents or consultants) has or may have in the other party's Improvements, to the extent recognized by applicable law consistent with Berne Convention, art. 6bis.

**3.5 Attorney in Fact**. Each Party assigning any rights under this Section 3 hereunder (the "**Assignor**") agrees that if the other Party (the "**Assignee**") is unable because of Assignor's unavailability, dissolution or incapacity, or for any other reason, to secure Assignor's signature to apply for or to pursue any application for any United States or foreign patents or mask work or copyright registrations covering the inventions assigned to Assignee above, then Assignor hereby irrevocably designates and appoints the company and its duly authorized officers and agents as Assignor's agent and attorney in fact, to act for and in Assignor's behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of patents, copyright and mask work registrations thereon with the same legal force and effect as if executed by Assignor. This power of attorney is deemed coupled with an interest and is irrevocable.

**3.6 Non-Exclusive Arrangement**. Nothing in this Agreement shall be construed to limit AATI's rights to manufacture, distribute or take any other action with respect to the AATI Products, AATI Discrete Technology, AATI Improvements or AATI Confidential Information or to authorize any other persons to do any of the foregoing except as it relates to MAGNACHIP Technology or *Improvements to MAGNACHIP Technology* pursuant to Section 3.3. Likewise nothing in this agreement shall be construed to limit MAGNACHIP's rights to manufacture, distribute or take any other action with respect to the MAGNACHIP Products, MAGNACHIP Technology, MAGNACHIP Improvements or MAGNACHIP Confidential Information or to authorize any other persons to do any of the foregoing, except as it relates to AATI Discrete Technology or *Improvements to* AATI Discrete Technology pursuant to Section 3.3.

**4. TECHNOLOGY DELIVERY & IMPLEMENTATION**.

**4.1 AATI Discrete Technology**. AATI will deliver to MAGNACHIP the AATI Discrete Technology after the Effective Date in a form that is mutually acceptable to both Parties. AATI deliverables to MAGNACHIP are outlined in **Exhibit E**. Thereafter, AATI may (but is not obligated to) supplement the AATI Discrete Technology.

**4.2 MAGNACHIP Technology**: Upon the recommendation of MAGNACHIP or upon agreement of both Parties, MAGNACHIP will deliver to AATI the **MAGNACHIP Technology** listed in **Exhibit F** that may be applicable and useful in adapting and implementing the AATI Discrete Technology in said Facility. It is understood by both Parties that the applicability of such **MAGNACHIP Technology** to AATI Discrete Technology Implementation may vary by Facility. Thereafter, as agreed upon by both Parties, certain processing steps, methods, or features in the AATI Discrete Technology (such as unit process steps in

the TrenchDMOS process flow) may be adapted to incorporate **MAGNACHIP Technology** or variants thereof. MAGNACHIP may (but is not obligated to) supplement the **MAGNACHIP Technology** at a later date.

**4.3 AATI Discrete Technology Implementation**. Both Parties agree to implement with commercially reasonable effort, the AATI Discrete Technology in said Facility in accordance with the procedures for AATI Discrete Technology Implementation as described in **Exhibit G**.

(i) **Adapting AATI Discrete Technology for Facility**. In the event that AATI Discrete Technology is adapted or modified to best match or fit said Facility by utilizing MAGNACHIP Technology in certain steps or processes, such steps or techniques that constitute MAGNACHIP Technology shall remain the property of MAGNACHIP. Those portions of the AATI Discrete Technology not using MAGNACHIP Technology along with the integrated process flow of TrenchDMOS Technology constitute AATI Discrete Technology and shall remain the property of AATI.

(ii) **Initial AATI Discrete Technology Implementation**. The initial implementation of AATI Discrete Technology in said Facility does NOT constitute an Improvement to AATI Discrete Technology.

(iii) **Initial AATI Discrete Technology Implementation Milestones**. Both Parties will use commercially reasonable efforts to meet the milestones of the Initial AATI Discrete Technology Implementation including efforts to meet the objective *Release-to-Manufacturing (RTM) Date*

**5. ROYALTIES AND PAYMENT TERMS**.

**5.1 Royalty**.

(a) MAGNACHIP shall pay [*****] royalty for Products its produces for and sells to AATI (or AATI's affiliate as designated in writing by contract from AATI). AATI's wafer price from MAGNACHIP is covered under the AATI MAGNACHIP supply agreement and is not covered by this Agreement.

(b) In the case of Non-Competing Products, MAGNACHIP shall pay AATI [*****] royalty of Net Sales of all wafers produced using or incorporating the AATI Intellectual Property licensed herein. (such MAGNACHIP payment to be offset by any payment due from AATI pursuant to Section 5.4 below); provided, however, that the Parties agree that the foregoing royalty rate is based on a presumption of a [*****] withholding tax rate as of the Effective Date, and so the Parties agree to negotiate in good faith an increase or decrease in such royalty rate at any time the withholding tax rate changes after the Effective Date. Customer shall be responsible for its own designs or pay for AATI's design with a release to AATI. Customer and/or MagnaChip shall be responsible for the qualification, orders, shipping logistics and quality.

(c) In the case of Competing Products, MAGNACHIP has no license under this Agreement to sell Competing Products to customers other than AATI (and AATI's affiliates). In the event that AATI has provided said customer with a license to have made, purchase, promote and sell Competing Products, however, MAGNACHIP may, to the extent it is a qualified manufacturer manufacture Competing Products for such licensee, to the extent authorized by AATI. In such instances, MAGNACHIP shall pay AATI [*****] of the difference between the Net Sales of a wafer produced using or incorporating the AATI Intellectual

[*****] - Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

Property licensed herein, and the "**AATI Wafer Price**" (such MAGNACHIP payment to be offset by any payment due from AATI pursuant to Section 5.4 below). In the event that a customer provides the Starting Material, the Parties agree to adjust the foregoing AATI Wafer Price by (1) deducting the actual third party costs of such Starting Material ; or (2) otherwise agreeing upon a commercially reasonable value for such Starting Material and deducting such agreed upon value from the AATI Wafer Price. Customer shall be responsible for qualification and product quality; AATI, at its election, may choose to assist Customer. MagnaChip shall be responsible for shipping logistics, orders and process quality of wafers.

(d) Both parties agree that they will review the pricing structure hereunder on an annual basis to ensure the pricing structure is mutually agreeable, and adjust such accordingly. In the event that a customer provides the Starting Material, the parties agree to adjust the foregoing Net Sales price by (1) deducting the actual third party costs of such Starting Material or (2) otherwise agreeing upon a commercially reasonable value for Starting Material and deducting such agreed upon value from the Net Sales price. AATI reserves the right to charge additional consideration directly to such customers (as opposed to MAGNACHIP) for such Competing Products. In such cases, (1) MAGNACHIP makes no representation to AATI with respect to the qualification and product quality; (2) AATI, at its election, may choose to assist such customers with respect to qualification and product quality; and (3) as between AATI and MAGNACHIP, . MAGNACHIP shall be responsible for shipping logistics, orders and process quality of wafers.

**5.2 Payment**. Within 30 days following the end of each calendar quarter, MAGNACHIP and AATI shall pay their respective royalty payments on invoices paid by the third party in U.S. Dollars and shall include a report sufficient to show the basis for calculation of the royalty payments made hereunder, including without limitation, quantity and identification of all Competing and Non-Competing Products ("**Report**"). Upon AATI approval, in lieu of payment on a quarterly basis MAGNACHIP may pay such outstanding royalties by issuing a credit against outstanding AATI invoices or toward new wafer starts for Products from MAGNACHIP.

**5.3 Records and Audit**. Each party shall retain records and supporting documentation sufficient to document the fee payable under this Agreement in any particular quarter in which this Agreement is in effect for at least three years following the end of such quarter and its compliance with **Section 5.2**. Upon prior reasonable written notice of no less than sixty (60) days by one party, the other party shall provide to a nationally recognized independent public accounting firm (the "**Auditors**") designated in writing by that party access during normal business hours to the audited party's personnel, outside accountants and data and records maintained in connection with this Agreement, in each case to the extent necessary or appropriate for the purpose of determining whether (i) calculations of the royalties payable under this Agreement are accurate and in accordance with this Agreement and/or (ii) MAGNACHIP has offered most favorable pricing to AATI in accordance with **Section 5.2** (an "**Audit**"). Audits will be conducted no more frequently than once per calendar year. Each party agrees to use commercially reasonable efforts to assist such Auditors in connection with such Audits. Any such Audits shall be conducted at the requesting party's sole cost and expense.

**5.4 Taxes**. Each Party shall bear any and all taxes and other charges incurred by or levied on it by its own country in connection with this Agreement, provided, however, that AATI shall bear fifty percent (50%) of any withholding or similar tax for foreign payments that is levied by the Korean Government upon any amounts due from MAGNACHIP to AATI under this Agreement, and MAGNACHIP is entitled to offset such AATI payment obligation from any amounts actually paid by MAGNACHIP to AATI under this Agreement, including but not limited to amounts due pursuant to Sections 5.1(b) and 5.1(c)

above. MAGNACHIP will furnish AATI with each tax receipt issued by the Korean taxing authority to assist AATI in obtaining the credit in the United States.

**6. WARRANTY AND DISCLAIMER**.

**6.1 General**. Each Party represents and warrants to the other that:

(a) it has all requisite corporate power and authority to enter into this Agreement and to carry out the transactions contemplated by this Agreement; and

(b) the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated by this Agreement have been duly authorized by all requisite corporate action on the part of such Party

**6.2** EXCEPT FOR THE EXPRESS WARRANTIES SET FORTH IN THIS **SECTION 6**, NEITHER PARTY MAKES ANY OTHER WARRANTIES WITH RESPECT TO THE TECHNOLOGY AND INTELLECTUAL PROPERTY RIGHTS LICENSED HEREUNDER, WHETHER EXPRESSED OR IMPLIED, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR OF FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT.

**7. TERM AND TERMINATION OF AGREEMENT**.

**7.1 Term**. This Agreement shall have an initial term of three (3) years but shall be automatically renewed thereafter (and after each subsequent renewal term) for a renewal term of one year unless, at least sixty (60) days prior to the date of any such renewal, either Party hereto shall have given notice in writing to the other of its intention to terminate the Agreement. This Agreement shall thereafter be automatically terminated at the end of the term during which such notice is given.

**7.2 Termination for Default**. Should either Party materially default in the performance of any term or condition of this Agreement (a "**Default**"), in addition to all other legal rights and remedies, the other Party may terminate this Agreement by giving thirty (30) days written notice of said Default unless such Default is corrected within the notice period.

**7.3 Termination for Bankruptcy**: Either Party may terminate this Agreement by written notice in the event that the other Party makes an assignment for this benefit of creditors, or admits in writing inability to pay debts as they become due; or a Trustee or receiver for any substantial part of its assets is appointed by any court; or a proceeding is instituted under a provision of the Federal Bankruptcy Act by or against the other Party and is acquiesced in or is not dismissed within 60 days or results in an adjudication in bankruptcy. An assignment by AATI of all or part of its rights to payment hereunder as part of a working capital financing shall not be deemed cause for termination under this paragraph.

**7.4 Effect of Termination**. Upon termination or expiration of this Agreement for any reason, all licenses shall immediately terminate. Each Party shall return the Confidential Information of the other Party within thirty (30) days after the effective date of such termination or expiration. In addition Sections 1, 3, 5.3, 6, 7, 8, 9, 10, 11 and 12 shall survive any expiration or termination of this Agreement.

**8. INTELLECTUAL PROPERTY RIGHTS INDEMNITY**.

**8.1 By MAGNACHIP**.

(a) MAGNACHIP will defend or settle, at its expense, all claims, proceedings and/or suits brought by Third Parties against AATI, its Affiliates (including their directors, officers, and employees) and customers alleging that the MAGNACHIP Technology as provided by MAGNACHIP to AATI hereunder infringes or violates any patent, copyright, trade secret or other intellectual property right (herein "**Infringement Claim**") and will indemnify AATI from and pay all litigation costs, reasonable attorney's fees, settlement payments (subject to reasonable approval by MagnaChip) and damages awarded by a court having jurisdiction over such Infringement Claim with respect to any Infringement Claim; and provided that MAGNACHIP shall be relieved of its obligations under this **Section 8.1** unless AATI promptly notifies MAGNACHIP in writing of any such Infringement Claim and gives MAGNACHIP sole control, full authority, information and assistance (at MAGNACHIP's expense) for the defense or settlement of such Infringement Claim.

(b) Without limiting its obligations under Section 8.1(a), when notified of an action or motion that seeks to restrict the use, sale and/or distribution of any MAGNACHIP Technology hereunder (or part thereof), MAGNACHIP may but is not required nor obligated to, at its option and expense, (1) obtain the right for AATI to use the MAGNACHIP Technology as licensed hereunder, (2) substitute other functionally equivalent technology that does not infringe, or (3) modify such MAGNACHIP Technology so that it no longer infringes.

(c) Notwithstanding any provision to the contrary, the indemnification obligations in this Section 8.1 shall not be applicable to the extent an Infringement Claim arises from (1) use of the MAGNACHIP Technology in violation of the license terms herein, (2) the modification of any MAGNACHIP Technology by AATI, or (3) a combination of the MAGNACHIP Technology with other technology not provided by MAGNACHIP. THE FOREGOING SECTION 8.1 STATES THE SOLE LIABILITY OF MAGNACHIP, AND THE SOLE REMEDY OF AATI, WITH RESPECT TO INFRINGEMENT OR MISAPPROPRIATION OF ANY PATENT, COPYRIGHT, TRADE SECRET OR OTHER INTELLECTUAL PROPERTY RIGHT BY THE MAGNACHIP TECHNOLOGY OR MAGNACHIP INTELLECTUAL PROPERTY UNDER THIS AGREEMENT.

**8.2 By AATI**.

(a) AATI will defend or settle, at its expense, all claims, proceedings and/or suits brought by Third Parties against MAGNACHIP, its Affiliates (including their directors, officers, and employees) alleging that AATI Discrete Technology as provided by AATI to MAGNACHIP hereunder infringes or violates any patent, copyright, trade secret or other intellectual property right (herein "**Claim**") and will indemnify MAGNACHIP from and pay all litigation costs, reasonable attorney's fees, settlement payments (subject to AATI's reasonable approval) and damages awarded by a court having jurisdiction over such Claim with respect to any such Claim; and provided that AATI shall be relieved of its obligations under this **Section 8.2** unless MAGNACHIP promptly notifies AATI in writing of any such Claim and gives AATI sole control, full authority, information and assistance (at AATI's expense) for the defense or settlement of such Claim.

(b) Without limiting its obligations under Section 8.2(a), when notified of an action or motion that seeks to restrict the use, sale and/or distribution of any AATI Discrete Technology hereunder, (or part thereof), AATI may but is not required nor obligated to, at its option and expense, (1) obtain for MAGNACHIP the right to use the AATI Discrete Technology licensed hereunder, (2) substitute other functionally equivalent technology that does not infringe, or (3) modify such technology so that it no longer infringes.

(c) Notwithstanding any provision to the contrary, the indemnification obligations in this **Section 8.2** shall not be applicable to the extent a Claim arises from (1) use of the AATI Discrete Technology in violation of the license terms herein or (2) modification of the AATI Discrete Technology by a party other than AATI, or (3) a combination of the AATI Discrete Technology with other technology not provided by AATI or (4) MAGNACHIP acting as a foundry to any AATI Third Party AATI Intellectual Property licensee, provided, however, that AATI has, in its written consent granting permission to MAGNACHIP to act as a foundry to such Third Party licensee, provided a written representation reasonably satisfactory to counsel to MAGNACHIP that AATI has indemnified such Third Party licensee from and against all claims, proceedings and/or suits brought against the Third Party licensee and alleging that AATI intellectual property as provided by AATI to the Third Party licensee infringes or violates any patent, copyright, trade secret or other intellectual property right. THE FOREGOING SECTION 8.2 STATES THE SOLE LIABILITY OF AATI, AND THE SOLE REMEDY OF MAGNACHIP, WITH RESPECT TO INFRINGEMENT OR MISAPPROPRIATION OF ANY PATENT, COPYRIGHT, TRADE SECRET OR OTHER INTELLECTUAL PROPERTY RIGHT BY AATI DISCRETE TECHNOLOGY PROVIDED TO MAGNACHIP BY AATI UNDER THIS AGREEMENT.

**9. OTHER INDEMNITIES**. Notwithstanding anything to the contrary in this Agreement or any Exhibit hereto, each Party agrees to defend, indemnify and hold the other harmless from and against any and all claims, liability for damages, costs and expenses (including reasonable attorney's fees and disbursements) for any noncompliance by said Party or its Affiliates or agents with the laws, rules or regulations of any jurisdiction, including export control laws.

**10. LIMITATION OF LIABILITY**.

EXCEPT FOR A BREACH OF SECTIONS 2.1(c) or 11 or LIABILITY UNDER SECTIONS 8 AND 9, IN NO EVENT WILL EITHER PARTY BE LIABLE FOR LOST PROFITS OR ANY CONSEQUENTIAL, SPECIAL, PUNITIVE, INCIDENTAL, OR INDIRECT DAMAGES, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY (INCLUDING WITHOUT LIMITATION, NEGLIGENCE), ARISING OUT OF OR RELATED TO THIS AGREEMENT WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. EACH PARTY ACKNOWLEDGES THAT FEES AGREED UPON BY THE PARTIES ARE BASED IN PART UPON THESE LIMITATIONS, AND THAT THESE LIMITATIONS WILL APPLY NOTWITHSTANDING ANY FAILURE OF ESSENTIAL PURPOSE OF ANY REMEDY. NOTWITHSTANDING THE FOREGOING, THIS LIMITATION OF LIABILITY SHALL NOT APPLY TO ANY CLAIM WITH RESPECT TO DEATH OR PERSONAL INJURY.

EXCEPT FOR A BREACH OF SECTIONS 2.1(c) or 11, IN NO EVENT SHALL EITHER PARTY'S LIABILITY UNDER THIS AGREEMENT EXCEED THE AMOUNT OF U.S.FIVE MILLION DOLLARS (US$5,000,000.00) IN THE AGGREGATE.

**11. CONFIDENTIALITY OF INFORMATION**.

**11.1** Each Receiving Party shall safeguard the Confidential Information and keep it in strict confidence, and shall use reasonable efforts, consistent with those used in the protection of its own confidential information of similar nature and significance, to prevent the disclosure of such Confidential Information to Third Parties.

**11.2** A Receiving Party shall limit the dissemination of the Confidential Information to only its shareholders, directors, officers, employees and agents, who have a specific need to know such Confidential Information for the purpose for which such Confidential Information is disclosed and prevent the dissemination of such Confidential Information to Third Parties; *provided however* a Receiving Party may disclose Confidential Information of the a Disclosing Party to the extent required to do so under applicable law. In the event such disclosure is required, the Receiving Party shall provide prompt prior written notice to the Disclosing Party, shall use commercially reasonable efforts to limit any such disclosure, shall cooperate in a reasonable manner with the Disclosing Party in resisting such disclosure, and provide sufficient time, if possible, for the Disclosing Party to seek a protective order or other legal recourse against disclosure.

**11.3** Each Receiving Party shall not use or disclose the Confidential Information for any purposes other than for the performance of this Agreement.

**11.4 Confidentiality of Terms**. The Parties shall keep the terms of this Agreement confidential and shall not now or hereafter divulge these terms to any Third Party except:

(a) with the prior written consent of the other Party; or

(b) to any governmental body having jurisdiction to call therefore; or

(c) as otherwise may be required by law or legal process, including to legal and financial advisors in their capacity of advising a Party in such matters; or

(d) to the extent reasonably necessary to comply with United States law in a filing with the Securities and Exchange Commission, or other governmental agency; or

(e) during the course of litigation so long as the disclosure of such terms and conditions are restricted in the same manner as is the confidential information of other litigating Parties and so long as (1) the restrictions are embodied in a court-entered protective order and (2) the disclosing Party informs the other Party in writing at least ten (10) days in advance of the disclosure; or

(f) in confidence to legal counsel, accountants, banks and financing sources and their advisors solely in connection with financial transactions or other corporate transactions, and said persons are held to the same level of confidentiality as set forth herein.

**11.5** Nothing contained in this **Section 11** shall be construed as granting or conferring any rights, licenses or establishing relationships by the disclosure or transmission of a Disclosing Party's Confidential Information.

**11.6** All Confidential Information disclosed to or received by a Receiving Party's under this Agreement shall always remain the property of the Disclosing Party, except for the license granted herein or other terms or conditions expressly provided herein. Upon the expiration or termination of this Agreement, the Receiving Party shall return to the Disclosing Party all Confidential Information and any documents or storage media (including any and all transcripts and copies thereof) recording such Confidential Information.

**11.7** The confidentiality obligations set forth in this Article shall not apply to any information which:

(a) is already known by the Receiving Party at the time of its receipt from the Disclosing Party; or

(b) is or becomes publicly available or known through no breach of this Section 11, or any other agreement between the Parties by the Receiving Party ; or

(c) is made available to a Third Party by the Disclosing Party without any restriction on disclosure; or

(d) is rightfully received by the Receiving Party from a Third Party who is not restricted from disclosing such information and is not in wrongful possession of such information; or

(e) can be demonstrated has been independently developed by the Receiving Party without reference to the Disclosing Party's Confidential Information; or

(f) is disclosed with the prior written consent of the Disclosing Party.

**11.8** Each Receiving Party acknowledge that any disclosure or dissemination of any Confidential Information of the Disclosing Party which is not expressly authorized under this Agreement is likely to cause irreparable injury to such Disclosing Party, for which monetary damages is not likely to be an adequate remedy, and therefore such Party shall be entitled to equitable relief, without the posting of bond or security, in addition to any remedies it may have under this Agreement or at law.

**12. GENERAL**.

**12.1 Independent Contractors**. The Parties hereto are independent contractors. Nothing contained herein will constitute either Party the agent of the other Party, or constitute the Parties as partners or joint ventures. MAGNACHIP shall make no representations or warranties on behalf of AATI with respect to the MAGNACHIP Licensed Products or AATI Discrete Technology.

**12.2 Days**. Unless otherwise indicated, the term "days" used in this Agreement is assumed to be calendar days**.**

**12.3 Assignment**. Neither Party may assign or delegate this Agreement or any of its licenses, rights or duties under this Agreement, directly or indirectly (in a single transaction or any series of transactions), by operation of law or otherwise, without the prior written consent of the other Party. Notwithstanding, a Party may assign this agreement to an affiliate of such Party and in the case of a re-incorporation, reorganization or a sale or other transfer of substantially all such Party's assets or equity, including, without limitation, either Party's right to sell all or spin-off all or substantially all of its assets to which this Agreement relates, whether by sale of assets or stock or by merger or other reorganization that the assignee has agreed in writing to be bound by all the terms and conditions of this Agreement, and further, provided that in no event shall either party (or its permitted successors) assign or transfer (in a single transaction or any series of transactions) this Agreement or any of its licenses, rights or duties hereunder, to a party primarily engaged in the manufacture, marketing or sale of a product that directly competes with the products of the other party without the prior written permission of such other party. Upon any such attempted prohibited assignment or delegation, such assignment shall be deemed null and void, and this Agreement will immediately automatically terminate. Subject to the terms of this **Section 12.3**, this Agreement will inure to the benefit of each Party's successors and assigns.

**12.4 Notices**. Any notice required or permitted to be given by either Party under this Agreement will be in writing or by email and will be deemed given: (i) one day after pre-paid deposit with a commercial courier service (e.g., DHL, FedEx), (ii) upon receipt, if personally delivered, (iii) three days after deposit, postage pre-paid, with first class airmail (certified or registered if available), or (iv) upon receipt, when sent by facsimile or e-mail (with a confirmation copy to follow by regular U.S. Mail), in any such case, to the other Party at its address below, or to such new address as may from time to time be supplied hereunder by the Parties hereto:

**Notice Address for AATI:**

Advanced Analogic Technologies Inc.
830 E. Arques Ave.
Sunnyvale, California 94085
Attn: President
Tel: (408) 737-4600
Fax: (408) 737-4611
Email:

**Notice Address for MAGNACHIP:**

MagnaChip Semiconductor, Ltd.
891 Daechi-dong Kangnam-gu, Seoul, South Korea, 135-738

Attn: President & CEO
Tel: 82-2-3459-3007
Fax: 82-2-3459-3666
Email: youm.huh@magnachip.com

**12.5 Export Regulations**. MAGNACHIP understands and acknowledges that AATI is subject to regulation by agencies of the United States Government, including, but not limited to, the U.S. Department of Commerce, which prohibit export or diversion of certain technology to certain countries. Any obligations of AATI to provide technology are subject in all respects to such United States laws and regulations as from time to time govern the license and delivery of technology and services outside the United States. MAGNACHIP will comply with all applicable laws, and will not export, re-export, transfer, divert or disclose, directly or indirectly, including via remote access, the AATI Discrete Technology, Products, or any confidential information contained or embodied in the AATI Discrete Technology or Products, or any direct product thereof, except as authorized under the Export Administration Regulations or other United States laws and regulations governing exports in effect from time to time**.**

**12.6 Payment**. Payment must be in U.S. Dollars. All references to "dollars" or "$" in this Agreement mean United States dollars.

**12.7 Legal Compliance**. MAGNACHIP will comply with all applicable laws in connection with its performance under this Agreement.

**12.8 Force Majeure**. Neither Party shall be responsible for delays or failures in performance not within its reasonable control resulting from acts of God, strikes or other labor disputes, riots, acts of war, acts of terrorism, plagues and epidemics, governmental regulations superimposed after the facts, communication line failures, power failures, fire or other disasters beyond its control. If it appears that MAGNACHIP's performance hereunder will be delayed for more than ninety (90) days, AATI shall have the right to terminate this Agreement, or to cancel without cancellation charges those Purchase Orders or portions thereof which are affected by the delay.

**12.9 Language**. This Agreement is in the English language only, which language will be controlling in all respects, and all versions hereof in any other language will not be binding on the Parties hereto. All communications and notices to be made or given pursuant to this Agreement must be in the English language. The Parties hereto confirm that it is their wish that this Agreement, as well as other documents relating hereto, including notices, have been and will be written in the English language only.

**12.10 Governing Law**. **The rights and obligations of the Parties under this Agreement will not be governed by the 1980 U.N. Convention on Contracts for the International Sale of Goods;** rather such rights and obligations will be governed by and construed under the laws of the State of California, without reference to its conflict of laws principles.

**12.11 Arbitration**. Any controversy or claim arising out of or relating to this Agreement, or the existence, validity, breach or termination of this Agreement, whether during or after its term, will be finally settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association (*"AAA"*), as modified or supplemented as follows:

(a) To initiate arbitration, a Party will file the appropriate notice at the AAA. The arbitration proceeding will take place in San Francisco, CA or such other place as the Parties may agree in writing. The arbitration panel will be selected in accordance with the AAA standards. The Parties expressly agree that the arbitrators will be empowered to, at a Party's request, (i) issue an interim order requiring one or more other Parties to cease using and return the requesting Party's Confidential Information and/or (ii) grant injunctive relief.

(b) The arbitration award will be the exclusive remedy of the Parties for all claims, counterclaims, issues or accounting presented or pled to the arbitrators. The award will be granted and paid in U.S. Dollars exclusive of any tax, deduction or offset and will include reasonable attorneys fees and costs. Judgment on the arbitration award may be entered in any court that has jurisdiction thereof. Any additional costs, fees or expenses incurred in enforcing the arbitration award will be charged against the Party that resists its enforcement.

(c) Nothing in this **Section 12.11** will prevent a Party from seeking injunctive relief against another Party from any judicial or administrative authority pending the resolution of a dispute by arbitration. MAGNACHIP acknowledges that a violation of proprietary rights of AATI would result in irreparable injury entitling MAGNACHIP to injunctive relief.

**12.12 Modification and Waiver**. No amendment, waiver or any other change in any term or condition of this Agreement will be valid or binding unless mutually agreed to in writing by both Parties. The failure of a Party to enforce any provision of this Agreement, or to require performance by the other Party, will not be construed to be a waiver, or in any way affect the right of either Party to enforce such provision thereafter.

**12.13 Severability**. If a court or other body of competent jurisdiction finds, or the Parties mutually believe, any provision of this Agreement, or portion thereof, to be invalid or unenforceable, such provision will be enforced to the maximum extent permissible so as to effect the intent of the Parties, and the remainder of this Agreement will continue in full force and effect. The Parties shall negotiate in good faith an enforceable substitute provision that most nearly achieves the intent and economic effect of such invalid or unenforceable provision.

***12.14*** Favored Pricing Terms. The price charged AATI and its customers for any MAGNACHIP Licensed Products shall always be MAGNACHIP's lowest price charged any customer for such MAGNACHIP Licensed Product (or other products which are most *similar or substantially equivalent* to the manufacturing, function, and electrical specification of said MAGNACHIP Licensed Products) regardless of any special terms, conditions, rebates, or allowances of any nature. If MAGNACHIP provides MAGNACHIP Licensed Products or other technologies that are related to the AATI Discrete Technology or AATI Intellectual Property to any customer at a price less than provided for herein, MAGNACHIP shall adjust its price charged to AATI to the lower price for any un-invoiced product and for all outstanding and future invoices for such product. AATI shall have the right to audit MAGNACHIP's compliance with this provision by conducting an Audit in accordance with **Section 5.3** of this Agreement.

**12.15 Entire Agreement**. The terms and conditions of this Agreement, including all exhibits hereto, constitute the entire agreement between the Parties and supersede all previous agreements and understandings, whether oral or written, between the Parties hereto with respect to the subject matter hereof.

**12.16 Authority**

(i) **By AATI**. Execution or modification of this License Agreement requires the approval of the President (or the CEO) and the Chief Technical Officer (CTO) of AATI. No other employee of AATI can approve modifications to the Intellectual Property licenses contained herein.

(ii) **By MAGNACHIP** Execution or modification of this License Agreement requires the approval of a representative, officer or director of MAGNACHIP. No other employee of MAGNACHIP can approve modifications to the Intellectual Property licenses contained herein.

**12.17 Counterparts**. This Agreement may be executed in one or more counterparts, each of which shall be an original, and all of which taken together shall constitute a single instrument.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement the date and the year first herein above written.

**MagnaChip Semiconductor, Ltd :**

Signature: _____

Name: Youm Huh

Title: President and Chief Executive Officer (CEO)

Address: 891 Daechi-dong Kangnam-gu, Seoul, South Korea, 135-738

Facsimile: 82-2-3459-3666

**Advanced Analogic Technologies, Inc.:**

Signature: _____

Name: Richard K. Williams

Title: President, Chief Executive Officer (CEO) and Chief Technical Officer (CTO)

Address: 830 E. Arques Ave. Sunnyvale, California 94085

Facsimile: (408) 737-4611

**Exhibit 10.29**

**CELIS/HYNIX**
**RFID DEVELOPMENT AND LICENSING**
**AGREEMENT**

THIS AGREEMENT is effective as of March 29, 2004, by and between Celis Semiconductor Corporation (hereinafter called "Celis"), a corporation organized and existing under the laws of the State of Colorado, USA, and having its principal place of business at 5475 Mark Dabling Boulevard, Suite 102, Colorado Springs, Colorado 80918, USA, and Hynix Semiconductor Inc. (hereinafter called "Hynix"), a Korean corporation having its principal place of business at San 136-1, Ami-ri, Bubal-eub, Ichon-si, Kyoungki-do, Korea (hereinafter collectively called the "Parties", or individually, a "Party").

WHEREAS, Hynix is engaged in the developing and manufacturing of microelectronic components, and possesses the ability and expertise to design and fabricate integrated circuit memories and smart cards incorporating embedded memory, and

WHEREAS, Celis has developed expertise, proprietary information, and know-how in the areas of radio frequency integrated circuits, integrated circuit design, ferroelectric memory design, device modeling and characterization methods, and

WHEREAS, Hynix and Celis desire to develop a radio frequency integrated circuit for low cost radio frequency identification (RFID) tags, and

WHEREAS, Celis is willing to license to Hynix, and Hynix desires to be licensed from Celis, its design information, patents and mask work rights related to low cost radio frequency integrated circuits;

NOW, THEREFORE, in consideration of the mutual covenants and promises herein contained, the Parties hereto agree to the following:

## ARTICLE 1. DEFINITIONS

As used in this Agreement, the following terms shall have the following meanings unless the context otherwise requires (terms defined in the singular have the same meaning when used in the plural and vice versa):

1.1 "Affiliate" shall mean any entity that is more than 50% owned and controlled directly or indirectly by Hynix or Celis, now or hereafter. Indirect control is defined by the following example:

If either Party of this Agreement owns and controls more than 50% of Company A and Company A owns and controls more than 50% of

Company B, then Company B shall be considered to be an Affiliate for the purposes of this Agreement.

All rights granted to any Affiliate under this Agreement shall terminate immediately when such entity no longer satisfies this definition.

1.2 "Alcoa CSI" shall mean Alcoa Closure Systems International, Inc., a Delaware corporation having offices at 6625 Network Way, Suite 200, Indianapolis, Indiana 46278.

1.3 "Analog Front End" shall mean the analog circuitry and other circuitry that receives a radio frequency signal for use in Radio Frequency Integrated Circuits and which is comprised of any or all of the following circuits: voltage rectifier, voltage regulator, voltage reference, power-on-reset, clock extraction, data modulator, and data demodulator, as more specifically described in **Attachment A**.

1.4 "Celis Design Information" shall mean any and all know-how, trade secrets, processes, data, designs, layout designs, or other information, written or not, which is owned and controlled by Celis, or which Celis has the right to disclose and grant licenses or sublicenses to others without any obligation, that was developed before the execution of this Agreement or is developed during the term of the Design Program, and that may reasonably be necessary for the design, engineering development and manufacture of the Radio Frequency Integrated Circuits. Specific items of Celis Design Information are listed in **Attachment B** as of the Effective Date, which may be updated depending upon the design work hereunder**,** except for any information, which under the terms of any contract or agreement to which Celis is a party is restricted from being disclosed**.**

1.5 "Celis Patents And Mask Work Rights" shall mean all mask work rights, unexpired patents and patent applications, continuations, continuations in part, and divisions thereof, regarding integrated circuit design and/or technology, issued or issuing on any applications entitled to a first effective filing date prior to the completion of the Design Program, owned by Celis and in which Celis has the right to grant licenses or sublicenses without additional consideration to any Third Party, which may be reasonably necessary for the design, engineering development and manufacture of the RFID Circuit. Specific items of Celis Patents And Mask Work Rights are initially listed in **Attachment C** as of the Effective Date, which may be updated depending upon the design work hereunder.

1.6 "Design Program" shall mean the work efforts of Celis and Hynix to develop the RFID Circuit by means of the design program described in **Attachment D**.

1.7 "Digital Circuitry" shall mean the digital circuit block in the RFID Circuit that contains only digital circuits and controls the RFID Circuit and performs digital functions consistent with the Specification.

1.8 "Effective Date" shall mean the date of execution of this Agreement by both Parties, subject to the approval by the government of the Republic of Korea and/or the government of United States of America.

1.9 "Exclusive Field" means (a) injection and compression molded plastic closures, (b) consumer grade aluminum foil of the type marketed under the Reynolds Wrap aluminum foil brand, (c) consumer grade polymer film for home packaging of the type marketed under the Reynolds plastic wrap brand, and (d) thin wall transparent polymeric containers of the type used for food packaging of less than a gallon capacity.

1.10 "Memory Circuitry" shall mean the memory circuit block in the RFID Circuit, including the memory cell array and peripheral circuitry to operate the memory, as is commonly understood within the RFID industry.

1.11 "Net Sales Price" means the quarterly arithmetic average Hynix sales price for Radio Frequency Integrated Circuits shipped in such quarter by or for Hynix and its Affiliates in arm's length transactions with independent customers. In the case of sales of wafers for assembly of Radio Frequency Integrated Circuits into RFID Tags or modules, the Net Sales Price of wafers shall mean the quarterly average Hynix sales price of each good die, as if each good die were a finished Radio Frequency Integrated Circuit, times the average number of good dice per wafer. The net sales price for sales by Hynix to Hynix Affiliates or other divisions of Hynix shall be calculated as if such sales were to independent customers in arm's length transactions based on the number of dice shipped to such Hynix Affiliates or other divisions of Hynix. The Net Sales Price shall be reduced by deduction of transportation charges, insurance and taxes paid by Hynix and/or its Affiliates related to the sale of such Radio Frequency Integrated Circuits and/or wafers containing such Radio Frequency Integrated Circuits.

1.12 "Radio Frequency Integrated Circuit" shall mean an integrated circuit that contains Celis Design Information and/or Celis Patents and Mask Work Rights, and shall include integrated circuits that have a mode of operation that does not require a battery or power supply for their operation (all power comes from the radio frequency signal from the antenna), although such integrated circuits may have more than one mode of operation.

1.13 "RFID Circuit" shall mean the specific Radio Frequency Integrated Circuit to be developed by Hynix and Celis under this Agreement.

1.14 "Specifications" shall mean the data and communication protocols mutually agreed upon by Celis and Hynix for the RFID Circuit, in accordance with **Attachment E**.

1.15 "Third Party" shall mean any entity, person, firm, or corporation other than Hynix, Celis, or an Affiliate of either Party.

**ARTICLE 2. PURPOSE**

2.1 General Purposes. The purpose of this Agreement is for Celis and Hynix to develop a RFID Circuit meeting the Specifications, and for Celis to license Hynix and its Affiliates to use Celis Design Information and Celis Patents And Mask Work Rights to develop, manufacture, and sell Radio Frequency Integrated Circuits. Further purposes of this Agreement are for Celis and Hynix to collaborate in the design and testing of the RFID Circuit, and for Celis to receive consideration based on Hynix sales of Radio Frequency Integrated Circuits that use Celis Design Information and/or Celis Patents and Mask Work Rights.

**ARTICLE 3. DEVELOPMENT WORK**

3.1 Celis Obligations. Celis shall use its reasonable best efforts to complete the design work for the RFID Circuit in strict compliance with Design Program and the Specifications and any reasonable modifications that Hynix and Celis might agree upon in accordance with Article 3.3. Celis shall timely deliver relevant deliverables set forth in and in accordance with the Design Program.

3.2 Hynix Obligations. Hynix shall use its reasonable best efforts to provide Celis with the Hynix information required for execution of the Design Program, and to complete the design work for the RFID Circuit in strict compliance with the Design Program and the Specifications**,** and any reasonable modifications that Hynix and Celis might agree upon in accordance with Section 3.3. Hynix agrees to generate reticles and to fabricate silicon wafers containing the RFID Circuit as specified in Article 5 and **Attachment D**.

3.3 Modifications. The Design Program and the Specifications, which are attached hereto as **Attachments D and E** may be changed or modified from time to time by the written request of either Party and approval by the other Party acting in good faith. In case of any change, both Parties will determine in good faith to modify any of the terms and conditions hereof which may be related to such change. Hynix and Celis agree to revise the Specification in accordance with industry standard changes, revisions, or replacements to the data and communication protocols made prior to completion of the RFID Circuit, such as may be put forth by EPCglobal.

**ARTICLE 4. DEVELOPMENT COSTS**

4.1 Compensation. In compensation for a portion of the design work to be performed by Celis hereunder in accordance with the Design Program, Hynix shall pay Celis [*****] at the time of sign-off of this Agreement, and an additional [*****] within thirty (30) days of tape out of the RFID Circuit design.

[*****] - Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

4.2 Compensation Limit. It is agreed that in no event shall the total amount to be paid by Hynix for the design work by Celis pursuant to Article 5.1 exceed [*****].

**ARTICLE 5. WAFER FABRICATION AND EVALUATION**

5.1 Reticles. Hynix will generate the mask reticles containing the RFID Circuit and a Hynix process control TEG at its own cost in accordance with the Design Program.

5.2 Silicon Wafers. Hynix will fabricate the silicon wafers containing the RFID Circuit and the process control TEG at its own cost in accordance with the Design Program. The obligation of Hynix under this Article 4.2 shall be to process no more than three split lots, provided that any such lots are not scrapped due to misprocessing by Hynix. In case of a misprocessed lot by Hynix, such misprocessed lot shall not be counted as any of the three split lots. The lots shall be reasonably split (wafers held at certain processing points) as mutually agreed by Hynix and Celis acting in good faith. The number of silicon wafers started for each lot does not need to exceed 20 wafers. Data obtained from the three silicon wafer lots shall be used for qualification of the RFID Circuit, as applicable. If a full layer reticle revision is required solely because of Celis' design errors, Celis shall pay Hynix the full reasonable reticle charge for such full layer revision.

5.3 Celis Wafers. Hynix agrees to provide Celis with a reasonable number of wafers in a timely fashion for evaluation testing of the RFID Circuit by Celis. Hynix agrees to provide Celis with parametric information from the TEG structures on the wafers provided to Celis.

5.4 Evaluation. Hynix and Celis agree to evaluate the performance of the RFID Circuit. Hynix and Celis agree to provide each other with their evaluation results from testing the RFID Circuit.

**ARTICLE 6. LICENSE**

6.1 Celis Grant. Subject to Article 6.2, Celis hereby grants to Hynix and Hynix's Affiliates a non-exclusive, non-transferable, worldwide, perpetual and royalty-bearing license, with no right to sublicense, to use, copy, reproduce or modify the Celis Design Information and Celis Patents And Mask Work Rights in order to develop, manufacture, have manufactured, use, sell or otherwise dispose of the RFID Circuit and Radio Frequency Integrated Circuits. Such license shall be subject to the terms and conditions of this Agreement. Hynix and Hynix's Affiliates shall use Celis Design Information and Celis Patents And Mask Work Rights only for the purposes of this Agreement. Hynix agrees to notify Celis, in writing, of the name and address of each manufacturing

[*****]- Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

Affiliate who will be using this license prior to such an Affiliate's use of this license. Unless otherwise specified in this Agreement, Hynix and Hynix's Affiliates shall in no event sell the Radio Frequency Integrated Circuits for any military and/or space application (this includes all governmental entities, agencies, military agencies, or commercial space customers of any nation). Hynix and Hynix's Affiliates shall have the sole and exclusive right to manufacture the RFID Circuit that uses Hynix intellectual property, in part, and Celis shall have no right to sublicense Hynix intellectual property.

6.2 Exclusive Field. In the Exclusive Field, the license grant of Article 6.2 shall apply to sales to only Alcoa/CSI. Should Hynix desire to sell Radio Frequency Integrated Circuits into the Exclusive Field to customers other than Alcoa CSI, then Hynix shall consult with Celis and Celis shall be the sole interface to Alcoa CSI to attempt to negotiate such rights. Celis shall use its reasonable best efforts in negotiating for such rights, and shall consult with Hynix at reasonable time intervals during the negotiating period for such rights.

6.3 Export. Hynix hereby covenants and assures Celis that it will not, nor will its Affiliates, without prior authorization on the United States Department of Commerce, export, either directly or indirectly, any Celis Design Information or technology derived from Celis or any "direct product" of such Celis Design Information or technology, in violation of the export laws of the United States. Celis relies on Hynix's covenants and assurances in entering into this Agreement.

6.4 Royalty Rate. Subject to Article 6.5, in consideration for the license rights granted to Hynix and its Affiliates by Celis pursuant to Article 6.1, Hynix shall pay Celis a declining royalty, as follows:

- of [*****] of the Net Sales Price for first [*****] of royalties received by Celis Semiconductor Corporation under this Article 6.3,
- of [*****] of the Net Sales Price for next [*****] of royalties received by Celis Semiconductor Corporation under this Article 6.3,
- of [*****] of the Net Sales Price for next [*****] of royalties received by Celis Semiconductor Corporation under this Article 6.3, and,
- of [*****] of the Net Sales Price thereafter perpetually.

6.5 Royalty Exclusion. Hynix shall not pay any royalty to Celis for sale of silicon die or wafers containing Radio Frequency Integrated Circuits to Celis, and Hynix shall not commence payment of royalties to Celis until the royalties calculated in accordance with Article 6.3 exceed [*****].

[*****] - Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

6.6 Royalty Period. Within sixty (60) days following March 31, June 30, September 30 and December 31 of each year, for so long as royalties are payable under this Agreement, and within sixty (60) days after any termination of this Agreement under Article 14 hereof, Hynix shall furnish Celis with a detailed report covering the direct preceding quarterly period, setting forth the amount of royalties accrued and due as specified under this Article 6 of this Agreement.

6.7 Royalty Payments. Based on the information provided to Celis pursuant to Article 6.6, Celis shall provide Hynix with an invoice, and Hynix shall pay the amount of the invoice to Celis within thirty (30) days of Hynix receipt of such invoice. All payments paid under this Agreement shall be paid in U.S. Dollars. In the event that the royalties under this Article 6 are from sales in currencies other than U.S. Dollars, the amount shall be converted to U.S. Dollars at the official rate of exchange on March 31, June 30, September 30 and December 31 of each year for the preceding three (3) month period.

6.8 Royalty Late Payment. Any late payment of royalties shall include interest at one percent (1%) per month, from the time such payment is due.

6.9 Royalty Records and Audit. Hynix shall keep full records of all transactions requiring the payment of royalties for a period of three (3) years from date of payment. A certified public accountant, appointed and paid by Celis and accepted by Hynix, which acceptance will not be unreasonably withheld, shall have the right to examine the records kept by Hynix and its Affiliates during regular business hours upon thirty (30) days written advance notice, for the purpose of verifying the reports and accuracy of payment of the royalties described in this Article 6. Such certified public accountant shall be under obligation of confidentiality and shall not disclose to any Third Party any information and shall not disclose to Celis any information other than information relating to the reports and the payment required to be made under this Agreement.

6.10 Audit Expense Underpayments. If, upon the completion of any royalty audit, a discrepancy is found of more than five percent (5%) royalty underpayment, then all reasonable costs of such audit shall be paid by Hynix. At that time also, all discrepancies in underpayments shall be corrected, with interest. In the event of overpayment, the overpaid amount shall be deducted from future royalty payments.

6.11 Additional Rights. After the completion of the Design Program, Celis grants to Hynix (1) the royalty-free right to use Celis intellectual property, which was developed by Celis prior to the start of the Design Program, for 13.56 MHz applications for the application areas listed in **Attachment F**, and (2) Celis agrees to provide, with no fee to Hynix, a reasonable amount of design consulting to Hynix for design optimization of 13.56 MHz intellectual property for a combi-card application. See Attachment F.

**ARTICLE 7. OWNERSHIP**

7.1 Celis Ownership. Celis will retain all ownership, right, title and interest in and to all Celis Design Information and Celis Patents And Mask Work Rights.

7.2 Hynix Improvements. In the event that Hynix or its Affiliates develops or creates any improvements, enhancements or updates to the Celis Design Information and/or Celis Patents And Mask Work Rights ("Improvements"), the Improvements and intellectual property rights thereto shall be solely owned by Hynix, provided that Hynix agrees to provide Celis with technical information related to the Improvements on an "AS-IS" basis and grant back to Celis a non-exclusive, non-transferable, worldwide, perpetual, royalty-free license to use such Improvements, subject to the terms and conditions of this Agreement.

7.3 Mask Work Copyrights. Hynix and Celis shall jointly own, with an undivided interest, the Mask Work Copyrights for the RFID Circuit.

7.4 Joint Inventions. All joint inventions ("Joint Inventions"), if any, between Hynix and Celis shall be owned effectively by Hynix and Celis, each Party having an equal and undivided interest therein, to use Joint Inventions without the consent of the other Party; provided, however, that only after a period of five (5) years after execution hereof the Parties shall be free to license or disclose Joint Inventions to a Third Party without the consent of the other Party. The Parties shall decide whether, how and where to file patent applications and pursue patents on each Joint Invention before filing. If one Party to the Joint Invention desires to file in a country and the other Party is not interested in such filing, then the Party desiring the filing shall be assigned any patent issuing in such country. Each Party shall be entitled to use such Joint Inventions and patents resulting therefrom and to grant licenses to Third Parties without any payment to the other Party.

7.5 Foreign Patents and Filings. Celis represents and Hynix acknowledges that the agreement between Celis and Alcoa CSI may place certain legal restrictions on Celis inventions and patents if Alcoa CSI pays for the patents. Should Celis decide not to file patents on inventions related to this Agreement, or not to file foreign patents on such inventions, including, but not limited to PCT filings, then Hynix may request of Celis for Hynix to file such patents at the expense of Hynix in the name of Celis for such patents to be included in Celis Patents and Mask Work Rights for which Hynix has license rights. Celis shall notify Hynix in timely matter if such a situation might arise.

**ARTICLE 8. TECHNICAL COOPERATION**

8.1 Hynix Engineers. Hynix may dispatch up to two Hynix engineers to work on the RFID Circuit design at the site of Celis. Hynix shall bear salary, benefits, travel, lodging and meal expenses of such Hynix engineers. Celis will provide, at no cost to Hynix, office space, office furniture, office supplies and access to design and test facilities for such delegated employees of Hynix, during the term of the Design Program. Celis will provide such Hynix engineers with workstations and available design/layout software, to the extent that Celis has sufficient hardware and software available to support the functions of the Hynix engineers. To the extent that additional short-term software leases may be required at the sole discretion of Hynix, Hynix agrees to pay for such short-term leases, as to be mutually agreed between the Parties acting in good faith.

**ARTICLE 9. WARRANTY**

9.1 Design Warranty. Celis and Hynix warrant to each other that the RFID Circuit design shall be free from any error or defect in workmanship or materials for a period of one (1) year from the Design Program completion date. In case of any error or defect in the RFID Circuit design, the Party responsible for such portion of the design shall, at its own expense, make all corrections, modifications or improvements to such defective RFID Circuit design within one hundred twenty (120) days from notification by the other Party of such error or defect. Should such Party fail to cure such error or defect within one hundred twenty (120) day limit of receiving notice from the other Party of such error or defect, the other Party may give notice to terminate this Agreement.

**ARTICLE 10. REPRESENTATIONS**

10.1 Celis Representations. Celis represents and warrants that it has the right to grant to Hynix and Hynix's Affiliates the rights and licenses granted hereunder. Celis makes no representation that the manufacture, use or sale of the RFID Circuit will not infringe any other patent owned or controlled by any Third Party, other than that Celis presently knows of no Celis Patents and Mask Work Rights that would so infringe any other patent owned or controlled by any Third Party. Celis shall not be responsible to Hynix or its Affiliates for any damage, spoilage or personal injury resulting from the use of Celis Design Information, Celis Patents And Mask Work Rights, and the RFID Circuit.

10.2 Hynix Representations. Hynix represents and warrants that it has the right to enter into this Agreement. Hynix makes no representation that the manufacture, use or sale of the RFID Circuit will not infringe any other patent owned or controlled by any Third Party. Hynix shall not be responsible to Celis or its Affiliates for any damage, spoilage or

personal injury resulting from the use of Hynix design contributions to the design of the RFID Circuit.

10.3 Third Party Suits. In the event that any action or claim is brought by any Third Party against a Party or its Affiliates alleging that manufacture, use or sale of Radio Frequency Integrated Circuits, including the RFID Circuit, infringes upon any intellectual property rights owned by such Third Party, the Party or its Affiliates being sued may, at its option, take necessary steps to defend or meet such suit at its own expense. At the request of the Party or its Affiliate being sued, the other Party shall cooperate fully with it in providing information concerned and necessary documents. If the manufacture, use or sale by a Party or its Affiliates of Radio Frequency Integrated Circuits, including the RFID Circuit, is subject to any preliminary injunction of any competent court, the other Party shall consult with the Party subject to such injunction, and the Parties, acting in good faith, shall decide to (i) procure for the Party or the Party's Affiliate being sued the right to duly use them, or (ii) suitably modify them so that they would not be infringing. In the case of (i) and (ii), each Party shall bear its own expenses. In the case (i) or (ii) is unfeasible, Hynix shall return to Celis all information transferred to Hynix under this Agreement and Hynix shall not use any such information, Celis Design Information, Celis Patents and Mask Work Rights, and the RFID Circuit for any reason whatsoever. In the case (i) or (ii) is unfeasible, and the injunction relates specifically and only to Celis intellectual property, Celis shall refund to Hynix the actual amount paid by Hynix to Celis pursuant to Article 4, and Celis shall refund to Hynix the actual amount of royalties paid by Hynix to Celis pursuant to Article 6.

## ARTICLE 11. CONFIDENTIAL AND PROPRIETARY INFORMATION

11.1 Confidentiality. Each Party agree that any proprietary information disclosed by the other Party which is marked as "Confidential" and/or "Proprietary", or which is identified directly or generally in a writing or a transfer document as confidential and/or proprietary within thirty (30) days of oral disclosure, shall be understood to be "Confidential And Proprietary".

11.2 Nondisclosure. Each Party and its Affiliates shall hold the other Party's information which is Confidential And Proprietary in confidence and not disclose it to any Third Party during the term of this Agreement and for five (5) years thereafter. Each Party and its Affiliates shall have no such obligation regarding the other Party's Confidential And Proprietary information which:

a. at the time of disclosure to the receiving Party, was known to the public; or,

b. after the time of disclosure to the receiving Party, has become known to the public through no fault of the receiving Party; or,

c. at the time of disclosure to the receiving Party, was lawfully in the possession of the receiving Party; or,

d. after the time of disclosure to the receiving Party, has been lawfully received, without restriction and without breach of this or any other agreement, by the receiving Party from a Third Party; or,

e. after the time of disclosure to the receiving Party, has been independently developed by the receiving Party, provided that the person or persons developing same have not had access to the same information as furnished hereunder, and further provided that the receiving Party is able to provide a written document, proving its claim of independent development.

11.3 Degree of Care. Each Party and its Affiliates shall use the same degree of care to protect and avoid unauthorized dissemination of the other Party's Confidential And Proprietary information as it uses with its own information of similar nature which it does not want to be disseminated, but, in no event, less than reasonable care. The receiving Party shall immediately report to the other Party any misappropriation of the other Party's Confidential And Proprietary information received under this Agreement.

11.4 Communication. Notwithstanding the foregoing, each Party may communicate the other Party's Confidential And Proprietary information, pursuant to this Agreement, to their respective employees, officers, directors, and Affiliates, but only to the extent necessary for the development, manufacture, use and sale of Radio Frequency Integrated Circuits, provided, however, each person to whom such Confidential And Proprietary information is communicated must have a need to know. Each Party shall inform such employees and Affiliates that they are bound under the terms of this Article 11.

11.5 Subcontractors. Hynix and its Affiliates may communicate Celis' Confidential And Proprietary information to Hynix's subcontractors, but only to the extent necessary for the development, manufacture and sale of Radio Frequency Integrated Circuits, provided, however, each person or entity to whom such Confidential And Proprietary information is communicated must have a need to know and shall have agreed in writing to be bound by the same obligations as set forth in this Article 11.

11.6 Court Order. Either Party and/or its Affiliates under judicial or government order to disclose any portion of the other Party's Confidential And Proprietary information shall immediately notify the other Party, avail itself of all reasonable protection, and reasonably assist the other Party in seeking protection from the order.

**ARTICLE 12. TAXES**

12.1 Responsibilities. Each Party shall bear any and all taxes and other charges incurred by or levied on it by its own country in connection with this Agreement, provided, however, that both Parties agree that Hynix is entitled to withhold any income tax for foreign payments from any amount paid by Hynix to Celis under this Agreement, which are required by the Korean Government, and that Hynix therefore will remit a net payment to Celis after excluding any legal withholding taxes that are required by the Korean Government. Hynix will furnish Celis with each tax receipt issued by the Korean taxing authority to assist Celis in obtaining the credit in the United States.

**ARTICLE 13. LIMITATION OF LIABILITY**

13.1 General Limitation. In no event will either Party or its Affiliates be liable to the other Party or its Affiliates for loss of profits, recovery of anticipatory sales and earnings, or for any indirect, incidental, special, consequential or punitive damages arising from or in any way relating to this Agreement, however caused, whether as a consequence of the negligence of that Party or otherwise. Notwithstanding any provision of this Agreement, Hynix and its Affiliate's claim for any damages by Celis and its Affiliates shall be limited to no more than the total amount of the cost of the Design Program under Article 4 previously paid by Hynix to Celis under this Agreement.

**ARTICLE 14. TERM AND TERMINATION**

14.1 Term. This Agreement shall become effective as of the Effective Date and continue in full force and effect for five (5) years, and will be automatically extended for additional one (1) year terms thereafter unless either Party gives the other Party written notice of termination at least six (6) months prior to the said initial term and extension(s) thereof, or is earlier terminated under the provisions of this Article 14.

14.2 Insolvency Caused by Bankruptcy. Either Party shall have the right to terminate this Agreement immediately upon written notice to the other Party in the event that such other party (a) becomes insolvent because of bankruptcy, (b) has a involuntary bankruptcy proceeding filed against it which remains undismissed for a period of ninety (90) days, (c) files a voluntary petition for bankruptcy, (d) makes an assignment for the benefit of its creditors, or (e) has a receiver appointed for all or a portion of its property regarding bankruptcy.

14.3 Material Breach. In the event that either Party or its Affiliate, at any time during the term of this Agreement, commits a material breach of any provision hereunder and fails to rectify such breach within sixty (60) days from the receipt of written notice from the

other Party, such other Party may terminate this Agreement forthwith by notice in writing, specifying the factors of breach with reasonable particularity. Any termination as provided hereunder shall not prejudice any remedies available to such other Party under this Agreement or applicable laws, subject to the terms and conditions of this Agreement.

14.4 Celis Termination. In case this Agreement is terminated by Celis pursuant to Article 14.2 or 14.3, all rights and licenses granted to Hynix under this Agreement shall be immediately terminated. Hynix shall not use Celis Design Information and Celis Patent And Mask Work Rights, and return or destroy all Confidential And Proprietary information received from Celis, and copies thereof, in accordance with Celis' instruction.

14.5 Hynix Termination. In case this Agreement is terminated by Hynix pursuant to Article 14.2 or 14.3 after the completion of the Design Program, Hynix shall have the right to use the Celis Design Information and Celis Patent And Mask Work Rights pursuant to the terms and conditions set forth in this Agreement, and all wafer foundry business under Article 15 shall terminate. In case this Agreement is terminated by Hynix pursuant to Article 14.2 or 14.3 prior to the completion of the Design Program, all rights and licenses granted to Hynix under this Agreement shall be immediately terminated, Hynix shall return or destroy all Confidential And Proprietary information received from Celis, and copies thereof, in accordance with Celis' instruction and Celis shall refund to Hynix all the amount received from Hynix under Article 4 within thirty (30) days from such termination. All wafer foundry business under Article 15 and the rights and licenses granted back to Celis from Hynix pursuant to Article 7.2 shall be immediately terminated in case this Agreement is terminated by Hynix pursuant to Article 14.2 or 14.3.

## ARTICLE 15. WAFER FOUNDRY SERVICES

15.1 Services. Based on the good relationship between both Parties, Hynix agrees to provide silicon wafer foundry services from Hynix and/or Hynix's Affiliates to Celis for Radio Frequency Integrated Circuits, including the RFID Circuit, at a reasonable price and in reasonable volumes to be mutually negotiated in good faith between the Parties during the period that Hynix or its Affiliates manufactures, uses or sells Radio Frequency Integrated Circuits. Both parties agree to enter into a separate and definitive agreement which specifies detailed terms and conditions of such wafer foundry service.

**ARTICLE 16. MISCELLANEOUS**

16.1 Relationship. The relationship of the Parties under this Agreement is that of independent contractors. Nothing herein shall be deemed to make either Party the agent, partner, or joint venturer of the other, and the covenants of cooperation herein shall not be deemed to create such a relationship of agency, partnership, or joint venture. Nothing herein contained shall be deemed or construed as granting to either Party any right or authority to assume or to create any obligation or responsibility, express or implied, for or in behalf of or in the name of the other Party, or to bind the other Party in any way or manner whatsoever, except as provided in this Agreement.

16.2 No Assignment. Neither this Agreement nor any of the rights and obligations arising hereunder may be assigned or transferred in whole or in part to any Third Party by either Party hereto without the prior written consent of the other Party, and any attempted assignment in violation of this Article 16.2 shall be void. This Agreement, however, may be assigned without the consent of the other Party in the event of a merger or the sale of substantially all of the assets of the business unit performing this Agreement, provided that the assignee agrees expressly to assume all of the assignor's obligations under this Agreement, and the assignor provides prior written notification to the other Party. A transfer to an Affiliate shall not be deemed a Third Party and shall not require such consent, although prompt written notification of the transfer shall be required, and the Affiliate shall be subject to the same terms of this Agreement. Licenses to an Affiliate under this Agreement shall remain in effect only so long as such entity remains an Affiliate.

16.3 Language. This Agreement shall be executed only in the English Language. No translation, if any, of this Agreement into any other language shall be of any force or effect in the interpretation of this Agreement or in the determination of the intent of either of the Parties hereto.

16.4 Law. This Agreement is being entered into in the State of Colorado, USA, and shall be governed by and construed in accordance with the laws of the State of Colorado, USA, regardless of "Conflicts of Laws Principles".

16.5 Amendment for Cause. In the event the government of any nation has in effect on the date of this Agreement or promulgates in the future any law, regulation, rule, or order restricting or prohibiting the sale, distribution, or use of Analog Front End within such nation, the Party who is affected by such law, regulation, rule, or order may amend the provisions in concern of this Agreement with prior written notice thereof to the other Party so that this Agreement, as applied in such nation, shall not be deemed in violation of such nation's laws. However, any such amendment shall apply only to such nation,

and such amendment shall not be deemed to affect the rights of the Parties with respect to any other nation.

16.6 Force Majeure. Neither Party hereto shall be liable for failure to perform its obligations hereunder if precluded by riot, explosion, war, fires, flood, earthquake, acts of God, strike, lockout or labor troubles, acts or non-acts of Government or any other causes beyond the reasonable control of the Party, and the performance of its obligation hereunder shall be suspended during the existence of such causes, provided, however, that if such suspension exceeds three (3) consecutive months, the other Party has the right to terminate this Agreement, by giving at least thirty (30) days' written notice to the Party suspending the performance of the obligation. Any such termination shall be handled in the manner described in Article 14.3 hereof.

16.7 No Waiver. No consent or waiver, express or implied, by a Party to or of any breach or default by the other Party in the performance by it of any of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such Party of the same or any other obligation of such Party hereunder. Failure on the part of a Party to complain of any act or failure to act of the other Party or to declare the other Party in default, irrespective of how long such failure continues, shall not constitute a waiver by a Party of its rights hereunder.

16.8 Replacement of Invalid Provisions. In the event that any provision or provisions of this Agreement should be invalid, the remainder of this Agreement shall remain in full force and effect. The Parties shall negotiate in good faith to replace any such invalid provision or provisions by valid ones which will have an economic effect as close as possible to the invalid provision or provisions.

16.9 Survival. Articles 2 (Purpose), 6.3 (Export), 7 (Ownership), 10 (Representations), 11 (Confidential and Proprietary Information), 12 (Taxes), 13 (Limitation of Liability), 14.2 (Insolvency Caused by Bankruptcy), 14.3 (Material Breach), 14.4 (Celis Termination), 14.5 (Hynix Termination), and 15 (Miscellaneous) shall survive any termination or expiration under this Agreement. Other Articles may also survive according to the terms and conditions of this Agreement.

16.10 Arbitration. In the event of any dispute between the Parties with respect to the meaning, application, or enforcement of this Agreement (including any question regarding its existence, validity or termination) or for any action for its breach, the Parties shall first meet in good faith to attempt to resolve their differences. If such meeting does not succeed in an agreed upon resolution, the Parties agree to then employ a mediator(s) to help determine a fair, equitable, and reasonable resolution. The costs of such outside mediator(s) shall be equally borne by both Parties. If such mediation should not succeed, such dispute or claim maybe resolved by arbitration, using competent, knowledgeable

professionals in the field of microelectronic circuits, and the law of technology transfers fluent in the English language. The prevailing Party shall be entitled to recover, in addition to any other amounts awarded, reasonable legal costs and expenses, including attorney's fees, incurred thereby. In the event of Party against whom the decision is rendered fails to comply with the arbitrator's decision, within three (3) months after the decision has been rendered, then the aggrieved Party shall be free to pursue any and all remedies available. Any such arbitration shall be conducted in Colorado Springs, Colorado, USA, in accordance with the commercial arbitration rules of the American Arbitration Association.

16.11 Notice. All notices, demands, request statements, and/or other communications required or permitted to be given by this Agreement shall be in writing and in the English language and shall be deemed to have been sufficiently given when personally delivered, delivered by overnight courier, delivered by facsimile, or mailed by certified mail, postage prepaid, addressed as follows:

| For Celis: | For Hynix: |
|---|---|
| Celis Semiconductor Corporation<br>5055 Mark Dabling Blvd.St.200<br>Colorado Springs, Colorado 80918 | Hynix Semiconductor Inc.<br>System IC Company<br>Hynix Youngdong<br>Bldg 891 Daechi-dong<br>Kangnam-gu Seoul 135-738 Korea |
| Attn: Dr. Gary Derbenwick | Attn: Director Mr. Myungsoo Kang |
| Fax: (719) 598-3437 | Fax: 82-2-3459-5843 |

Contact individual or address may be changed upon notice.

16.12 Integration and Modification. This Agreement, including its Attachments, sets forth the entire agreement and understanding between the Parties hereto, as to the subject matter of this Agreement and merges all prior and contemporary discussions and understandings between the Parties, and neither of the Parties shall be bound by any condition, definition, warranty, covenant, or representation with respect to the subject matter of this Agreement, other than as expressly provided in this Agreement. The Parties covenant that all negotiations regarding this Agreement have been done at "arm's length" and all consideration relating to this Agreement is as stated in this Agreement, such that there is no outside understanding regarding any kind of consideration, payment, or commission due to any entity, that has not been stated herein. This Agreement may not be altered, amended, or modified except by a written amendment to this Agreement, signed by the duly authorized representatives of both Parties. The minutes of any meeting between the Parties shall not be deemed to alter

this Agreement, as all understandings in such meetings are intended only as non-binding intentions of the Parties.

16.13 Headings. The headings of each Article are for convenience only, and have no meaning in the context of this Agreement.

16.14 Binding Effect. This Agreement shall bind, and inure to the benefit of, the Parties, their successors, and assigns.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed in duplicate by their respective duly authorized representatives on the day and year first above written.

| | |
|---|---|
| Hynix Semiconductor Inc. | Celis Semiconductor Corporation |
| System IC Company | |
| By: _____ | By: _____ |
| Name: Youm Huh | Name: Gary F. Derbenwick |
| Title: President of System IC Company | Title: President and CEO |
| Date: _____ | Date: _____ |

**Exhibit 10.30**

This **Technology License Agreement** (**"Agreement"**) is made and entered into the day of July 2001 (**"Effective Date"**)

**BETWEEN**

**ARM LIMITED** whose registered office is situated at 110 Fulbourn Road, Cambridge CB1 9NJ, England (**"ARM"**)

and

**HYNIX SEMICONDUCTOR INC.** a company organised and existing under the laws of the Republic of Korea and whose principal place of business is situated at San 136-1, Ami-ri, Bubal-eub, Ichon-si, Kyoungki-do, Republic of Korea (**"LICENSEE"**).

**WHEREAS**

A. LICENSEE has requested ARM and ARM has agreed to license LICENSEE to manufacture and distribute certain ARM Secure Core Based Products (as defined below) on the following terms and conditions.

B. Therefore, in consideration of the mutual representations, warranties, covenants, and other terms and conditions contained herein, the parties agree as follows:

**1. Definitions**

1.1 **"ARM Secure Core"** means the ARM Secure Core identified in the Technical Reference Manual [DDI-0207-A].

1.2 **"ARM Secure Core Synthesizable Source"** means together; **(i)** the Synthesizable RTL; **(ii)** the Synthesis Scripts; and **(iii)** the Synthesis Reference Deliverables.

1.3 "**ARMv4T Instruction Sets**" means both the ARMv4 instruction set and Thumb instruction set as defined in the ARM Architecture Reference Manual [ARM DDI 0100].

1.4 **"ARM Secure Core Transfer Materials"** means together; **(i)** the ARM Secure Core Synthesizable Source; **(ii)** the Implementation Guide; **(iii)** the Synthesizable Functional Test Vectors; **(iv)** the Technical Reference Manual; **(v)** the AVS; **(vi)** the Core Self Test Programs, together with any Updates thereto delivered to LICENSEE by ARM from time to time; and **(vii)** any relevant supplemental documentation released by ARM to its other licensees from time to time.

1.5 "**ARM Secure Core Based Product(s)**" means any chip designed and manufactured by or for LICENSEE which is offered for sale solely for use in applications where secure processing is specified and which contains at a minimum; **(i)** a Microarchitecture Compliant Core; and **(ii)** LICENSEE or LICENSEE's customer's circuitry which adds significant functionality.

1.6 **"ARM Transfer Materials"** means together; **(i)** the ARM Secure Core Transfer Materials; and **(ii)** the MME Transfer Materials.

1.7 **"Authorized Distributor"** means any distributor appointed, in writing, by LICENSEE.

1.8 **"AVS"** means the ARM architectural validation suite identified in Schedule 1 Part H.

1.9 **"Claim"** means a written notice of infringement received by ARM from a third party demanding that ARM cease and desist from such alleged Intellectual Property infringement.

1.10 **"Confidential Information"** means; **(i)** any trade secrets relating to the ARM Secure Core and the ARM Transfer Materials; **(ii)** any information designated in writing by either party, by appropriate legend, as confidential; **(iii)** any information which if first disclosed orally is identified as confidential at the time of disclosure and is thereafter reduced to writing for confirmation and sent to the other party within thirty (30) days after its oral disclosure and designated, by appropriate legend, as confidential; and **(iv)** the terms and conditions of this Agreement.

1.11 **"Core Self Test Programs"** means the programs identified in Schedule 1 Part K Item K1.

1.12 **"Documentation"** means the documentation identified in Schedule 2 Part A.

1.13 **"Effective Date"** means the date of this Agreement, subject always to the provisions of Clause 15.13.

1.14 **"End User License"** means a license agreement substantially in the form set out in Schedule 6.

1.15 **"Implementation Guide"** means the documentation identified in Schedule 1 Part B.

1.16 **"Intellectual Property"** means any patents, patent rights, trade marks, service marks, registered designs, topography or semiconductor maskwork rights, applications for any of the foregoing, copyright, unregistered design right, trade secrets and know-how and any other similar protected rights in any country.

1.17 **"LICENSEE's Synthesis Timing Constraints File"** means such timing constraints file as the LICENSEE shall finalise prior to final synthesis.

1.18 **"Microarchitecture Compliant Core"** means an implementation of an ARM Secure Core manufactured under licence from ARM and which;

(i) executes each and every instruction in the ARMv4T Instruction Sets;

(ii) executes no additional instructions to those contained in the ARMv4T Instruction Sets;

(iii) exhibits a Pipeline Length of 3;

(iv) exhibits a Von Neumann Architecture;

(v) is Single Issue or Multiple Issue, as appropriate for the respective ARM Secure Core as identified in the relevant Technical Reference Manual;

(vi) implements the programmer's model as identified in the ARM Architecture Reference Manual;

(vii) passes the respective Synthesizable Functional Test Vectors; and

(viii) has been verified in accordance with the provisions of Clause 3.

1.19 **"MME Macrocell"** means the MME hardware accelerator specified in the MME Technical Reference manual SC043-TRM-0001-A.

1.20 **"MME Synthesizable RTL"** means the deliverables identified in Schedule 2 Part B Section 1.

1.21 **"MME Synthesis Scripts"** means the deliverables identified in Schedule 2 Part B Section 2.

1.22 **"MME Synthesizable Source"** means together; **(i)** the MME Synthesizable RTL; and **(ii)** the MME Synthesis Scripts.

1.23 **"MME Transfer Materials"** means together **(i)** the MME Synthesizable Source**; (ii)** the MME Validation Suite; **(iii)** the Documentation; **(iv)** the Software, together with any Updates thereto delivered to LICENSEE by ARM from time to time; and **(iv)** any relevant supplemental documentation released by ARM to licensees from time to time.

1.24 **"NSP"** means the net sales price of any ARM Secure Core Based Product calculated by taking the aggregate invoice price charged on arms length terms by LICENSEE and its Subsidiaries in the sale or distribution of any ARM Secure Core Based Product, less any; **(i)** value added, turnover, import, or other tax, duty or tariff payable thereon; **(ii)** freight, insurance costs incurred; and **(iii)** amounts actually repaid or credited with respect to any ARM Secure Core Based Products returned.

1.25 **"MME Validation Suite"** means the deliverables identified in Schedule 2 Part C.

1.26 **"Packaging"** means the materials used to encapsulate the silicon of an ARM Secure Core Based Product.

1.27 **"Pipeline Length"** means the number of clocked stages through which each single-cycle instruction must pass to complete the execution of such instruction.

1.28 **"Single Issue"** means that only one instruction is issued for execution within the integer unit in any single clock cycle (where for the purposes of this definition "clock" means the clock that advances the pipeline).

1.29 **"Software"** means the example support software for the MME Macrocell as identified in Schedule 2 Part D, together with any Updates thereto delivered to LICENSEE by ARM from time to time.

1.30 **"Subsidiary"** means any company the majority of whose voting shares is now or hereafter owned or controlled, directly or indirectly, by a party hereto or any company a majority of whose voting shares is now or hereafter owned or controlled, directly or indirectly, by any of the aforementioned entities. The company shall be considered a Subsidiary only so long as such control exists.

1.31 **"Synthesizable Functional Test Vectors"** means the synthesizable functional test vectors identified in Schedule 1 Part D.

1.32 **"Synthesis Reference Deliverables"** means the deliverables identified in Schedule 1 Part C Section 3.

1.33 **"Synthesisable RTL"** means the deliverables identified in Schedule 1 Part C Section 1.

1.34 **"Synthesis Scripts"** means the deliverables identified in Schedule 1 Part C Section 2.

1.35 **"Technical Reference Manual"** means the technical reference manual identified in Schedule 1 Part A.

1.36 **"Trademarks"** means the trademarks identified in Schedule 3.

1.37 **"Updates"** means any enhancements and modifications including but not limited to any error corrections to the ARM Transfer Materials including any documentation associated therewith, designed by, or for ARM, the incorporation of which ARM, in its absolute discretion, decides does not cause a new product to be created.

1.38 **"Unique ARM Secure Core Based Product"** means a device manufactured by or for LICENSEE and which has a unique part number; except that a device shall not be a Unique ARM Secure Core Based Product if the device has a different part number for any or all of the following reasons;

(i) because it is an optically shrunk version of an otherwise unmodified (except to the extent accommodated by this definition) Unique ARM Secure Core Based Product;

(ii) because it is a version of an otherwise unmodified (except to the extent accommodated by this definition) Unique ARM Secure Core Based Product that has been ported to a different set of process design rules;

(iii) because it is an otherwise unmodified (except to the extent accommodated by this definition) Unique ARM Secure Core Based Product that has a different on chip memory size;

(iv) because it is an otherwise unmodified (except to the extent accommodated by this definition) Unique ARM Secure Core Based Product that has a different on chip memory content;

(v) because it is an otherwise unmodified (except to the extent accommodated by this definition) Unique ARM Secure Core Based Product that has a different on chip memory type;

(vi) because it is an otherwise unmodified (except to the extent accommodated by this definition) Unique ARM Secure Core Based Product that incorporates a bug fix (to conform to original specification for the Unique ARM Secure Core Based Product); and

(vii) because it is an otherwise unmodified (except to the extent accommodated by this definition) Unique ARM Secure Core Based Product that incorporates a different revision of the ARM Transfer Materials delivered by ARM to LICENSEE from time to time.

1.39 **"Von Neumann Architecture"** means a microprocessor architecture which dictates that the instruction stream for the integer unit shares the same port with the data stream for such integer unit.

**2. Licence**

2.1 Subject to the provisions of Clause 9 (Confidentiality) and the payment of appropriate fees in accordance with the provisions of Clause 5, ARM hereby grants to LICENSEE, under ARM's Intellectual Property, a non-transferable (subject to Clause 15.3), non-exclusive, perpetual (subject to termination in accordance with the provisions of Clause 13) world-wide licence, to;

**ARM Secure Core Based Products**

(i) use and copy the AVS and the MME Validation Suite only for the purposes of designing ARM Secure Core Based Products;

modify the MME testbench in Verilog identified as Item C1 in Schedule 2 Part C;

(ii) use, copy and modify the Core Self Test Programs only for the purposes of designing ARM Secure Core Based Products;

(iii) use and copy; **(a)** the Implementation Guide; and **(b)** the Synthesisable Reference Deliverables, only for the purposes of designing ARM Secure Core Based Products;

modify the SC100 Core Verilog GTECH Synthesis Command Files identified as Item C3 in Schedule 1 Part C Section 3;

(iv) use, copy and modify (solely to the extent necessary to run the following deliverables on LICENSEE's tester or simulator) the Synthesizable Functional Test Vectors, only for the purposes of designing ARM Secure Core Based Products;

(v) use, copy and modify (only for the purpose of substituting functional blocks in the Synthesizable RTL with functionally equivalent LICENSEE or LICENSEE's customer's functional blocks); **(i)** the Synthesizable RTL; and **(ii)** the MME Synthesizable RTL, only for the purposes of designing ARM Secure Core Based Products;

(vi) use, copy and modify; **(i)** the Synthesis Scripts; and **(ii)** the MME Synthesis Scripts, only for the purposes of designing ARM Secure Core Based Products;

(vii) manufacture and have manufactured (subject to the provisions of Clause 2.2) the ARM Secure Core Based Products created under the licences granted in Clauses 2.1(i) to 2.1(vi) inclusive;

(viii) sell, supply and distribute ARM Secure Core Based Products manufactured under the licences granted in Clause 2.1(vii) to any third party and authorise Authorised Distributors to do the same;

(ix) test and have tested (subject to the provisions of Clause 2.3) the ARM Secure Core Based Products manufactured under the licences granted in Clause 2.1(vii);

**Technical Reference Manual and Documentation**

(x) use, copy, modify and distribute (solely to LICENSEE's customers of ARM Secure Core Based Products and subject to the terms of a confidentiality agreement no less restrictive than those contained in this Agreement) the Technical Reference Manual only for the purposes of designing ARM Secure Core Based Products;

(xi) use, copy, modify and distribute (solely to LICENSEE's customers of ARM Secure Core Based Products and subject to the terms of a confidentiality agreement no less restrictive than those contained in this Agreement) the Documentation only for the purposes of designing ARM Secure Core Based Products;

**Software**

(xii) use, copy and modify the Software; and

(xiii) distribute the Software in source code or binary code form solely in conjunction with ARM Secure Core Based Products.

**Have Manufactured**

2.2 Subject to the provisions of Clause 9 (Confidentiality), LICENSEE may exercise its right to have ARM Secure Core Based Products manufactured by a third party manufacturer ("**Manufacturer**") in accordance with the provisions of Clause 2.1 solely to manufacture ARM Secure Core Based Products for LICENSEE provided that; (a) LICENSEE agrees not to grant to the Manufacturer any license in respect of any ARM Transfer Materials for any other purpose; and (b) that each Manufacturer agrees;

(i) to be bound by obligations of confidentiality no less restrictive than those contained in this Agreement;

(ii) to supply units of the ARM Secure Core Based Product solely to LICENSEE; and

(iii) to return any ARM Confidential Information and ARM Transfer Materials to LICENSEE on the earlier of; (a) the completion of the manufacture; and (b) the expiration of the confidentiality period for each ARM Transfer Material in accordance with the provisions of Clause 9.

If any Manufacturer breaches the provisions of any of Clauses 2.2(i) to 2.2(iii), LICENSEE agrees that such breach shall be treated as a material breach of this Agreement by LICENSEE which shall entitle ARM to terminate this Agreement in accordance with the provisions of Clause 13.2 and LICENSEE shall hold ARM harmless from and keep ARM indemnified against all and any loss, liability, costs, damages, expenses (including the fees of lawyers and other professionals), suffered, incurred or sustained as a result of or in relation to such breach.

**Have Tested**

2.3 Subject to the provisions of Clause 9 (Confidentiality), LICENSEE may exercise its right to have ARM Secure Core Based Products tested by a third party (**"Test House"**) in accordance with the provisions of Clause 2.1 provided that the Test House agrees;

(i) to be bound by obligations of confidentiality no less restrictive than those contained in this Agreement; and

(ii) to supply units of the tested ARM Secure Core Based Products solely to LICENSEE; and

(iii) to return any ARM Confidential Information and ARM Transfer Materials to LICENSEE on the earlier of; **(a)** the completion of the test; and **(b)** the expiration of the confidentiality period for each ARM Transfer Material in accordance with the provisions of Clause 9.

If any Test House breaches the provisions of Clauses 2.3(i) to 2.3(iii), LICENSEE agrees that such breach shall be treated as a material breach of this Agreement by LICENSEE which shall entitle ARM to terminate this Agreement in accordance with the provisions of Clause 13.2 and LICENSEE shall hold ARM harmless from and keep ARM indemnified against all and any loss, liability, costs, damages, expenses (including the fees of lawyers and other professionals), suffered, incurred or sustained as a result of or in relation to such breach.

**Have Designed**

2.4 On receipt of a request from LICENSEE, ARM may on a case by case basis grant LICENSEE the right to have ARM Secure Core Based Products designed by a designer subcontracted by LICENSEE (**"Designer"**) provided that each Designer agrees;

(i) to be bound by obligations of confidentiality no less restrictive than those contained in this Agreement; and

(ii) to supply units of the tested ARM Secure Core Based Products solely to LICENSEE; and

(iii) to return any ARM Confidential Information and ARM Transfer Materials to LICENSEE on the earlier of; **(a)** the completion of the design; and **(b)** the end of the confidentiality period for each ARM Transfer Material in accordance with the provisions of Clause 9.

If any Designer breaches the provisions of Clauses 2.4(i) to 2.4(iii), LICENSEE agrees that such breach shall be treated as a material breach of this Agreement by LICENSEE which shall entitle ARM to terminate this Agreement in accordance with the provisions of Clause 13.2 and LICENSEE shall hold ARM harmless from and keep ARM indemnified against all and any loss, liability, costs, damages, expenses (including the fees of lawyers and other professionals),

suffered, incurred or sustained as a result of or in relation to such breach. The parties shall agree for each Designer which of the ARM Transfer Materials can be delivered to such Designer.

2.5 No right is granted to LICENSEE to;

(i) except as expressly granted in Clauses 2.1, sub-license any of the rights licensed to LICENSEE under Clause 2.1; or

(ii) distribute any ARM Secure Core Based Product prior to verification in accordance with Clause 3, except that if it is the intention of LICENSEE, and LICENSEE does proceed, to verify a device in accordance with Clause 3.1 and 3.2, LICENSEE may distribute, in aggregate, up to two thousand (2000) prototype units of such device without having such devices verified provided that LICENSEE provides written evidence to ARM that; (a) the recipient of such devices is aware that such device has not passed the verification process by ARM; and (b) the recipient has agreed to keep the recipient's use of the non verified device as confidential.

2.6 Except as specifically licensed in Clause 2.1, LICENSEE acquires no right, title or interest in the ARM Secure Cores, ARM Transfer Materials or any of ARM's Intellectual Property embodied therein. In no event shall the license grant set out in Clause 2.1 be construed as granting LICENSEE, expressly or by implication, estoppel or otherwise, a license to use any ARM technology except the ARM Transfer Materials and Software. LICENSEE shall reproduce and not remove or obscure any notice incorporated in the ARM Transfer Materials by ARM to protect ARM's Intellectual Property or to acknowledge the copyright and/or contribution of any third party designer. LICENSEE shall incorporate corresponding notices and/or such other markings and notifications as ARM may reasonably require on all copies of the ARM Transfer Materials used or distributed by LICENSEE.

**Subsidiaries**

2.7 For the continuance of this Agreement, LICENSEE may exercise the right to include any Subsidiary as a licensee under the terms of this Agreement provided that;

(i) such Subsidiary agrees in writing, as set out in Schedule 10 to be bound by the obligations of LICENSEE and to comply with all the terms and conditions of this Agreement;

(ii) any breach of the terms and conditions of this Agreement by a Subsidiary shall constitute a breach of this Agreement by LICENSEE; and

(iii) any termination of this Agreement in accordance with the provisions of Clause 13 shall be effective in respect of all Subsidiaries.

**3. Verification**

3.1 For each ARM Secure Core implementation which is used in the manufacture of ARM Secure Core Based Products for sale and distribution by LICENSEE in accordance with the terms of this Agreement, LICENSEE shall in the course of generating such implementation use the ARM Transfer Materials to generate a netlist (each a **"Synthesized Netlist"**) which includes back-annotated delays derived from the physical layout of the Synthesized Netlist.

3.2 LICENSEE shall simulate the AVS on each Synthesized Netlist (defined in Clause 3.1).

3.3 LICENSEE shall deliver to ARM a copy of the log results generated by running the AVS on each respective Synthesized Netlist (the **"Synthesized Log Results"** for each Synthesized Netlist). Prior to delivery of such Synthesized Log Results LICENSEE shall give ARM as much advance

warning as practicably possible of LICENSEE's proposed delivery of such Synthesized Log Results.

3.4 Each Synthesized Netlist shall be verified for a particular process upon ARM's acceptance of the Synthesized Log Results delivered by LICENSEE.

3.5 The Synthesized Log Results shall be accepted when they indicate that no errors have been detected or where any errors detected have been jointly agreed, in good faith, and a waiver agreed between the parties.

3.6 ARM shall notify LICENSEE, in writing, within fifteen (15) days of delivery by LICENSEE of the Synthesized Log Results (**"Synthesis Verification Period"**), whether the Synthesized Log Results have been accepted by ARM or have failed the in verification process. In the event that ARM fails to confirm the result of the verification process within the Synthesis Verification Period, the Synthesized Log Results shall be deemed accepted by ARM. In the event that the Synthesized Log Results fail the verification process, ARM shall provide details of the errors which cause the failure to LICENSEE and LICENSEE shall endeavour to correct the errors. The parties shall repeat the above process until either; **(i)** the Synthesized Log Results are accepted; or **(ii)** LICENSEE withdraws the Synthesized Log Results from the verification process.

**4. Trademark License**

4.1 ARM hereby grants to LICENSEE a non-transferrable (subject to Clause 15.3), non-exclusive, world-wide licence to use the Trademarks in the promotion and sale of ARM Secure Core Based Products.

4.2 LICENSEE shall use one of the Trademarks, in accordance with ARM's guidelines set forth in Schedule 3 (**"Guidelines"**), on; **(i)** all ARM Secure Core Based Products sold or distributed by LICENSEE; and **(ii)** all documentation, promotional materials and software associated with such ARM Secure Core Based Products. ARM shall have the right to revise Schedule 3 and the Guidelines (including the right to add further trademarks or modify the Trademarks) provided that such revisions are made in respect of the Guidelines issued to all licencees of the Trademarks. Any such revisions shall be effective, upon written notice to LICENSEE; (a) for printed material upon ninety (90) days notice; and (b) immediately in respect of products to be manufactured after ninety (90) days from receipt of such notice.

4.3 LICENSEE shall submit samples of all documentation, packaging, and promotional or advertising materials bearing the Trademarks to ARM from time to time as requested by ARM to verify compliance with the Guidelines. LICENSEE shall immediately rectify any documentation, packaging, and promotional or advertising materials so as to comply with the Guidelines and cease using any non-compliant materials.

4.4 LICENSEE agrees to assist ARM in maintaining the validity of the Trademarks by retaining a record of its use of the Trademarks. Such records shall include samples of all uses of the Trademarks for each ARM Secure Core Based Product as well as information regarding the first use of each of the Trademarks in each country. Upon request from ARM, LICENSEE shall make available all such records to ARM.

4.5 Upon ARM's request, LICENSEE shall provide, free of charge, samples of the use of the Trademarks for the purpose of trademark registration. LICENSEE shall support ARM in the application and maintenance of any registration for the Trademarks in the name of ARM. Upon request from ARM, LICENSEE shall execute any required registered user agreements (including any such other documents required by the applicable laws of any jurisdiction) for the Trademarks. In the event that LICENSEE fails to timely execute any such documents, LICENSEE hereby irrevocably appoints ARM as its attorney with respect to such matters. Any and all registrations for the Trademarks shall be procured by and for ARM, at ARM's expense.

4.6 Except as provided by the terms of this Agreement, LICENSEE shall not use or register any trademark, service mark, device or logo or any word or mark confusingly similar to any of the Trademarks, in any jurisdiction.

**5. Fees and Royalties**

5.1 In consideration of the licenses granted in Clause 2.1 for the ARM Secure Core Transfer Materials, LICENSEE shall pay ARM a fee (each a **"Core Licence Fee"**) for each Unique ARM Secure Core Based Product developed by LICENSEE as set out in and in accordance with Schedule 7 Part A. If within three (3) years after the Effective Date, LICENSEE pays ARM [*****] Core Licence Fees for [*****] Unique ARM Secure Core Based Products, then during the continuance of this Agreement, LICENSEE shall not have any obligation to pay Core Licence Fees for the [*****] Unique ARM Secure Core Based Products.

5.2 In consideration of the licenses granted in Clause 2.1 for the MME Transfer Materials, LICENSEE shall pay, ARM a fee (**"MME Licence Fee"**) as set out in and in accordance with Schedule 7 Part B.

5.3 In consideration of the licenses granted in Clause 2.1, LICENSEE shall pay to ARM a royalty (**"Royalty"**), as determined in accordance with the table in Schedule 8, for each unit of ARM Secure Core Based Product sold, supplied or otherwise distributed by LICENSEE.

5.4 In consideration of the ARM Maintenance (defined in Clause 8.1) LICENSEE shall pay, ARM, annual fees (each a **"Maintenance Fee"**) as set out in and in accordance with Schedule 7 Part C. The Maintenance Fees shall be fixed for two (2) years after the Effective Date and thereafter shall be subject to re-negotiation between the parties.

5.5 In consideration of the ARM Support (defined in Clause 8.2) LICENSEE shall pay, ARM, annual fees (each a **"Support Fee"**) as set out in and in accordance with Schedule 7 Part D. The Support Fees shall be fixed for two (2) years after the Effective Date and thereafter shall be subject to re-negotiation between the parties.

5.6 Royalties (defined in Clause 5.3) due to ARM under this Agreement shall be paid in accordance with the terms set out in Schedule 4.

5.7 LICENSEE shall keep all records of account as are necessary to demonstrate compliance with its obligations under this Clause 5 for six (6) years from the date of each royalty report.

5.8 ARM shall have the right for representatives of a firm of independent Chartered Accountants to which LICENSEE shall not unreasonably object (**"Auditors"**), to make an examination and audit, by appointment made at least thirty (30) days prior to the audit, during normal business hours, not more frequently than once annually, of all records and accounts as may under recognised accounting practices contain information including; **(i)** the number of units of ARM Secure Core Based Product and the number of cores per ARM Secure Core Based Product, sold or distributed by LICENSEE under this Agreement; and **(ii)** the amount of Royalties payable to ARM under this Clause 5. The Auditors will report to ARM only upon whether the Royalties paid to ARM by LICENSEE were or were not correct, and if incorrect, what are the correct amounts for the Royalties. LICENSEE shall be supplied with a copy of or sufficient extracts from any preliminary and final report prepared by the Auditors. The Auditor's report shall (in the absence of clerical or manifest error) be final and binding on the parties. Such audit shall be at ARM's expense unless it reveals an underpayment of Royalties of five per cent (5%) or more, in which case LICENSEE shall reimburse ARM for the costs of such audit. LICENSEE shall make good any underpayment of Royalties forthwith. If the audit identifies that LICENSEE has made an overpayment of Royalties, such overpayment will be credited with the next such payment or payments to be made by LICENSEE.

[*****] - Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

5.9 Any income or other tax which LICENSEE is required by law to pay or withhold on behalf of ARM with respect to any licence fees and/or Royalties payable to ARM under this Agreement shall be deducted from the amount of such licence fees and/or Royalties otherwise due, provided, however, that in regard to any such deduction, LICENSEE shall give such assistance as may be necessary to enable or assist ARM to claim exemption therefrom, or credit therefor, and shall furnish ARM with such certificates and other evidence of deduction and payment thereof as ARM may properly require.

5.10 LICENSEE shall pay all licence fees and Royalties due to ARM under the terms of this Agreement within forty five (45) days of receipt of ARM's original invoice therefor (**"Due Date"**).

5.11 If any sum under this Agreement is not paid by the Due Date (as defined in Clause 5.10), then (without prejudice to ARM's other rights and remedies) ARM reserves the right to charge interest on such sum on a day to day basis (as well after as before any judgement) from the day after the Due Date to the date of payment at the rate of two and a half (2.5%) per cent per annum above the base rate of The Bank of England from time to time in force. Notwithstanding the foregoing, ARM may waive this requirement, at its sole discretion, in the event that LICENSEE gives ARM advance warning that it has good cause to believe that, for reasons beyond its control, it may be unable to pay any such sum on the Due Date.

**6. Delivery and Acceptance**

6.1 ARM shall deliver the ARM Transfer Materials to LICENSEE in accordance with the delivery schedule set out in Schedule 9.

**7. Contract Management and Administration**

7.1 The parties hereby appoint the following individuals as their respective contract administrator between ARM and LICENSEE with respect to this Agreement:

**ARM**

**For Legal Notices:**

VP and general Counsel
ARM Limited
110 Fulbourn Road
Cambridge
CB1 9JN

**For Corporate Issues:**

Chief Operations Officer
At the address above

**For Financial Matters:**

Financial Controller
At the address above

**LICENSEE**

**For Legal Notices, Corporate Issues, Financial Matters, Confidential Information, Design Transfer and Support**

Jay Ho Chae
Vice President/System IC SBU, SP BU, MCU
Hynix Semiconductor Inc.
1 Hyangjeong-dong Hungduk-gu
Cheongju-si
361-725 Korea

**For Confidential Information:**

Manager of Core Licensing
At the Address above

**For Design Transfer and Support**

Manager of Core Licensing
At the Fulbourn Road Address above

**For Technical Matters**

As above

7.2 The contract administrators identified herein are appointed by the parties for the receipt and dispatch on their behalf all communications relating to this Agreement. The contract administrators shall also be responsible for the good progress of the parties' performance under this Agreement and the timely resolution of all technical, administrative and commercial issues which may arise from time to time during the execution of this Agreement.

7.3 Each party reserves the right to change its appointment as above upon at least seven (7) days prior written notice to the other party's then current corresponding liaison.

7.4 As soon as reasonably possible after the Effective Date, the parties shall mutually agree and publish a press release relating to the contents of this Agreement and the relationship thereby established between the parties.

**8. ARM Maintenance and Support**

8.1 Subject to LICENSEE's payment of the Maintenance Fees, ARM shall provide to LICENSEE, in respect of the ARM Transfer Materials through the parties' contract administrator, with the following services (**"ARM Maintenance"**);

(i) the use of commercially reasonable efforts to correct any defects in the ARM Transfer Materials which cause any of the ARM Transfer Materials not to operate in accordance with the functionality described in the datasheet and/or manual for the ARM Transfer Materials, as appropriate. If ARM determines that such defects are due to errors in such datasheet and/or manual provided by ARM shall promptly issue corrections to the datasheet and/or manual and shall not be required to revise the ARM Materials, provided that use of the ARM Transfer Materials by LICENSEE is not adversely affected thereby; and

(ii) all Updates to the ARM Transfer Materials.

8.2 Subject to LICENSEE's payment of the Support Fees, ARM shall provide to LICENSEE, in respect of the ARM Transfer Materials through the parties' contract administrator, with the following services (**"ARM Support"**); reasonable telephone, e-mail and written consultation pertaining to the operation and application of the ARM Transfer Materials. The ARM Support provided under this Clause 8.2 shall be limited to a total of ten (10) person days per annum.

8.3 LICENSEE agrees to receive ARM Maintenance and ARM Support for the ARM Secure Core and the ARM Transfer Materials for two (2) years after the Effective Date and after such date may

request ARM to continue the provision of ARM Maintenance and ARM Support subject to the payment of appropriate fees mutually agreed by the parties.

8.4 Upon LICENSEE requesting ARM Maintenance pursuant to Clause 8.1 or ARM Support pursuant to the provisions of Clause 8.2, LICENSEE shall promptly provide ARM with such samples and technical information as ARM may reasonably require to enable ARM to provide such ARM Maintenance or ARM Support, as appropriate.

8.5 For the avoidance of doubt, ARM's obligation under this Clause 8 is limited expressly to the provision of ARM Support only for LICENSEE and ARM shall be under no obligation to provide ARM Support for LICENSEE's customers.

8.6 ARM Maintenance and ARM Support shall be provided from ARM's premises in Cambridge, England. Nevertheless, ARM will use reasonable efforts to provide ARM Maintenance and ARM Support to LICENSEE, at LICENSEE's premises, subject to LICENSEE bearing all reasonable travelling, accommodation and sustenance expenses incurred and agreed in advance in writing with both parties.

8.7 For the avoidance of doubt, ARM's obligation under Clause 8.2 is limited expressly to the provision of ARM Support only for LICENSEE and ARM shall be under no obligation to provide ARM Support for LICENSEE's customers.

8.8 Upon LICENSEE requesting ARM Support pursuant to the provisions of Clause 8, LICENSEE shall promptly provide ARM with such samples and technical information as ARM may reasonably require to enable ARM to provide ARM Support.

**9. Confidentiality**

9.1 Except as provided by Clause 9.3 and 9.4, each party shall maintain in confidence the Confidential Information disclosed by the other party and apply security measures no less stringent than the measures that such party applies to protect its own Confidential Information, but not less than a reasonable degree of care, to prevent unauthorised disclosure and use of the Confidential Information. The period of confidentiality shall be fifteen (15) years with respect to each party's Confidential Information.

9.2 LICENSEE agrees that it shall not use any of ARM's Confidential Information other than for the purposes of designing, having designed, manufacturing, having manufactured, marketing and distributing ARM Secure Core Based Products whether alone or incorporated in other products and any other activities reasonably necessary in the normal course of business for LICENSEE to sell ARM Secure Core Based Products. ARM agrees that it shall only use LICENSEE's Confidential Information for LICENSEE's purposes.

9.3 Notwithstanding the foregoing; LICENSEE shall have the right to disclose layout derived from the Synthesizable RTL identified in Schedule 1 Part C Section 1 and the MME Synthesisable RTL identified in Schedule 2 Part B Section 1, to a **Manufacturer** (as defined in Clause 2.2) pursuant to the exercise of the "have manufactured" rights granted in Clause 2.1 under an NDA with substantially similar terms to this Clause 9 but also including a prohibition on the reverse engineering of the ARM Transfer Materials and/or the derivatives therefrom and except that the confidentiality period for each deliverable shall be at a minimum of ten (10) years from the date of disclosure.

9.4 Notwithstanding the foregoing, LICENSEE shall have the right to disclose the Core Self Test Programs, to a **House** (as defined in Clause 2.3) pursuant to the exercise of the have tested rights granted in Clause 2.1 under an NDA containing substantially similar terms to this Clause 9, except that the confidentiality period for each deliverable shall be at a minimum of five (5) years from the date of disclosure.

9.5 The provisions of this Clause 9 shall not apply to information which:

(i) is known and has been reduced to tangible form by the receiving party prior to disclosure by the other party; or

(ii) is published or otherwise made available to the public other than by a breach of this Agreement by the receiving party; or

(iii) is disclosed to the receiving party by a third party without a duty of confidentiality; or

(iv) is independently conceived by the receiving party provided that the receiving party is able to provide evidence of such independent conception in the form of written records; or

(v) is released to the receiving party for disclosure to any third party, other than on a confidential basis, by the disclosing party in writing; or

(vi) is approved for release by the disclosing party; or

(vii) is released to a third party by the disclosing party without a duty of confidentiality; or

(viii) is marked (N) in the Schedules of this Agreement.

9.6 For the avoidance of doubt, LICENSEE Royalty reports may be disclosed in confidence to ARM's financial and legal advisors. In addition, ARM may disclose the total unit sales of ARM processor based products on an annual basis provided that the unit sales of such ARM Secure Core Based Products by LICENSEE are not separately identifiable or deducible therefrom.

**10. Warranties**

10.1 Except as expressly provided in this Agreement, the ARM Transfer Materials and Software are supplied "as is" and ARM makes no representations and gives no warranties express, implied or statutory, including, without limitation, the implied warranties of satisfactory quality or fitness for a particular purpose in respect thereof.

10.2 ARM warrants, to LICENSEE, that;

(i) the Intellectual Property in the ARM Transfer Materials does not infringe any third party copyright, design right, registered design right or maskwork right or trade secret; and

(ii) ARM has the right to enter into this Agreement.

10.3 ARM represents and warrants that as of the Effective Date, there are no pending Claims that have been made, or actions commenced, against ARM for breach by the ARM Transfer Materials of any third party Intellectual Property.

10.4 ARM warrants that the ARM Transfer Materials will be consistent and sufficient for a competent semiconductor manufacturer to produce Microarchitecture Compliant Cores, as the case may be, which meet the functionality and performance specified in the applicable Technical Reference Manual. LICENSEE's remedy for any breach of such warranty shall be for ARM, as soon as is reasonably possible, to correct any errors in the appropriate ARM Transfer Materials and deliver such corrected materials to LICENSEE in accordance with the provisions of Clause 8.

10.5 LICENSEE acknowledges that the Software cannot be tested in every possible operation, and accordingly ARM does not warrant that the Software will be free from all defects or that there will be no interruption in their use. However, ARM warrants that the Software will comply with the description of their functionality specified in the related documentation. LICENSEE's remedy for

any breach of such warranty shall be for ARM, as soon as is reasonably possible, to correct any errors in the Software and deliver such corrected Software to LICENSEE.

10.6 ARM shall not be responsible for any recoverable or non-recoverable costs incurred, directly or indirectly, by LICENSEE in the design migration, processing, or manufacture of masks and prototypes, characterization or manufacture of production quality silicon in whatever quantity.

**11. Infringement**

11.1 LICENSEE shall notify ARM immediately upon learning of any claim which may be made or threatened that the exercise by LICENSEE of the rights hereby licensed constitutes an infringement of the patent, copyright, maskwork right, or trade secret (together "**Rights**") of a third party and will not take any action in relation to such claim which may be prejudicial to the interests of ARM without the written consent of ARM.

11.2 ARM agrees that it will, at its expense, timely defend any suit instituted against LICENSEE and shall indemnify LICENSEE against any award of damages and costs made against LICENSEE in any such suit insofar as the same is based on a claim that the exercise by LICENSEE of its licensed rights under Clause 2.1, infringes any Right of a third party, provided that LICENSEE gives ARM timely notice in writing of the institution of such suit and permits ARM through ARM's lawyers of choice to defend the same and LICENSEE provides all available information, assistance and authority to so defend. ARM shall have control of the defence of any such suit, including appeals, and of all negotiations for settlement, including the right to effect the settlement or compromise thereof.

11.3 In the event that rights licensed to LICENSEE under Clause 2.1 are, in any suit for infringement of any Right of a third party, held to constitute an infringement, ARM shall, at its option and expense, procure for LICENSEE the right to continue exercising its rights under Clause 2.1, or, to the extent commercially practicable, replace or modify the ARM Transfer Materials, as appropriate, provided that such replacement or modification of the ARM Transfer Materials maintain compatibility, so that the exercise by LICENSEE of its rights under Clause 2.1, does not constitute an infringement.

11.4 ARM shall have no liability under this Clause 11 with respect to any suit or claim to the extent that infringement is due solely to; ARM shall have no liability under this Clause for any infringement arising from;

(i) the combination of the ARM Transfer Materials with other products not supplied by ARM if such infringement arises exclusively from such combination;

(ii) the modification of the ARM Transfer Materials unless the modification was made or approved by ARM if such infringement arises exclusively from modification;

(iii) any manufacturing process applied to the ARM Transfer Materials by LICENSEE or LICENSEE's agent; or

(iv) compliance by ARM with the LICENSEE requirement specification where such compliance necessarily lead to such infringement.

11.5 LICENSEE agrees that it will, at its expense, timely defend any suit instituted against ARM and shall indemnify ARM against any award of damages and costs made against ARM in any such suit insofar as the same is based on a claim that; **(i)** the combination of the ARM Transfer Materials with other products not supplied by ARM if such infringement arises exclusively from such combination; **(ii)** the modification of the ARM Transfer Materials unless the modification was made or approved by ARM if such infringement arises exclusively from modification; **(iii)** any manufacturing process applied to the ARM Transfer Materials by LICENSEE; or **(iv)** compliance by ARM with the LICENSEE requirement specification where such compliance necessarily lead

to infringement, infringes any Right of a third party, provided that ARM gives LICENSEE timely notice in writing of the institution of such suit and permits LICENSEE through LICENSEE's lawyers of choice to defend the same and ARM provides, at ARM's expense, all available information, assistance and authority to so defend. LICENSEE shall have control of the defence of any such suit, including appeals, and of all negotiations for settlement, including the right to effect the settlement or compromise thereof. Notwithstanding the foregoing, LICENSEE shall not be liable under the indemnification provided in this Clause 11.5 unless it is held in any suit that the infringement has been caused by the wilful action of LICENSEE.

**12. Disclaimer of Consequential Damages and limitation of liability**

12.1 IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES RESULTING FROM ITS PERFORMANCE OR FAILURE TO PERFORM UNDER THIS AGREEMENT, OR THE FURNISHING, PERFORMANCE OR USE OF THE ARM SECURE CORE OR ARM TRANSFER MATERIALS LICENSED HEREBY.

12.2 NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, ARM SHALL NOT BE LIABLE FOR ANY AMOUNTS IN EXCESS OF THE TOTAL CORE LICENCE FEES PAID TO ARM PURSUANT TO CLAUSE 5.1 OF THIS AGREEMENT FOR ALL PAYMENTS BY ARM TO LICENSEE MADE PURSUANT TO ALL CLAIMS IN ANY WAY ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT.

12.3 NOTHING IN THIS CLAUSE SHALL OPERATE TO EXCLUDE LIABILITY FOR DEATH OR PERSONAL INJURY RESULTING FROM EITHER PARTY'S NEGLIGENCE.

12.4 If the Synthesizable RTL and MME Synthesizable RTL for the ARM Secure Core simulates substantially the functionality described in the Technical Reference Manual, ARM shall not be liable for any loss or damage suffered by LICENSEE as a result of the failure of any ARM Secure Core Based Product to provide security of data processed by the device. If an ARM Secure Core Based Product fails to provide security of data processed by it, ARM shall, subject to the provisions of Clause 12.2, only be liable for any loss or damage suffered by LICENSEE as a result of such failure to the extent that such loss or damage is a direct result of the Synthesizable RTL and MME Synthesizable RTL for the ARM Secure Core failing to simulate substantially the functionality described in the Technical Reference Manual.

**13. Term and Termination**

13.1 This Agreement shall commence on the Effective Date and shall continue in force unless earlier terminated in accordance with the provisions of Clause 13.2.

13.2 Without prejudice to any other right or remedy which may be available to it, either party shall be entitled summarily to terminate this Agreement forthwith by giving written notice to the other, if the other party:

(i) has committed a material breach of any of its obligations hereunder which is not capable of remedy; or

(ii) has committed a material breach of any of its obligations hereunder which is capable of remedy but which has not been remedied within sixty (60) days following receipt of written notice to do so; or

(iii) makes any voluntary arrangement with its creditors for the general settlement of its debts or becomes subject to an administration order; or

(iv) has an order made against it, or passes a resolution, for its winding-up (except for the purposes of amalgamation or reconstruction) or has an encumbrancer take possession or has a receiver or similar officer appointed over all or substantially all of its property or assets.

**14. Effect of Expiry and Termination**

14.1 Upon termination of this Agreement by ARM pursuant to Clause 13.2, LICENSEE will immediately discontinue any use and distribution of all ARM Secure Core Based Products, the ARM Secure Core, the ARM Transfer Materials, any Intellectual Property embodied therein, and any ARM Confidential Information. LICENSEE shall, at ARM's option, either destroy or return to ARM any Confidential Information, including any copies thereof in its possession, together with the ARM Transfer Materials in its possession. Within one month after termination of this Agreement LICENSEE will furnish to ARM a certificate signed by a duly authorised representative of LICENSEE that to the best of his or her knowledge, information and belief, after due enquiry, LICENSEE has complied with provisions of this Clause.

14.2 Unless this Agreement is terminated by LICENSEE in accordance with the provisions of Clause 13.2, the licenses granted to LICENSEE under the terms of this Agreement shall survive (subject to the terms and conditions of this Agreement) in the event that either; **(i)** ARM makes any voluntary arrangement with its creditors for the settlement of its debts or becomes subject to an administration order; or **(ii)** ARM has an order made against it, or passes a resolution, for its winding-up (except for the purposes of amalgamation or reconstruction) or has an encumbrancer take possession or has a receiver or similar officer appointed over all or substantially all of its property or assets. Notwithstanding anything to the contrary contained elsewhere in this Agreement, if this Agreement is terminated by LICENSEE in accordance with the provisions of Clause 13.2, any and all rights, including, without limitation, all licences granted to LICENSEE hereunder shall survive such termination subject to the terms and conditions of this Agreement including, without limitation, the continued payment of Royalties in accordance with the provisions of Clause 5.3.

14.3 Upon termination the provisions of Clauses 1, 5 (to the extent that any obligation under this Clause remains outstanding) 9, 10, 11, 12, 14 and 15 shall survive termination.

**15. General**

15.1 All communications between the parties including, but not limited to, notices, royalty reports, error or bug reports, the exercise of options, and support requests shall be in the English language.

15.2 All notices which are required to be given hereunder shall be in writing and shall be sent to the address of the recipient set out in this Agreement or such other address as the recipient may designate by notice given in accordance with the provisions of this Clause. Any such notice may be delivered personally, by commercial overnight courier or facsimile transmission which shall be followed by a hard copy and shall be deemed to have been served if by hand when delivered, if by commercial overnight courier 48 hours after deposit with such courier, and if by facsimile transmission when dispatched.

15.3 Neither party shall assign or otherwise transfer this Agreement or any of its rights and obligations hereunder whether in whole or in part without the prior written consent of the other provided that such consent shall not be unreasonably withheld.

15.4 Neither party shall be liable for any failure or delay in its performance under this Agreement due to causes, including, but not limited to, acts of God, acts of civil or military authority, fires, epidemics, floods, earthquakes, riots, wars, sabotage, third party industrial disputes and governments actions, which are beyond its reasonable control; provided that the delayed party: (i) gives the other party written notice of such cause promptly, and in any event within fourteen (14) days of discovery thereof; and (ii) uses its reasonable efforts to correct such failure or delay in its

performance. The delayed party's time for performance or cure under this Clause 15.4 shall be extended for a period equal to the duration of the cause.

15.5 ARM and LICENSEE are independent parties. Neither company nor their employees, consultants, contractors or agents, are agents, employees or joint venturers of the other party, nor do they have the authority to bind the other party by contract or otherwise to any obligation. Neither party will represent to the contrary, either expressly, implicitly, by appearance or otherwise.

15.6 The parties agree that the terms and conditions of this Agreement shall be treated as Confidential Information hereunder and shall not be disclosed without the consent of both parties.

15.7 Failure by either party to enforce any provision of this Agreement shall not be deemed a waiver of future enforcement of that or any other provision.

15.8 If any provision of this Agreement, or portion thereof, is determined to be invalid or unenforceable the same will be enforced to the maximum extent permissible so as to effect the intent of the parties, and the remainder of this Agreement will continue in full force and effect.

15.9 The headings to the Clauses of this Agreement are for ease of reference only and shall not affect the interpretation or construction of this Agreement.

15.10 This Agreement may be executed in one or more counterparts each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

15.11 This Agreement, including all Schedules and documents referenced herein, constitutes the entire agreement between the parties with respect to the subject matter hereof, and supersedes and replaces all prior or contemporaneous understandings or agreements, written or oral, regarding the subject matter. Except in respect of changes to the Trademark Guidelines (defined in Clause 4.2) which may be changed in accordance with the provisions of Clause 4.2, no amendment to, or modification of, this Agreement shall be binding unless in writing and signed by a duly authorized representatives of both parties.

15.12 This Agreement shall be governed by and construed in accordance with the laws of England. In the event that ARM commences proceedings against LICENSEE under this Agreement, the parties agree to submit to the jurisdiction of the Seoul District Court, Korea, for the purpose of hearing and determining any disputes arising out of this Agreement. In the event that LICENSEE commences proceedings against ARM under this Agreement, the parties agree to submit to the jurisdiction of the High Court of Justice, London, England, for the purpose of hearing and determining any disputes arising out of this Agreement.

15.13 LICENSEE and ARM acknowledge that each and every term and condition of this Agreement has been fully and completely negotiated and such terms and conditions closely relate to each other. In the event that the Korean governmental authorities, including the Korean Fair Trade Commission, during the review of this Agreement require a modification to one or more of the clauses of this Agreement, ARM shall have the option to renegotiate the entire Agreement or accept the applicable modification of the Agreement as required by such governmental authorities.

15.14 Subject to the mutual agreement of the authorized executives of the parties, ARM and LICENSEE agree to issue a mutually agreed press release detailing the relationship established and products licensed under this Agreement.

**IN WITNESS WHEREOF** the parties have caused this Agreement to be executed by their duly authorized representatives:

**ARM LIMITED:**

SIGNED _____

NAME: _____

TITLE: _____

DATE: _____

**HYNIX SEMICONDUCTOR LIMITED**

SIGNED _____

NAME: _____

TITLE: _____

DATE: _____

This **Technology Licence Agreement** (the "Agreement") is made the 16th day of December 1996

**BETWEEN**

**ADVANCED RISC MACHINES LIMITED** whose registered office is situated at 90, Fulbourn Road, Cherry Hinton, Cambridge CBI 4JN, England ("ARM")

and

**LG SEMICON COMPANY LIMITED** whose principal place of business is situated at 16 Woomyeon-dong. Seocho-gu. Seoul 137-140, Korea ("LGS").

**WHEREAS**

LGS has requested ARM and ARM has agreed, to license LGS to manufacture and distribute certain ARM products and thereby to make use of certain portions of the Intellectual Property (as defined below) upon the terms set out in this Agreement.

In consideration of the mutual representations, warranties, covenants, and other terms and conditions contained herein, the parties agree as follows:

**1. Definitions**

1.1 "**ARM Compliant Product**" shall mean any single silicon chip developed by LGS which contains, at a minimum: (i) an ARM7TDMI Core; or (ii) a Modified ARM7TDMI Core, which has been verified in accordance with the provisions of Clause 3.

1.2 "**ARM7TDMI Core**" shall mean the device as described and identified in the ARM7TDMI datasheet identified in Schedule 2 Part A Item A1.

1.3 "**ARM Instruction Set**" shall mean both the ARM Instruction Set and THUMB Instruction Set as each are defined in the ARM Architecture and Reference Manual identified in Schedule 2 Part A Item A2.

1.4 "**Authorised Distributor**" shall mean those distributors appointed, in writing, by LGS.

1.5 "**AVS**" shall mean the ARM Architectural Validation Suite in binary code format Schedule 2 Part B Section 2 Item T3.

1.6 "**Confidential Information**" shall mean: (i) any trade secrets relating to the ARM7TDMI Core and Transfer Materials and the source code for any Software; (ii) any information designated in writing by either party as confidential which if disclosed verbally is reduced to writing within thirty (30) days after its oral disclosure; and (iii) the terms and conditions of this Agreement.

1.7 "**Core Functional Test Vectors**" shall mean the test vectors identified in Schedule 2 Part A Items B10, B11, B12 and B13.

1.8 "**Design Win Event**" shall mean for each different Design Win Product, the point in time of the sale, supply or other distribution of five hundred (500) units of such product.

1.9 "**Design Win Product**" shall mean an application specific product made by LGS, an LG Affiliate or LG Group Company, which incorporates an ARM Compliant Product.

1.10 "**Effective Date**" shall mean the date of this Agreement or the date upon which the Korean Government gives approval to this Agreement, whichever is the later, subject always to the provisions of Clause 18.4.

1.11 "**Embedded ICE**" shall mean the Embedded ICE Protocol Converter identified in Schedule 14.

1.12 "**End User Licence**" shall mean a licence agreement substantially conforming to that agreement set forth in Schedule 7.

1.13 "**Half Year**" shall mean each calendar half year ending the 30th June and 31st December of any year.

1.14 "**HP**" shall mean any Hewlett Packard compatible computer running HP-UX v9.0.5 (and later versions as may be mutually agreed).

1.15 "**IBM PC**" shall mean any computer. 486 (or above) processor based IBM AT architecture, having, at a minimum. 16Mb RAM. 50Mb hard disc space and running Microsoft DOS v6.2 (and later versions as may be mutually agreed) and, where appropriate, Microsoft Windows 95 or Windows NT. ARM will use reasonable endeavours, in collaboration with LGS, to ensure the Software operates on reputable IBM PC compatible computers provided that such operation is not constrained by significant hardware or software deficiencies.

1.16 "**Intellectual Property**" shall mean any patents, patent rights, trade marks, service marks, registered designs, topography or semiconductor maskwork rights, applications for any of the foregoing, copyright, know-how, unregistered design right, confidential information, any Intellectual Property Derivatives, and any other similar protected rights in any country, which are taken into use in the design, use or production of the ARM7TDMI Core. Software or Transfer Materials.

1.17 "**Intellectual Property Derivatives**" shall include: (i) for copyrightable or copyrighted material, any translation, abridgement, revision or other form in which an existing work may be recast, transformed or adapted; (ii) for work protected by topography or mask right, any translation, abridgement, revision or other form in which an existing work may be recast, transformed or adapted; (iii) for patentable or patented material, any improvement created by ARM; and (iv) for material protected by trade secret any new material derived from or employing such existing trade secret.

1.18 "**LG Affiliate**" shall mean each of the companies set forth in Schedule 10. An LG Affiliate shall cease to be an LG Affiliate when; (i) it is merged into a corporation other than an LG Group Company; or (ii) the majority of its voting shares becomes owned or controlled by a person, company or other legal entity other than an LG Group Company; or (iii) the Chief Executive Officer (referred to in Korean as "Hoejang") ceases to control directly or indirectly such LG Affiliate.

1.19 "**LG Group Company**" shall mean each of the companies identified in Schedule 8.

1.20 "**LGS Users**" shall mean LGS (or any LG Group Company) when incorporating an ARM Compliant Product, distributed pursuant to this Agreement, for use in LGS's (or such LG Group Company's) end user products.

1.21 "**LGS Materials**" shall mean such of the Transfer Materials (or any additional materials) as are necessary to enable ARM, in respect of any Modified ARM7TDMI Core, to exercise the rights set out in Clause 2.3.

1.22 "**Models**" shall mean: (i) the object code and source code of the programs identified in Schedule 3 Part A; (ii) the object code and such source code of the programs identified in Schedule 3 Part B as may be necessary (at ARM's absolute discretion) to allow the support of

subsequent releases of the specified simulator: and (iii) subject to the payment by LGS of the fee(s) set out in Clause 9.2, the object code and such source code of the programs identified in Schedule 3 Part C as may be necessary (at ARM's absolute discretion) to allow the support of subsequent releases of the specified simulator; together with such Updates thereof, if any, as are developed by or for ARM.

1.23 "**Modified ARM7TDMI Core**" shall mean any ARM7TDMI Core modified in accordance with the provisions of Clause 2.2.

1.24 "**NSP**" shall mean the net sales price of any ARM Compliant Product calculated by taking the aggregate invoice price charged on arm's length terms by LGS and its Subsidiaries in the sale or distribution of any ARM Compliant Product, less any (i) value added, turnover, import, or other tax, duty or tariff payable thereon (ii) freight and insurance costs incurred and (iii) amounts actually repaid or credited with respect to any ARM Compliant Products returned.

In the event that ARM, in its discretion, considers that the NSP for any ARM Compliant Product charged to LGS Users is materially below the open market value for such ARM Compliant Product, the NSP shall be deemed to be: in the case of the sale or distribution of any ARM Compliant Product to LGS Users, the net sales price for such ARM Compliant Product sold by LGS to third parties; and in the case of the sale or distribution of ARM Compliant Products manufactured for, and supplied solely to, LGS Users, at a minimum, the sum of:

(i) the cost of materials and the cost of fabrication or such other processing of such ARM Compliant Product; and

(ii) an amount for general expenses and profit equal to that usually reflected in the sales to third parties of products of the same general class or kind as the ARM Compliant Product; and

(iii) the cost of all packaging.

1.25 "**PIV Card**" shall mean the hardware identified in Schedule 2 Section 1 Part A as Item E1.

1.26 "**Software**" shall mean together the Models, Tools, Test Programs, Embedded ICE and Vectors.

1.27 "**Subsidiary**" shall mean any company the majority of whose voting shares is now or hereafter owned or controlled, directly or indirectly, by a party hereto or any company a majority of whose voting shares is now or hereafter owned or controlled, directly or indirectly, by any of the aforementioned entities. A company shall be considered a Subsidiary only so long as such control exists.

1.28 "**Sun/SunOS**" shall mean any Sun/SPARC compatible computer running SunOS v4.1.3_u1 (and later versions as may be mutually agreed).

1.29 "**Test Programs**" shall mean the source code and object code of the programs identified in Schedule 2 Part B Section 1 Items T1 and T2 together with such Updates, if any, as are developed by or for ARM.

1.30 "**Test Chip**" shall mean a device which complies with the test chip specification set forth in Schedule 2 Part A Item D1.

1.31 "**Test Chip Characterisation Vectors**" shall mean those test vectors identified in Schedule 2 Part A Items D6, D7, D8 and D9.

1.32 "**Test Chip Functional Vectors**" shall mean those test vectors identified in Schedule 2 Part A Items D4 and D5.

1.33 "**Tools**" shall mean the source and object code of the programs identified in Schedule 4 Parts A and B; and (ii) the documentation identified in Schedule 4 Part C, together with such Updates, if any, as are developed by or for ARM.

1.34 "**Trademarks**" shall mean the trademarks, service marks and logos set forth in Schedule 5.

1.35 "**Transfer Materials**" shall mean that technical information with respect to the ARM7TDMI Core identified in Schedule 2 Part A.

1.36 "**Updates**" shall mean; (i) for the Software, any bug fixes or enhancements to the Software the incorporation of which ARM, in its absolute discretion, decides does not cause to be created a new product; and (ii) for the Transfer Materials, all modifications, enhancements and updates to the Transfer Materials, created by ARM, including such modifications to the Transfer Materials as are made by ARM's other licencees and adopted by ARM for general release as an update provided that ARM may exclude any modification, enhancement or update which ARM, in its absolute discretion decides, results in the creation of a new product;

1.37 "**Use**" shall mean copying the programs identified in Schedule 3 Parts B and C and Schedule 4 Parts A and C onto a computer for the purposes of processing the instructions or statements contained therein, but excluding disassembly, reverse assembly, or reverse compiling except as permitted by local legislation implementing Article 6 of the EC Software Directive and only to the extent necessary to achieve interoperability of an independently created program with other programs. Disassembly, reverse assembly, or reverse compiling for die purpose of error correction is specifically prohibited.

1.38 "**Vectors**" shall mean together the Test Chip Functional Vectors and Test Chip Characterisation Vectors.

1.39 "**1995 Agreement**" shall mean the Technology Licence Agreement between ARM and LGS dated the 5th October 1995.

**2. Licence**

2.1 In consideration of the fee ("Core Fee") set out in Schedule 12 Part A, ARM hereby grants to LGS, under the Intellectual Property, a perpetual (subject to Clause 18), non-transferable (subject to Clause 20.3), non-exclusive, world-wide right and licence to:

(i) use, modify (subject to the provisions of Clauses 2.2 and 2.3) and copy the Transfer Materials solely for the purposes of creating, developing, manufacturing, having manufactured (subject to the provisions of Clauses 2.4 and 2.5), and selling, supplying and distributing to any third party, ARM Compliant Products;

(ii) modify, translate, reproduce and distribute, subject to the confidentiality obligations set forth in Clause 14, the documentation identified in Schedule 2 (except Item A2).

2.2 LGS may modify:

(i) the internal logic of any ARM7TDMI Core:

(ii) the layout of any ARM7TDMI Core where necessary for the purposes of manufacturing such ARM7TDMI Core on another CMOS process,

PROVIDED ALWAYS THAT the Modified ARM7TDMI Core retains compatibility with the ARM Instruction Set. A Modified ARM7TDMI Core will be deemed compatible if the Test Chip for the Modified ARM7TDMI Core: (i) executes each and every instruction contained in the ARM Instruction Set; (ii) executes the instructions at an identical rate of clocks per instruction as the ARM7TDMI Core from which it was derived; and (iii) runs the Vectors and the AVS.

2.3 LGS hereby grants to ARM, in respect of all modifications made to the ARM7TDMI Core ("Modifications"), a perpetual and irrevocable, royalty-free, non-transferable, non-exclusive, world-wide right and licence to manufacture, have manufactured, modify, create derivative works of, use, sell, supply and distribute all Modifications and sub-license others to exercise similar rights with respect to such Modifications. In pursuance of the licence to all Modifications hereby granted, LGS shall;

2.3.1 prior to any prototype production of the first ARM Compliant Product including any Modification, deliver to ARM, in writing, a full technical description of such proposed Modification; and

2.3.2 within thirty (30) days of the first shipment of the first ARM Compliant Product including any Modification, deliver to ARM the LGS Materials for such ARM Compliant Product including the Modification.

For the avoidance of doubt, nothing in this Clause 2.3 shall be construed as granting to ARM any right or licence to any peripheral devices owned by LGS which are integrated around the ARM7TDMI Core.

ARM shall notify LGS in the event that ARM incorporates any Modification in any general update to or general release of the ARM7TDMI Core.

2.4 LGS may exercise its right to have manufactured ARM Compliant Products provided that:

(i) LGS notifies ARM of the identity of LGS's subcontracted manufacturer ("Manufacturer") not less than thirty (30) days prior to first prototype production by the Manufacturer; and

(ii) LGS ensures that any Manufacturer agrees (i) to be bound by the same obligations of confidentiality as are contained in this Agreement and (ii) to supply The ARM Compliant Products solely to LGS.

In the event that any Manufacturer breaches the provisions referred to in this Clause 2.4, LGS agrees that such breach shall be treated as a material breach of this Agreement by LGS which is incapable of remedy. Further LGS hereby undertakes to keep ARM indemnified against all and any loss, liability, costs, damages, expenses (including the fees of lawyers and other professionals), suffered, incurred or sustained as a result of or in relation to such breach.

For the avoidance of doubt, in the event that LGS subcontracts only the packaging of ARM Compliant Products to a third party, LGS shall be released from the obligations of this Clause 2.4.

2.5 In the event that LGS subcontracts the packaging of ARM Compliant Products, LGS shall

(i) ensure that the packaging company agrees to supply the ARM Compliant Products solely to LGS; and

(ii) undertake to keep ARM indemnified against all and any loss, liability, costs, damages, expenses (including the fees of lawyers and other professionals), suffered, incurred or sustained as a result of or in relation to the breach of the provisions of Clause 2.5(i).

2.6 For the avoidance of doubt, no right is granted to LGS to:

(i) sublicense the rights licensed to LGS pursuant to Clause 2.1;

(ii) distribute any ARM Compliant Product prior to verification in accordance with Clause 3 except that in the event that it is the intention of LGS, and LGS do proceed, to verify a device in accordance with Clause 3, LGS may distribute a maximum of one hundred (100) prototype units of such device without having verified such device.

2.7 Save as licensed in Clause 2.1, LGS acquires no right, title or interest in the ARM7TDMI Core or Transfer Materials and Intellectual Property. In no event shall the licence grant set forth in Clause 2.1 be construed as granting LGS, expressly or by implication, estoppel or otherwise, a licence to use any ARM technology or intellectual property other than that pertaining to the ARM7TDMI Core.

2.8 During the term of this Agreement, LGS may exercise the right to include any Subsidiary as a licence of ARM provided that:

(i) such Subsidiary agrees in writing, as set forth in Schedule 1, to be bound by the obligations of LGS and to comply with all the terms and conditions of this Agreement LGS shall deliver to ARM a copy of the Subsidiary's undertaking within thirty (30) days of the execution of such undertaking:

(ii) any breach of the terms and conditions of this Agreement by a Subsidiary shall constitute a breach of this Agreement by LGS;

(iii) any termination of this Agreement as provided by Clause 18 shall be effective in respect of all Subsidiaries;

(iv) any licence, granted in accordance with the provisions of this Clause 2.8, shall automatically terminate upon any Subsidiary ceasing to be a Subsidiary.

2.9 During the term of this Agreement LGS may exercise the right to include any LG Affiliate as a Licence of ARM provided that:

(i) such LG Affiliate agrees in writing, as set forth in Schedule 11, to be bound by the obligations of LGS and to comply with all the terms and conditions of this Agreement LGS shall deliver to ARM a copy of the LG Affiliate's undertaking within thirty (30) days of the execution of such undertaking;

(ii) any breach of the terms and conditions of this Agreement by a LG Affiliate shall constitute a breach of this Agreement by LGS;

(iii) any termination of this Agreement as provided by Clause 18 shall be effective in respect of all LG Affiliates;

(iv) any licence, granted in accordance with the provisions of this Clause 2.9, shall automatically terminate upon any LG Affiliate ceasing to be a member of the LG Group.

**3. Verification of ARM Compliant Products**

3.1 LGS shall manufacture and characterise a Test Chip for the ARM7TDMI Core and any Modified ARM7TDMI Core.

3.2 LGS shall:

(i) run the Vectors, in the appropriate format, on the Test Chip and deliver to ARM, a copy of the log ("the Log Results") generated by running the Vectors together with five (5) samples of the Test Chip: and

(ii) run the AVS on the Test Chip (by means of a PIV Card) and deliver to ARM a copy of the log ("the AVS Results") generated by running the AVS.

ARM may, at ARM'S discretion, exercise the right to run the Vectors and/or AVS on the Test Chip.

3.3 The ARM7TDMI Core shall be verified upon:

(i) ARM'S acceptance, of the Log Results either; (a) delivered by LGS; or (b) generated by ARM. The Log Results shall be accepted when they indicate that no errors have been detected or where any errors detected have been jointly agreed, in good faith, and a waiver agreed between the parties: and

(ii) ARM's acceptance of the AVS Results either; (a) delivered by LGS; or (b) generated by ARM. The AVS Results shall be accepted when they indicate that no differences have been detected between the AVS Results and the AVS reference file supplied by ARM or where any errors detected have been jointly agreed, in good faith, and a waiver agreed between the parties.

ARM shall notify LGS, in writing, within thirty (30) days of delivery by LGS of the Log Results and Test Chip samples to ARM (the "Verification Period"), whether the Test Chip has been verified or has failed the verification process. In the event that the Test Chip fails the verification process, ARM shall provide details of the errors which cause the failure to LGS and LGS shall endeavour to correct the errors. The parties shall repeat the above process until either: (i) the Test Chip is verified; or (ii) LGS withdraws the Test Chip from the verification process. In the event that ARM fails to notify LGS of the result of the verification process within the Verification Period, the Test Chip subject to the verification process shall be deemed verified.

3.4 Provided that: (a) the Test Chip has been verified in accordance with the provisions of Clause 3.2; and (b) the ARM Compliant Product containing the ARM Core contained in such Test Chip runs the Core Functional Test Vectors and they indicate that no errors have been detected (or where any errors detected have been jointly agreed, in good faith, and a waiver agreed between the parties), LGS may distribute such ARM Compliant Product without further verification.

3.5 LGS shall provide to ARM. free of charge, within thirty (30) days of verification in accordance with Clause 3.2, fifty (50) samples of each Test Chip manufactured by LGS on each process utilised for such manufacture, so that ARM, at its option, may test the compatibility of each Test Chip. For the avoidance of doubt, there shall be no restriction on ARM's use of such samples provided that ARM shall not reverse engineer any Test Chips provided by LGS under this Clause 3.

**4. Models Licence**

4.1 In consideration of the fee ("Models Fee") set out in Schedule 12 Part K, ARM hereby grants to LGS a non-transferable (subject to Clause 20.3), non-exclusive, world-wide right and licence under the Intellectual Property, to;

(i) reproduce and use, internally and for third party support purposes, the Models and relevant documentation;

(ii) reproduce and distribute, and sub-license (provided that the end user agrees to be bound by the End User Licence) the Use of the object code of the Models (excluding the Model identified in Schedule 3 Part A);

(iii) modify, reproduce, use and distribute, in connection with the Models (excluding the Model identified in Schedule 3 Part A), the documentation (including any modified documentation) relevant thereto.

(iv) sub-license the distribution rights granted to LGS under Clauses 4.1(ii) and (iii) to Authorised Distributors only.

4.2 For the avoidance of doubt, except as provided by Clause 4.1(iv), no right is granted to LGS to sub-license the right to sell, supply or otherwise distribute the Models.

**5. Tools Licence**

5.1 In consideration of the Fees set out in Schedule 12 Part L. ARM hereby grants, to LGS, a non-transferable (subject to Clause 20.3), non-exclusive, world-wide right and licence under the Intellectual Property, to;

(i) modify the Tools and related documentation identified in Schedule 4 solely for the purpose of providing Hangul language support and incorporating any LGS logo;

(ii) copy and use the Tools and related documentation identified in Schedule 4 (and any modified versions thereof created under the provisions of Clause 5.1(i)), internally only.

5.2 If, within the period of two (2) years from the Effective Date LGS exercises any of the following options;

Option 1: payment of the fees ("Tools Distribution Option Fee 1") set out in Schedule 12 Part H; or

Option 2: payment of the fees ("Tools Distribution Option Fee 2") set out in Schedule 12 Part I; or

Option 3: payment of the fees ("Tools Distribution Option Fee 3") set out in Schedule 12 Part J.

The licence to the Tools provided in Clause 5.1 shall be extended to include the following rights:

(i) copy and distribute and sub-license (provided that the end user agrees to be bound by the End User Licence) the Use of the object code of the Tools identified in Schedule 4 Part A and Schedule 4 Part C;

(ii) copy and distribute, and sub-license (provided that the end user agrees to be bound by the End User Licence) the use of the Tools identified in Schedule 4 Part B (including the Tools modified in accordance with Clause 5.1(ii));

(iii) modify, copy, use and distribute the Tools documentation identified in Schedule 4 Part D (including any modified Tools documentation);

(iv) sub-license the distribution rights granted to LGS under Clauses 5.2 (i)-(iii) to Authorised Distributors only.

5.3 For the avoidance of doubt, except as provided by Clause 5.2(iv), no right is granted to LGS to sub-license the right to sell, supply or otherwise distribute the Tools.

**5A. Embedded ICE Licence**

5A.1 In consideration of the fees paid by LGS to ARM as set out in Schedule 12 Part C. ARM hereby grants to LGS a non-transferable (subject to Clause 20.3), non-exclusive, world-wide licence under the Intellectual Property to;

(i) use copy and modify the Embedded ICE, internally and for third party support purposes;

(ii) copy and distribute and sub-license (provided that the end user agrees to be bound by the End User Licence) the Use of the binary code derived from the source code for the Embedded ICE (together with any modified versions thereof created under the provisions of Clause 5A.1(i)) of the Embedded ICE.

**5B. PID7T Configurable Device Programs Licence**

5B.1 ARM hereby grants to LGS a non-transferable (subject to Clause 20.3), non-exclusive, world-wide licence under the Intellectual Property to;

(i) use copy and modify the PID7T Configurable Device Programs identified in Schedule 15 Part B, internally and for third party support purposes.

**6. Verification and Test Licence**

6.1 In consideration of the fees ("Core Fees") paid by LGS to ARM as set out in Schedule 12 Part A. ARM hereby grants to LGS a non-transferable (subject to Clause 20.3), nonexclusive, world-wide right and licence under the Intellectual Property, to copy, modify (subject to the provisions of Clause 6.2) and use internally only, the Test Programs and associated documentation.

6.2 LGS may modify the Test Programs provided that;

(i) the Test Programs exhibit the same functionality after modification as they did prior to modification; and

(ii) LGS shall, upon request, from ARM, deliver, to ARM, the source code for such modified Test Programs and a file of the test patterns generated using such modified Test Programs.

6.3 ARM hereby grants, to LGS, a non-transferable (subject to Clause 20.3), non-exclusive, world-wide right and licence under the ARM's Intellectual Property rights, to copy and use internally only, the AVS.

6.4 ARM hereby grants, to LGS a non-transferable (subject to Clause 20.3), non-exclusive, world-wide right and licence under the ARM's Intellectual Property rights, to copy, translate into different formats and use, and distribute (subject to the conditions attaching to limited confidential information described in Clause 14.2) solely for the purpose of testing ARM Compliant Products, the Vectors and Core Functional Vectors.

**7. Ownership of the Software**

7.1 In no event shall the licence grants set forth in Clauses 4.1. 5.1, 5A.1 and 6.l be construed as granting LGS, expressly or by implication, estoppel or otherwise, a licence under any ARM technology other than the Software and related documentation.

7.2 Except as licensed to LGS in Clauses 4.1. 5.1. 5A.1 and 6.1 all right, title and interest in and to the Software and related documentation shall remain vested in ARM.

7.3 LGS shall reproduce and not remove or obscure any notice incorporated in the Software or related documentation by ARM to protect ARM's Intellectual Property Rights or to acknowledge the copyright and/or contribution of any third party developer. LGS shall incorporate corresponding notices and/or such other markings and notifications as ARM may reasonably require on all copies of Software and related documentation used or distributed by LGS.

**8. Trademark Licence**

8.1 ARM hereby grants to LGS a non-transferable (subject to Clause 20.3), non-exclusive, royalty-free, world-wide right and licence under ARM's Intellectual Property rights, to use the Trademarks in the promotion and sale of ARM Compliant Products.

8.2 LGS shall use the Trademarks, in accordance with ARM's guidelines set forth in Schedule 5 (the "Guidelines"), on (i) all ARM Compliant Products sold or distributed by LGS and (ii) all documentation, promotional materials and software associated with such ARM Compliant Products. ARM shall have the right to revise Schedule 5 and the Guidelines (including the right to add further trademarks or modify the Trademarks) provided that such revisions are made in respect of the Guidelines issued to all licencees of the Trademarks. Any such revisions shall be effective, upon ninety (90) days written notice to LGS.

8.3 LGS shall be released from the provisions of Clause 8.2 in the case of any ARM Compliant Product, created or developed by LGS, solely for a specific customer of LGS provided that; (a) the customer has notified LGS, in writing, that the customer wishes the ARM Compliant Product packaging not to bear any Trademark; and (b) the ARM Compliant Product does not bear the LGS name or trademark.

8.4 LGS shall submit samples of documentation, packaging, and promotional or advertising materials bearing the Trademarks to ARM from time to time in order that ARM may verity compliance with the Guidelines. In the event that any documentation, packaging, promotional or advertising material fails to comply with the Guidelines, ARM shall notify LGS and LGS shall rectify such documentation, packaging, and promotional or advertising materials so as to comply with the Guidelines and cease using any such non-compliant materials within thirty (30) days of the date of ARM's notice. Any documentation, packaging, and promotional or advertising materials not rejected for failing to comply with the Guidelines by ARM within thirty (30) days after delivery to ARM shall be deemed approved.

8.5 LGS agrees to assist ARM in maintaining the validity of the Trademarks by retaining a record of its use of the Trademarks. Such records shall include samples of the use of each of the Trademarks as well as information regarding the first use of the Trademarks in each country. Upon request, LGS shall make available all such records.

8.6 Except as provided by the terms of this Agreement, LGS shall not use or register any trademark, service mark, device or logo, any of the Trademarks or any word or mark confusingly similar to any of the Trademarks in any jurisdiction.

**9. Licence Fees and Royalties**

9.1 In consideration of the licences granted to the Transfer Materials and the delivery of the Transfer Materials to LGS under this Agreement, LGS shall pay the fees ("Core Fees") set out in Schedule 12 Part A.

9.1A In consideration of the delivery of the PID7T cards and Embedded ICE protocol converters (identified in Schedule 15) to LGS under this Agreement, LGS shall pay the fee ("PID Fee") set out in Schedule 12 Part M.

9.2 For each ARM Compliant Product sold, supplied or distributed by LGS. LGS shall pay a royalty ("Running Royalty.") calculated in accordance with the provisions of Schedule 13.

9.3 For the period of five years from the Effective Date ("Design Win Period"). LGS shall pay a non-refundable fee ("Design Win Fee"), as set out in Schedule 12 Part G, upon each Design Win Event up to a maximum of eight (8) Design Win Fees (except no Design Win Fee shall be payable on the first Design Win Event). No Design Win Fees shall be payable after the Design Win Period and LGS shall not manipulate the sale, supply or other distribution of any Design Win Product to avoid the payment of a Design Win Fee.

9.3A After a period of ten (10) years from the first commercial shipment of the first manufactured ARM Compliant Product under this Agreement (the "Initial Period"), LGS shall be entitled to either; (i) require ARM to enter into good faith negotiations to revise the Running Royalty rates for the remainder of the term of this Agreement; or (ii) require ARM to enter into good faith negotiations to agree a sum payable by LGS to ARM in lieu of the Running Royalties which would otherwise fall due in accordance with the provisions of Clause 9.2. LGS shall exercise its rights under this Clause 9.3A upon written notice to ARM referring to this Clause 9.3A, served not less that six (6) months prior to the expiry of the Initial Period. For the avoidance of doubt, in the event that;

(i) LGS fails to serve any notice in accordance with the provisions of Clause 9.3, the rights set forth in Clause 9.3A shall lapse; or

(ii) the parties fail to reach agreement prior to the expiry of the Initial Period and LGS does not terminate this Agreement, LGS shall continue to pay the Running Royalties in accordance with the provisions of Clause 9.2.

9.4 In no event shall any Fee or Design Win Fee be construed as being an advance payment of Running Royalties and no right of set off of Running Royalties against any Fee or Royalty Fee paid to ARM, by LGS, shall exist. LGS shall not manipulate distribution of ARM Compliant Products between LGS Subsidiaries for the purpose of avoiding payment of Running Royalties at a higher rate than would have been the case if such manipulation had not taken place.

9.5 In consideration of the Embedded ICE licence under Clause 5A, LGS shall pay to ARM a fee ("Embedded ICE Fee"), as set out in Schedule 12 Part C, and for each microprocessor development system created by LGS which incorporates the Embedded ICE (or a modified version thereof created under the provisions of Clause 5A.1(i) a further fee ("Embedded ICE Royalty") as set out in Schedule 12 Part C.

9.6 Upon giving written notice to ARM referring to this Clause 9.6, together with payment, to ARM of the option fee set out in Schedule 12 Part B, for a limited period of three (3) years from the Effective Date, LGS may extend the licence contained in Clause 4 hereof, so as to include any of the simulator specific models specified in Schedule 3 Part C.

9.7 In consideration of the Core maintenance services provided under Clause 12 and the training provided under Clause 13A, LGS shall pay, to ARM the fee ("Core Maintenance Fee") set out in Schedule 12 Part D.

9.8 In consideration of the Software maintenance services provided under Clause 13, LGS shall pay, to ARM the fee ("Software Maintenance Fee") set out in Schedule 12 Part E.

9.9 LGS shall keep all records of account as are necessary to demonstrate compliance with its obligations under this Clause 9.

9.10 ARM shall have the right for representatives of a firm of independent Chartered Accountants to which LGS shall not unreasonably object ("Auditors'"), to make an examination and audit by prior appointment during normal business hours, not more frequently than once annually, of all records and accounts as may under recognised accounting practices contain information bearing upon (i) the number of chips and the NSP of ARM Compliant Products sold or distributed by LGS under this Agreement and (ii) the amounts of Running Royalties payable to ARM under this Clause 9. The Auditors will report to ARM only upon whether the Running Royalties paid to ARM by LGS were or were not correct, and if incorrect, what are the correct amounts for the Running Royalties. LGS shall be supplied with a copy of or sufficient extracts from any report prepared by the Auditors. The Auditors report shall (in the absence of clerical or manifest error) be final and binding on the parties. Such audit shall be at ARM's expense unless it reveals an underpayment of Running Royalties of five per cent (5%) or more, in which case LGS shall reimburse ARM for the costs of such audit. LGS shall make good any underpayment of royalties forthwith. If the audit identifies that LGS has made an overpayment, such overpayment will be credited to the next such payment or payments to be made by LGS.

9.11 Any income or other tax which LGS is required by law to pay or withhold on behalf of ARM with respect to any licence fees and/or royalties payable to ARM under this Agreement shall be deducted from the amount of such licence fees and/or royalties otherwise due provided, however, that in regard to any such deduction, LGS shall give to ARM such assistance as may be necessary to enable or assist ARM to claim exemption therefrom, or credit therefor, and shall upon request furnish to ARM such certificates and other evidence of deduction and payment thereof as ARM may properly require.

9.12 Any Running Royalties due to ARM under this Agreement shall be paid in accordance with the terms set forth in Schedule 6 Part B. All other sums shall be due, to ARM, in accordance with the provisions of Schedule 12 and shall be paid within thirty (30) days of the date of ARM's invoice therefor except that in the case of the Core Fee [*****] shall be paid within thirty (30) days of the date of ARM's invoice therefor and [*****] shall be paid within ninety (90) days of the date of ARM's invoice therefor.

[*****] - Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

9.13 If any sum due under this Agreement is not paid within thirty (30) days of receipt of the invoice therefor, then (without prejudice to ARM's other rights and remedies) ARM reserves the right to charge interest on such sum on a day to day basis (as well after as before any judgement) from the date from which payment was due to the date of payment at the rate of five (5) per cent per annum above the base rate of Barclays Bank PLC from time to time in force.

**10. Delivery, Acceptance and Production Costs**

10.1 In consideration of the payment to ARM by LGS of the fee ("Design Transfer Fee") set out in Schedule 12 Part F. ARM shall port and deliver to LGS database CD in respect of the ARM7TDMI Core which conform to the LGS 0.35 micron ASIC Design Rules Version 2 (Aug 19th 1996). In the event that LGS delivers a later set of rules ARM shall review and if the amount of work involved is substantially different then ARM and LGS shall mutually agree an alternative course of action.

10.2 ARM shall deliver any deliverables due to LGS under the provisions of this Agreement in accordance with the delivery schedule set forth in Schedule 9.

10.3 Unless otherwise agreed in writing, delivery:

(i) by LGS, shall take place at Advanced RISC Machines Limited 90 Fulbourn Road, Cherry Hinton, Cambridge CB1 4JN. England marked for the attention of the Engineering Director;

(ii) by ARM, shall take place at 16 Woomyeon-dong, Seocho-gu, Seoul 137-140. Korea marked for the attention of Mr Jay H. Kim.

10.4 ARM shall not be responsible under the terms of this Agreement for any recoverable or non-recoverable costs incurred directly or indirectly, by LGS in the design translation, processing, or manufacture of masks and prototypes characterisation or manufacture of production quality silicon in whatever quantity.

**11. Contract Administrators**

11.1 The parties hereby appoint the following individuals as their respective contract administrators between ARM and LGS with respect to this Agreement:

| ARM: | LGS: |
|---|---|
| <u>For legal notices</u>: | |
| David N MacKay<br>VP of Strategic Alliances<br>Advanced RISC Machines Limited<br>90, Fulbourn Road<br>Cherry Hinton<br>Cambridge<br>CBl 4JN<br>England | Jong-Taek Hong<br>General Manager Legal Affairs Department<br>LG Semicon Co Limited<br>891 Daechi-dong<br>Kangnam-ku<br>Seoul<br>Korea |

For corporate issues:

James S Urquhart
VP of Sales and Marketing
Advanced RISC Machines Limited
90, Fulbourn Road
Cherry Hinton
Cambridge
CB1 4JN
England

Mr. Young-Pyo Bae
Managing Director
LG Semicon Co Limited
891 Daechi-dong
Kangnam-ku
Seoul
Korea

For Confidential Information:

Bryn Parry
Business Unit Manager
At the address set forth above

Mr. Jay H. Kim
Group Leader MD 8
At the address set forth above

For financial issues:

Angela Au
Financial Controller
At the address set forth above

Mr. K K. Kang
General Manager
At the address set forth above

For applications support:

Bryn Parry
Business Unit Manager
At the address set forth above

Mr. Jay H. Kim
Group Leader MD 8
At the address set forth above

For software support:

Bryn Parry
Business Unit Manager
At the address set forth above

Mr. Jay H. Kim
Group Leader MD 8
At the address set forth above

11.2 The contract administrators identified herein are appointed by the parties for the receipt and dispatch on their behalf of all communications relating to the administrators' above designated areas of responsibility. The contract administrators shall also be responsible for the good progress of the parties' performance under this Agreement and the timely resolution of all technical, administrative and commercial issues which may arise from time to time during the execution of this Agreement.

11.3 Each party reserves the right to change its appointment as above upon seven (7) days written notice to the other party's then current corresponding liaison.

**12. Core Maintenance Services**

12.1 In consideration of the payment of the Core Maintenance Fee to ARM, by LGS, ARM shall provide, to LGS, in respect of the ARM7TDMI Core through the parties' applicable contract administrator, the following maintenance services;

(i) the correction, to the extent reasonably possible, of any defects in any ARM7TDMI Core which cause such ARM7TDMI Core not to operate in accordance with the functionality described in the applicable documentation. If ARM determines that such defects are due to errors in such description, ARM shall promptly issue corrections to the applicable documentation and shall not be required to correct the

Transfer Materials provided that LGS is not thereby prevented from commercially exploiting such ARM7TDMI Core.

(ii) reasonable telephone and written consultation pertaining to the operation and application of the ARM7TDMI Core;

(iii) any bug-fixes or corrections to the ARM7TDMI Core made available by ARM to any third party;

(iv) all Updates to the ARM7TDMI Core;

(v) the provision of ARM-related training;

The services provided under Clauses 12.1(ii), 12.1(v) and 13.1(ii) shall together be limited to a total of thirty (30) man days per annum.

12.2 Upon LGS requesting ARM'S assistance pursuant to the provisions of Clause 12.1, LGS shall promptly provide to ARM such samples and technical information as ARM may reasonably require to enable ARM to provide such assistance.

12.3 In notifying ARM of any defects or problems LGS shall use a format and medium reasonably requested by ARM. Notwithstanding the foregoing, LGS shall provide ARM promptly with any information or assistance reasonably requested by ARM to enable ARM to provide the maintenance service hereunder.

12.4 The maintenance services shall be provided at ARM's UK premises. Nevertheless, ARM will use reasonable efforts to provide maintenance services to LGS, at LGS's premises, subject to LGS meeting all reasonable travelling, accommodation and sustenance expenses.

12.5 For the avoidance of doubt, ARM's obligation under this Clause 12 is limited expressly to the provision of the maintenance services to LGS and ARM shall be under no obligation to provide the maintenance services to LGS's customers.

**13. Software Maintenance Services**

13.1 In consideration of the payment of the Software Maintenance Fee to ARM, by LGS, ARM shall provide to LGS, in respect of the Software, through the parties' applicable contract administrator, the following maintenance services:

(i) to correct, to the extent reasonably possible, any defects in the Software which cause the Software not to operate in accordance with the description of the Software's function in the applicable documentation. If ARM determines that such defects are due to errors in such description, ARM shall promptly issue corrections to the documentation and shall not be required to alter the Software provided that LGS is not thereby prevented from commercially exploiting the Software.

(ii) to provide reasonable telephone and written consultation pertaining to the operation and application of the Software.

(iii) to provide as available Updates to the Software.

13.2 In notifying ARM of any defects or problems LGS shall use a format reasonably requested by ARM. LGS shall provide ARM promptly with any information or assistance reasonably requested by ARM to enable ARM to provide the maintenance service hereunder.

13.3 For the avoidance of doubt, ARM's obligation under this Clause 13 is limited expressly to the provision of the Software maintenance services to LGS and ARM shall be under no obligation to provide the maintenance services to LGS's sub-licensees of the Software.

**13A. Training**

13A.1 In consideration of the Fees see out in Schedule 12 Part D. ARM shall provide, on reasonable notice, at ARM's premises in Cambridge, up to four (4) weeks of support for up to two (2) LGS personnel in relation to building the Test Chip and use of the Embedded ICE.

**14. Confidentiality**

14.1 Save as provided by Clause 14.2, each party shall maintain in confidence the Confidential Information disclosed by the other party and apply security measures no less stringent than the measures that such party applies to protect its own like information, but not less than a reasonable degree of care, to prevent unauthorised disclosure and use of the Confidential Information. The period of confidentiality shall be (i) indefinite with respect to the terms of this Agreement, pattern generation tapes and photomasks and (ii) twenty (20) years with respect to all other information.

14.2 In the event that either party qualifies the confidentiality of any Confidential Information in writing by marking such Confidential Information with the words "Limited Confidentiality", such Confidential Information may be disclosed to a third party who has entered into a non disclosure agreement ("NDA") with the recipient containing substantially similar terms to this Clause 14. A NDA in respect of the disclosure of business Confidential Information may be limited in duration to a period of not less than three (3) years from the date of disclosure. A NDA in respect of the disclosure of technical Confidential Information may be limited in duration to a period of not less than five (5) years from the date of disclosure.

14.3 The provisions of this clause shall not apply to information which:-

(i) is known and has been reduced to tangible form by the receiving party prior to disclosure by the other party; or

(ii) is, or becomes through no fault of the receiving party, generally known; or

(iii) is disclosed to the receiving parry by a third party having the lawful right to make such disclosure; or

(iv) is independently conceived by the receiving party provided that the receiving party is able to provide evidence of such independent conception in the form of written records; or

(v) is released to the receiving party for disclosure to any third party, other than on a confidential basis, by the disclosing party in writing; or

(vi) as required by any court or other governmental body.

14.4 For the avoidance of doubt, LGS Royalty Reports may be disclosed to, in confidence, ARM's financial and/or legal advisors. In addition, ARM may disclose the total unit sales of ARM Compliant Products.

14.5 The parties agree that the disclosure of Confidential Information to a party hereunder shall be co-ordinated through the appointed contract administrators identified for such purpose in Clause 11.1.

**15. Warranties**

15.1 ARM warrants that the materials delivered to LGS will be sufficient for a competent semiconductor manufacturer to produce an ARM7TDMI Core which meets the functionality specified in the ARM Datasheet Doc. No. ARM DDI 0029E. LGS's sole and exclusive remedy for any breach of such warranty shall be for ARM to correct any errors in the materials and deliver such corrected materials to LGS or replace the materials at ARM's discretion.

15.2 LGS acknowledges that the Software cannot be tested in every possible operation, and accordingly ARM does not warrant that the Software will be free from all defects or that there will be no interruption in its use. However, ARM warrants that the Software will be complete and comply with the description of its functionality specified in the documentation. LGS's sole and exclusive remedy for any breach of such warranty shall be for ARM, as soon as is reasonably practicable, to correct any errors in the Software and deliver such corrected Software to LGS.

15.3 ARM further warrants that to ARM's knowledge and belief, but expressly without having undertaken any searches for prior art, that:

(i) the ARM7TDMI Core, and Software do not infringe any third party copyright, maskwork right or trade secret; and

(ii) there are no pending claims that have been made, or actions commenced, against ARM for breach of any third party copyright, maskwork right, patent or trade secret; and

(iii) ARM, or its applicable licensor, is the owner of the properties to be delivered to LGS; and

(iv) ARM has the right to enter into the Agreement.

15.4 Except as expressly provided in this Agreement, the ARM7TDMI Core. Software, Intellectual Property, and Transfer Materials are licensed "as is" and ARM makes no warranties express, implied or statutory, including, without limitation, the implied warranties of merchantability or fitness for a particular purpose with respect to the ARM7TDMI Core, Software, Intellectual Property and Transfer Materials.

15.5 LGS warrants that LGS shall:

(i) submit this Agreement for approval by the Korean Government forthwith upon signature by the parties; and

(ii) use all reasonable endeavours to obtain all or any tax exemption or tax credits applicable to the technology licensed and monies payable under this Agreement.

**16. Infringement**

16.1 Each party (the "Delivering Party") will support the other party (the "Receiving Party") in any action based on a claim that the materials delivered by the Delivering Party to the Receiving Party under this Agreement (the "Delivered Materials"), when used in accordance with this Agreement, infringe any patent, copyright or trade secret provided that the Receiving Party shall notify the Delivering Party promptly in writing of each such suit. However, a party shall not be obliged to support the other party in any action based upon an infringement or alleged infringement of any patent, copyright, trade secret, mask work, trademark or other property right by; (a) the Receiving Party's manufacturing process; (b) any modification of the Delivered Materials not made by the Delivering Party; or (c) the use of

the Delivered Materials in combination with other equipment, technology or software not purchased or licensed from the Delivering Party, provided that such claim would not have occurred but for such combination, modification or enhancement.

16.2 The Receiving Party will support the Delivering Party in any action based on a claim that (a) the process used by or on behalf of the Receiving Party in manufacturing products incorporating, embodying or based upon the Delivered Materials, (b) any modification of the Delivered Materials made by or on behalf of the Receiving Party, or (c) the use of the Delivered Materials in combination with other equipment, software or technology not purchased or licensed from the Delivering Party, provided that such claim would not have occurred but for such combination, modification or enhancement, has infringed any patent, copyright or trade secret provided that the Delivering Party shall notify the Receiving Party promptly in writing of such suits.

16.3 If any Delivered Materials provided to LGS by ARM, or any portion thereof, is finally adjudged to infringe a patent or copyright, ARM shall, at ARM's election, use its reasonable efforts to; (a) procure the right to continue using the unmodified Delivered Materials; (b) modify the Delivered Materials so that they become non-infringing; (c) replace the unmodified Delivered Materials, or infringing portions thereof, with reasonably equivalent non-infringing products; or (d) pay compensatory damages to LGS, subject to the limitations of Clause 16.6. The provisions of this Clause 16.3 do not extend to any suit based upon an infringement or alleged infringement of any patent, copyright, trade secret, mask work, trademark or other property right by; (a) the LGS manufacturing process; (b) any modification of the Delivered Materials not made by ARM; or (c) the use of the Delivered Materials in combination with other equipment, technology or software not purchased or licensed from ARM, provided that such claim would not have occurred but for such combination, modification or enhancement.

16.4 If any Delivered Materials provided to ARM by LGS, or any portion thereof, is finally adjudged to infringe a patent or copyright. LGS shall, at LGS's election, use its reasonable efforts to; (a) procure the right to continue using the unmodified Delivered Materials; (b) modify the Delivered Materials so that they become non-infringing; (c) replace the unmodified Delivered Materials, or infringing portions thereof, with reasonably equivalent non-infringing products; or (d) pay compensatory damages to ARM subject to the limitations of Clause 16.6. The provisions of this Clause 16.4 do not extend to any suit based upon an infringement or alleged infringement of any patent, copyright, trade secret, mask work, trademark or other property right by any modification of the Delivered Materials not made by LGS.

16.5 In the event that there is a final adjudication of infringement, the liability of the Delivering Party for such infringement shall terminate with respect to all damages regarding the infringing intellectual property arising after the date of such final adjudication.

16.6 THE FOREGOING STATES THE ENTIRE LIABILITY OF THE PARTIES, AND THE EXCLUSIVE REMEDY FOR THE PARTIES, FOR ANY INFRINGEMENT OF ANY PATENT, COPYRIGHT, TRADEMARK, TRADE SECRET, MASK WORK OR OTHER PROPRIETARY RIGHT OF A THIRD PARTY. ARM AND LGS DISCLAIM ALL OTHER LIABILITY FOR ANY SUCH INFRINGEMENT. INCLUDING ANY INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT. NEITHER PARTY SHALL BE LIABLE FOR ANY AMOUNTS IN EXCESS OF THE SUM OF TWO HUNDRED AND EIGHTY FIVE THOUSAND US DOLLARS (US$285,000) IN THE AGGREGATE FOR ALL PAYMENTS MADE PURSUANT TO ANY CLAIMS IN ANY WAY ARISING OUT OF OR IN CONNECTION WITH THE PROVISIONS OF THIS CLAUSE 16.

**17. Disclaimer of Consequential Damages**

17.1 IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES WHETHER SUCH DAMAGES ARE ALLEGED AS A RESULT OF TORTIOUS CONDUCT OR BREACH OF CONTRACT OR OTHERWISE EVEN IF THE OTHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. SUCH DAMAGES SHALL INCLUDE BUT SHALL NOT BE LIMITED TO THE COST OF REMOVAL AND REINSTALLATION OF GOODS, LOSS OF GOODWILL, LOSS OF PROFITS, LOSS OF USE OF DATA, INTERRUPTION OF BUSINESS OR OTHER ECONOMIC LOSS BUT NOTHING IN THIS CLAUSE SHALL OPERATE TO EXCLUDE LIABILITY FOR DEATH OR PERSONAL INJURY RESULTING FROM EITHER PARTY'S NEGLIGENCE.

**18. Term and Termination**

18.1 This Agreement shall commence on the Effective Date and continue in force, except as provided by Clause 18.3, unless and until terminated in accordance with the provisions of Clause 18.2.

18.2 Without prejudice to any other right or remedy which may be available to it, either party shall be entitled summarily to terminate this Agreement by giving written notice to the other.

(i) if the other party has committed a material breach of any of its obligations hereunder which is not capable of remedy; or

(ii) if the other party has committed a material breach of any of its obligations hereunder which is capable of remedy but which has not been remedied within a period of sixty (60) days following receipt of written notice to do so; or

(iii) makes any voluntary arrangement with its creditors for the settlement of its debts or becomes subject to an administration order; or

(iv) has an order made against it. or passes a resolution, for its winding-up (except for the purposes of amalgamation or reconstruction) or has an encumbrancer take possession or has a receiver or similar officer appointed over all or substantially all of its property or assets.

18.3 After a period of seven and one half (7.5) years from the Effective Date of the 1995 Agreement (the "Initial Period"), the licence set forth in Clause 5 shall expire automatically whereupon LGS shall have no further right or licence in respect of the Tools. However, LGS may renew the licence granted under the provisions of Clause 5, subject to the provisions of Clauses 18.3(i) and (ii), for a further term of seven (7) years upon payment of a fee ("Renewal Fee").

(i) LGS may exercise its rights to renew, as provided by this Clause 18.3, provided that LGS gives to ARM not less than six (6) months notice in writing of its intention to so renew, expiring on the seventh anniversary of the Effective Date.

(ii) Upon receipt of LGS's notice served in accordance with Clause 18.3(i), the parties shall enter into good faith negotiations to agree a reasonable Renewal Fee. For the avoidance of doubt, LGS shall not be entitled to exercise any of the rights contained in Clause 5 unless and until agreement has been reached and the Renewal Fee has been paid to ARM.

18.4 LGS and ARM acknowledge that each and every term and condition of this Agreement has been fully and completely negotiated and such terms and conditions closely relate to each other. In the event that the Korean governmental authorities, including the Korean Fair Trade Commission, during the review of this Agreement require a modification to one or more of the clauses or this Agreement. ARM shall have the option to renegotiate the entire Agreement or accept the applicable modification of the Agreement as required by such governmental authorities.

**19. Effect of Termination**

19.1 Upon termination of this Agreement by either party pursuant to Clause 18.2, LGS will immediately discontinue any use and distribution of all ARM Compliant Products, Software, Intellectual Property, Transfer Materials and ARM Confidential Information. LGS shall, at ARM's option, either destroy or return to ARM any Confidential Information, including any copies thereof in its possession, together with the Transfer Materials and all copies of the Software in its possession. Within one month after termination of this Agreement LGS will furnish to ARM a certificate signed by a duly authorised officer of LGS that to the best of his or her knowledge, information and belief, after due enquiry, LGS has complied with provisions of this Clause. For the avoidance of doubt, any sub-licences of the Software granted by LGS prior to the termination of this Agreement shall survive such termination.

19.2 Upon termination of this Agreement the termination date shall be treated as the end of a Half Year for the purposes of accounting for all Running Royalties due to ARM. Thereafter LGS shall submit a royalty report to ARM in accordance with the provisions of Schedule 6.

19.3 The provisions of Clauses 1, 2.3, 2.4 (in respect of LGS's obligation to indemnify ARM thereunder), 7, 9 (to the extent that any amounts remain due and unpaid at the date of termination), 14, 16, 17, 19, and 20 shall survive termination or expiration of this Agreement.

**20. General**

20.1 All communications between the parties including, but not limited to, notices, royalty reports, error or bug reports, the exercise of options, and support requests shall be in the English language.

20.2 All notices which are required to be given hereunder shall be in writing and shall be sent to the address of the recipient set out in this Agreement or such other address as the recipient may designate by notice given in accordance with the provisions of this Clause. Any such notice may be delivered personally, by commercial overnight courier or facsimile transmission which shall be followed by a hard copy and shall be deemed to have been served if by hand when delivered, if by commercial overnight courier 48 hours after deposit with such courier, and if by facsimile transmission when dispatched.

20.3 Neither party shall assign or otherwise transfer this Agreement or any of its rights and obligations hereunder whether in whole or in part without the prior written consent of the other.

20.4 Neither party shall be liable for any failure or delay in its performance under this Agreement due to causes, including, but not limited to, acts of God, acts of civil or military authority, fires, epidemics, floods, earthquakes, riots, wars, sabotage, third party industrial disputes and governments actions, which are beyond its reasonable control: provided that the delayed party: (i) gives the other party written notice of such cause promptly, and in any event within fourteen (14) days of discovery thereof; and (ii) uses its reasonable efforts to correct such failure or delay in its performance. The delayed party's time for performance or cure under this Clause 20.4 shall be extended for a period equal to the duration of the cause.

20.5 ARM and LGS are independent parties. Neither company nor their employees, consultants, contractors or agents, are agents, employees or joint venturers of the other parry, nor do they have the authority to bind the other party by contract or otherwise to any obligation. Neither party will represent to the contrary, either expressly, implicitly, by appearance or otherwise.

20.6 The parties agree that the terms and conditions of this Agreement shall be treated as Confidential Information hereunder and shall not be disclosed without the consent of both parties.

20.7 Failure by either party to enforce any provision of this Agreement shall not be deemed a waiver of future enforcement of that or any other provision.

20.8 If any provision of this Agreement, or portion thereof, is determined to be invalid or unenforceable the same will be enforced to the maximum extent permissible so as to effect the intent of the parties, and the remainder of this Agreement will continue in full force and effect.

20.9 The headings to the Clauses of this Agreement are for ease of reference only and shall not affect the interpretation or construction of this Agreement.

20.10 This Agreement may be executed in one or more counterparts each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

20.11 This Agreement, including all Schedules and documents referenced herein, constitutes the entire agreement between the parties with respect to the subject matter hereof, and supersedes and replaces all prior or contemporaneous understandings or agreements, written or oral, regarding the subject matter. No amendment to, or modification of, this Agreement shall be binding unless in writing and signed by a duly authorised representative of both parties.

20.12 This Agreement shall be governed by and construed in accordance with the laws of England. In the event that ARM commences proceedings against LGS under this Agreement, the parties agree to submit to the jurisdiction of the Seoul District Court, Korea, for the purpose of hearing and determining any disputes arising out of this Agreement. In the event that LGS commences proceedings against ARM under this Agreement, the parties agree to submit to the jurisdiction of the High Court of Justice, London, England, for the purpose of hearing and determining any disputes arising out of this Agreement.

**IN WITNESS WHEREOF** the parties have caused this Agreement to be executed by their duly authorised representative:

| **ADVANCED RISC MACHINES LIMITED:** | **LG SEMICON COMPANY LIMITED:** |
|---|---|
| SIGNED: /s/ R. K. Saxby | SIGNED: /s/ B. D. Sun |
| NAME: R. K. Saxby | NAME: Byung-Don Sun |
| TITLE: President & CEO | TITLE: Executive Vice President |

**Exhibit 10.32**

**ARM7201TDSP Device Licence Agreement**

**This device licence agreement ("The Agreement") is made the 26th day of August 1997**

**between**

**ADVANCED RISC MACHINES LIMITED**

**whose registered office is situated at 90, Fulbourn Road, Cherry Hinton, Cambridge, CB1 4JN ("ARM")**

**and**

**LG SEMICON COMPANY LIMITED**

**whose principle place of business is situated at 16 Woomyeon-dong, Seocho-qu, Seoul 137-140 Korea ("LGS")**

**IT IS HEREBY AGREED AS FOLLOWS;**

**Except to the extent that the terms of this Agreement are inconsistent with the terms of the 1996 Agreement, in which event the terms of this Agreement shall prevail, this Agreement shall be without prejudice to the terms of the 1996 Agreement and the terms of the 1996 Agreement shall apply.**

**1. Definitions**

The following terms shall have the following meanings where used in this Agreement;

1.1 "**1996 Agreement**" shall mean the Technology Licence Agreement between ARM and LGS dated the 16th December 1996.

1.2 "**ARM Services**" shall mean the services described in Schedule 1 which ARM shall provide to LGS pursuant to this Agreement.

1.3 "**ARM Compliant Product**" shall mean any single silicon chip developed by LGS which contains, at a minimum; (i) an ARM7TDMI Core or a Modified ARM7TDMI Core as defined in the 1996 Agreement; or (ii) an ARM720T Core or a Modified ARM720T Core, which has been verified in accordance with the provisions of Clause 3 of the 1996 Agreement mutatis mutandis.

1.4 "**ARM720T Core**" shall mean the ARM720T Core specified in the ARM720T Datasheet identified in Schedule 3 Part A.

1.5 "**ARM720T Model**" shall mean the ARM720T Model identified in Schedule 3 Part B.

1.6 "**ARM720T Core Transfer Materials**" shall mean the items in respect of the ARM720T Core identified in Schedule 3.

1.7 "**ARM7201TDSP Device**" shall mean the device specified in the device specification approved by LGS in accordance with Clause 3.3 together with any changes thereto mutually agreed between the parties in writing from time to time. A preliminary specification is set out in Schedule 11.

1.8 "**ARM7201TDSP Transfer Materials**" shall mean the items identified in Schedule 2 Parts A.

1.9 "**ARM720TDSP**" shall mean the combined core of the ARM720T Core and the Piccolo Core

1.10 "**ARM720TDSP Transfer Materials**" shall mean the items identified in Schedule 2 Part B.

1.11 "**ARM Deliverables**" shall mean the ARM720T Core Transfer Materials, ARM720TDSP Core Transfer Materials, the ARM7201TDSP Transfer Materials and the Piccolo Core Transfer Materials.

1.12 "**Beta Release**" shall mean a version of the Software which, subject to Known exceptions (which will be documented and provided to LGS);

(i) substantially conforms with the Specification; and

(ii) is free from significant bugs.

1.13 "**Delivery Schedule**" shall mean the dates set out in the various schedules of this Agreement for performance of the ARM Services for and delivery of the ARM720T Core Transfer Materials, the ARM720TDSP Core Transfer Materials, the ARM7201TDSP Transfer Materials, the Piccolo Core Transfer Materials, and the Software to LGS.

1.14 "**Design Win Event**" shall mean for each different ARM Compliant Product or semiconductor product incorporating the Piccolo Core, the point in time of sale, supply or other distribution by LGS of ten thousand (10,000) units of such product.

1.15 "**Device Driver Software**" shall mean the source and object code versions of the computer programs and documentation identified in Schedule 5 Part A.

1.16 "**Effective Date**" shall mean the date of this Agreement or date upon which the Korean Government gives approval to this Agreement, whichever is the later, subject always to the provision of Clause 13.3.

1.17 "**Final Release**" shall mean a version of the Software which;

(i) conforms with the Specification;

(ii) is free from significant bugs; and

(iii) is supported by such documentation as is necessary for its, installation, operation and interpretation.

1.18 "**FPGA Board**" shall mean the hardware identified in Schedule 5 Part B.

1.19 "**OAL Software**" shall mean the source and object code versions of the computer programs and documentation identified in Schedule 5 Part A.

1.20 "**Intellectual Property**" shall mean patents and patent rights, trade marks, service marks, registered designs, applications for any of the foregoing, design rights,

topography or mask rights, copyright, know-how, Confidential Information, any Intellectual Property Derivatives, and any other similar protected rights in any country.

1.21 "**Intellectual Property Derivatives**" shall mean; (i) for copyrightable or copyrighted material, any translation, abridgement, revision or other form in which an existing work may be recast, transformed or adapted; (ii) for work protected by topography or maskwork right, any translation, abridgement, revision or other form in which an existing work may be recast, transformed or adapted; (iii) for patented or patentable material, any improvement; and (iv) for material protected by trade secret any new material derived from or employing such trade secret.

1.22 "**LGS Deliverables**" shall mean the items in respect of the ARM7201TDSP Device identified in Schedule 8 Part A.

1.23 "**LGS Services**" shall mean the services as set out in Schedule 9 which LGS shall provide to ARM.

1.24 "**LG Affiliates**" shall mean each of the companies set out in Schedule 10.

1.25 "**Microsoft**" shall mean Microsoft Corporation, One Microsoft Way, Redmond, WA 9052-6399 USA.

1.26 "**Modified ARM720T Core**" shall mean any ARM720T Core modified in accordance with the provisions of Clause 2.2 of the 1996 Agreement mutatis mutandis.

1.27 "**Modified ARM720TDSP Core**" shall mean any ARM720TDSP Core modified in accordance with the provisions of Clause 2.2 of the 1996 Agreement mutatis mutandis.

1.28 "**Model**" shall mean: (i) the object code and source code of the Design Transfer Model identified in Schedule 2, Schedule 3 and Schedule 4; (ii) the object code and such source code of the Design Simulation Models and Design Simulation Model Options identified in Schedule 2, Schedule 3 and Schedule 4 as may be necessary (at ARM's absolute discretion) to allow the support of subsequent releases of the specified simulator; together with such Updates thereof, if any, as are developed by or for ARM.

1.29 "**NSP**" shall mean the net sales price of any ARM Compliant Products calculated by taking the aggregate invoice price charged on arm's length terms by LGS and its Subsidiaries in the sale or distribution of any ARM Compliant Product, less any (i) value added, turnover, import, or other tax, duty or tariff payable thereon (ii) freight and insurance costs incurred and (iii) amounts actually repaid or credited with respect to any ARM Compliant Products returned.

1.30 "**OEM Agreement**" shall mean a separate royalty license and distribution agreement by which MS licenses an original equipment manufacturer (OEM) the right to distribute Windows CE with a Windows CE Device designed by such OEM.

1.31 "**Piccolo Coprocessor**" shall mean the ARM SP7 as described and identified in the ARM SP7 datasheet. ARM DDI - 0089

1.32 "**Piccolo Core**" shall mean an implementation which

(i) executes each and every instruction in the Piccolo Instruction Set;

(ii) executes no additional instructions to those contained in the Piccolo Instruction Set; and

(iii) has been verified using ARM720TDSP test chip in accordance with the provisions of Clause 3 of the 1996 Agreement.

1.33 "**Piccolo Instruction Set**" shall mean the Piccolo Instruction Set as defined in the Piccolo Architecture Specification: ARM IPU - 0025 including all amendments and architectural enhancements made thereto within a period of ten (10) years from the Effective Date.

1.34 "**Piccolo Core Transfer Materials**" shall mean the items in respect of the Piccolo Core identified in Schedule 4.

1.35 "**Software**" shall mean together the OAL Software and the Device Driver Software.

1.36 "**ARM Software**" shall mean together the Models, Tools, Test Programs, Embedded ICE and Vectors for the ARM720T Core, the ARM720TDSP, the ARM7201TDSP Device and the Piccolo Core identified in Schedule 2, Schedule 3 and Schedule 4.

1.37 "**Software Transfer Materials**" shall mean the items identified in Schedule 5.

1.38 "**Specification**" shall mean the specification for the Software as set out in Schedule 5.

1.39 "**Subsidiary**" shall mean any company the majority of shares is now or hereafter owned or controlled, directly or indirectly, by a party hereto or any company a majority of whose voting shares is now or hereafter owned or controlled, directly or indirectly, by any of the aforementioned entities. A company shall be considered a Subsidiary only so long as such control exists.

1.40 "**Test Programs**" shall mean the source code and object code of the programs identified in Schedule 2, Schedule 3 and Schedule 4 together with such Updates, if any, as are developed by or for ARM.

1.41 "**Tools**" shall mean: (i) the source and object code of the programs identified in Schedule 4 Part C Section 1; and (ii) the documentation identified in Schedule 4 Part C Section 2, together with such Updates, if any, as are developed by or for ARM.

1.42 "**Updates**" shall mean; (i) for the ARM Software, any bug fixes or enhancements to the Software the incorporation of which ARM, in its absolute discretion, decides does not cause to be created a new product; and (ii) for the ARM Deliverables, all modifications, enhancements and updates to the ARM Deliverables, created by ARM, including such modifications to the ARM Deliverables as are made by ARM's other licensees and adopted by ARM for general release as an update provided that ARM may exclude any modification, enhancement or update which ARM, in its absolute discretion decides, results in the creation of a new product

1.43 "**Validation Card**" shall mean the hardware identified in Schedule 2 Part D.

1.44 "**Vectors**" shall mean together the Test Chip functional vectors and Test Chip characterisation vectors identified in Schedule 2, Schedule 3 and Schedule 4.

1.45 "**Windows CE**" or "**WinCE**" shall mean any version Microsoft's hand-held operating system and applications platform software delivered by Microsoft to ARM.

1.46 "**Windows CE OAK**" shall mean the Windows CE OEM adaptation kit.

1.47 "**Windows CE Device**" or "**WinCE Device**" shall mean any semiconductor device designed and/or assembled by LGS which incorporates the WinCE operating system software.

**2. ARM Deliverables and Provision of ARM Services**

2.1 ARM shall deliver the ARM Deliverables and the Software Transfer Materials, to LGS, in accordance with the Delivery Schedule.

2.2 ARM shall apply reasonable skill and care in the provision of the ARM Services to LGS.

2.3 LGS shall provide, to ARM, all necessary accurate information, support and cooperation that may be reasonably required to enable ARM to provide the ARM Services to LGS in accordance with the Delivery Schedule.

2.4 ARM shall provide the following services to LGS;

(i) the Core Maintenance Services for the ARM720T Core, the ARM720TDSP Core and the Piccolo Core in accordance with the provisions of the Clause 12 of the 1996 Agreement mutatis mutandis.

(ii) the Software Maintenance Services for the ARM Software in accordance with the provisions of the Clause 13 of the 1996 Agreement mutatis mutandis.

(iii) the Training for the ARM720T Core, the ARM720TDSP Core and the Piccolo Core in accordance with the provisions of the Clause 12 of the 1996 Agreement mutatis mutandis.

For the avoidance of doubt, LGS do not need to pay any additional Core Maintenance Fee or Software Maintenance Fee set out in Schedule 12 of the 1996 Agreement for such services.

2.5 LGS acknowledges that adherence to the Delivery Schedule by ARM is dependent upon the receipt by ARM of certain deliverables from Microsoft. ARM shall not be liable for any departure from the Delivery Schedule which results directly or indirectly from any failure by Microsoft to deliver such deliverables to ARM in a timely manner provided that ARM has used reasonable efforts to secure timely delivery from Microsoft.

**3. ARM7201TDSP Device Development**

3.1 Subject to the provisions of Clauses 6.2 and 2.5, ARM shall use reasonable efforts to develop and deliver the ARM7201TDSP Transfer Materials to LGS in accordance with the Delivery Schedule.

3.2 Where LGS provides a requirements specification to ARM for the ARM Deliverables, ARM shall review the requirements specification in good faith and if the requirements specification is acceptable to ARM, then ARM shall approve it in writing prior to commencement of work under this Agreement. If the requirements specification is not acceptable to ARM then ARM shall recommend the changes to the requirements

specification that would make it acceptable to ARM. If, after ARM has approved the requirements specification, LGS requires that the requirements specification be revised for any reason, LGS shall be liable for the cost of any work required to comply with such revisions. ARM shall review any such requirement in good faith and shall deliver a reasonable quote for the performance of the additional work, to LGS, based on ARM's then standard scale of consulting charges.

Where ARM provides a device specification to LGS, LGS shall review the device specification and shall report, to ARM, in writing, within three(3) weeks of receipt of the device specification whether or not it is approved (such approval not to be unreasonably withheld) and if not approved the reasons for withholding approval. If the device specification is not approved by LGS because it fails to comply with LGS requirements specification as approved in Clause 3.2 then, ARM shall revise the device specification accordingly and resubmit it to LGS. This process shall be repeated until the device specification is approved by LGS. If, after LGS has approved the device specification, LGS requires that the device specification be revised for any reason, LGS shall be liable for the cost of any work required to comply with such revisions. ARM shall review any such requirement in good faith and shall deliver a reasonable quote for the performance of the additional work, to LGS, based on ARM's then standard scale of consulting charges.

ARM shall deliver, to LGS, a behavioural model which conforms to the device specification as approved under Clause 3.3. LGS, with ARM's support, shall check the behavioural model to determine whether or not the behavioural model conforms to the device specification as approved under Clause 3.3. LGS shall complete the checking of the behavioural model within thirty (30) days of its receipt from ARM, and upon completion of the checking shall promptly report, to ARM, in writing whether or not the behavioural model complies with the device specification. If LGS demonstrates that the behavioural model fails to comply with the device specification, ARM shall be responsible for Identifying the cause of such failure and shall use reasonable efforts to correct the problem and expedite the delivery to LGS of a corrected behavioural model. The parties shall repeat the above process until the behavioural model is approved by LGS. If, after LGS has approved the behavioural model, LGS requires that the behavioural model be revised for any reason, LGS shall be liable for the cost of any work required to comply with such revisions. ARM shall review any such requirement in good faith and shall deliver a reasonable quote for the performance of the additional work, to LGS, based on ARM's standard scale of consulting charges.

Where ARM is delivering layout to LGS, ARM shall;

(i) perform an LVS check in respect of such layout. The LVS check shall be deemed complete when either; (i) the LVS check indicates an exact match between the layout and the schematic netlist; or (ii) where all discrepancies between the layout and the schematic netlist have been reviewed by the parties with the foundry in good faith and a waiver agreed between ARM, LGS and the foundry;

(ii) perform layout simulation and provide test vectors for layout verification; and

(iii) perform a design rule check in respect of such layout by reference to the DRC file provided by LGS (where, for the purposes of this Clause 3.5(iii), LGS shall mean LGS or LGS chosen foundry, as appropriate) to ARM. The layout delivered to LGS by ARM shall be deemed to comply with the LGS design rules if the layout passes the DRC provided by LGS. The layout shall be deemed to pass the DRC when either, (i) The DRC log generated by

running the DRC on the layout reports no breach or breaches of the LGS design rules; or (ii) where all reported breach or breaches have been reviewed by the parties and where appropriate the LGS chosen foundry in good faith and a waiver agreed between ARM, LGS and the foundry. ARM shall have no responsibility for any inconsistency between the DRC file provided by LGS and LGS corresponding design rules nor shall ARM be responsible for any failure by the DRC provided by LGS to comprehensively test for compliance with the LGS corresponding design rules.

3.6 Following delivery of any complete layout, by ARM, to LGS, LGS shall manufacture the ARM7201TDSP Device. With support from ARM, LGS shall test the prototypes of the ARM7201TDSP Device to determine whether or not the functionality and performance of the prototypes conforms to the device specification approved by LGS in accordance with the provisions of Clause 3.3. ARM shall continue to support LGS in the testing of the ARM7201TDSP Device until such device is approved by LGS. Upon completion of the testing of the prototypes, LGS shall promptly report to ARM, in writing, whether or not the prototypes comply with the device specification and in the event that LGS believes that the prototypes do not comply with the device specification, LGS shall provide ARM with details of such non-compliance. ARM shall be responsible for identifying the cause of such non-compliance and shall use reasonable endeavours to amend the layout such that revised prototypes can be manufactured which do comply with the device specification. The parties shall repeat the above process until the prototypes are approved by LGS.

**4. Software Development**

4.1 Subject to the provisions of Clauses 6.2 and 2.5, ARM shall use reasonable efforts to develop and deliver the Software and the Software Transfer Materials to LGS in accordance with the Delivery Schedule.

4.2 LGS shall review the Specification and shall report, to ARM, in writing, within thirty (30) days of receipt of the Specification whether or not it is approved (such approval not to be unreasonably withheld) and if not approved the reasons for withholding approval. If the Specification is not approved by LGS, ARM shall revise the Specification accordingly and resubmit it to LGS. This process shall be repeated until the Specification is approved by LGS. If, after LGS has approved the Specification, LGS requires that the Specification be revised for any reason, LGS shall be liable for the cost of any work required to comply with such revisions. ARM shall review any such requirement in good faith and shall deliver a reasonable quote for the performance of the additional work, to LGS, based on ARM's then standard scale of consulting charges.

4.3 Within forty (40) days of receipt of each Beta Release by LGS, LGS shall test the Beta Release and report any bugs or non-compliance with the Specification to ARM. If any bugs or non-compliance are reported, ARM shall revise the Beta Release accordingly and resubmit it to LGS within twenty (20) days of receipt of the non-compliance report regarding the Beta Release. This process shall be repeated until the Beta Release is approved by LGS, provided, however, that the total period of time for such repeat shall be limited to eighty (80) days. It LGS fails to test a Beta Release and deliver a report of non-compliance to ARM within forty (40) days of receipt of the Beta Release, then such Beta Release shall be deemed to be accepted by LGS.

4.4 Within forty (40) days of receipt of the Final Release by LGS, LGS shall provide written confirmation of approval of the Final Release to ARM. If any bugs or

non-compliance are reported. ARM shall revise the Final Release accordingly and resubmit it to LGS within twenty (20) days of receipt of the non-compliance report regarding the Final Release. This process shall be repeated until the Final Release is approved by LGS, provided, however, that the total period of time for such repeat shall be limited to sixty (60) days. If LGS fails to-deliver confirmation of approval to ARM within forty (40) days of receipt of the Final Release by LGS, then the Final Release shall be deemed to be approved by LGS.

**5. Fees and Terms of Payment**

5.1 In consideration of the licenses granted by ARM, to LGS, for the ARM7201TDSP Device, the ARM720T Core, the Piccolo Core, the Software and other ARM Deliverables and the Win CE Consortium rights set out in Schedule 12, LGS shall pay to ARM; (i) a tee (Technology Fee") of [*****] in accordance with the provisions of Schedule 7 allocated as follows;

| | |
|---|---|
| ARM7201TDSP Device, ARM720T Core, | |
| Win CE Consortium rights set out in Schedule 12 and Software | [*****] |
| Piccolo Core with WinCE Device | [*****] |
| Piccolo Core with any integrated circuit | [*****] |

and (ii) Running Royalties in accordance with the provisions of Clause 5.

5.2 LGS shall pay, to ARM, all reasonable travelling accommodation and sustenance expenses necessarily incurred by ARM when visiting LGS, or LGS agent's premises in performance of ARM's obligations under this Agreement.

5.3 For each unit of ARM Compliant Product incorporating an ARM720T Core or a Modified ARM720T Core sold, supplied or distributed by LGS, LGS shall pay a royalty ("Running Royalty") in accordance with the Running Royalty table set out in Schedule 6.

5.4 For each unit of ARM Compliant Product or other integrated circuit which incorporates a Piccolo Core sold, supplied or distributed by LGS, LGS shall pay a royalty ("Running Royalty") calculated in accordance with the Running Royalty Rate tables set out in Schedule 6.

5.5 LGS shall pay the fees, to ARM, in accordance with the provisions of this Clause 5.

5.6 Reporting and payment any Running Royalties shall be submitted to ARM, by LGS, in accordance with the terms set out in Schedule 6 of the 1996 Agreement.

5.7 The Element of the Technology Fee due in respect of the Win CE Consortium rights shall be due as follows;

| | |
|---|---|
| On the Effective Date | [*****] |
| On availability of Beta of Tools Port from Microsoft (ARMv4 version only) | [*****] |

[*****] - Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

| | |
|---|---|
| On Release To Manufacturing by Microsoft of OAK for ARM (ARMv4 version only) Birch Version | [*****] |
| On Release To Manufacturing by Microsoft of the Windows CE Port for ARM (ARMv4 version only) Birch version | [*****] |

The balance of the Technology Fee shall be due under this Agreement in accordance with the payment schedule set out in Schedule 7.

5.8 In consideration of the Support and Maintenance Services provided by ARM, to ARM Partner, under Schedule 12, for a period of two (2) years from the Effective Date, ARM Partner shall pay to ARM, in advance, an annual fee ("Maintenance Fee") of [*****]. The Maintenance Fee for the first year following the Effective Date shall be deemed included within the Consortium Fee. The Maintenance Fee for the second year following the Effective Date shall be due upon the anniversary of the Effective Date.

5.9 In consideration of the Development Services provided by ARM, to ARM Partner, under Schedule 12, for the period of two (2) years ending on the 30th June 1999, ARM Partner shall pay to ARM an annual development services fee ("Development Fee"). The Development Fee for the first year following the Effective Date shall be [*****] and shall be deemed included within the Consortium Fee. The Development Fee for the second year following the Effective Date shall be due in accordance with the provisions of Clause 5.10 and shall be determined by reference to the number of Members on the anniversary of the Effective Date as follows:

| Number of Members | Development Fee (US$) |
|---|---|
| 1 - 2 | [*****] |
| 3 | [*****] |
| 4 | [*****] |
| 5 and above | [*****] |

5.10 Fifty percent (50%) of the Development Fee for the second year following the Effective Date shall be due on the first anniversary of the Effective Date. If provision of the Development Services is substantially procured by ARM by payments to BSquare or any third party contractor, then the balance of the Development Fee for the second year following the Effective Date shall be due only when ARM makes such payments to the third party. The amount of each installment due from ARM Partner shall be the same proportion of the balance of the Development Fee as the payment by ARM to the third party is a proportion of ARM's committed expenditure to the third party in that period. If provision of the Development Services is not substantially procured by ARM by payment to a third party, then the Development Fee shall be due only where ARM can demonstrate to ARM Partner a reasonable schedule for the availability of the next version of the Tools Port and in such event the balance of the Development Fee shall be due in four equal quarterly installments with the first installment due on the first anniversary of the Effective Date.

5.11 ARM warrants to ARM Partner that, for the period from the 30th June 1997 to 30th June 2000 (the "Initial Period"), the Consortium Fee payable by any third party shall be one million US dollars (US$1,000,000). If any more favourable rate is agreed with any third party during the Initial Period, then ARM shall refund, to ARM Partner, the difference between the Consortium Fee and the more favourable rate payable by the third party.

[*****] - Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

5.12 ARM further warrants to ARM Partner that the Maintenance Fees and Development Fees due in respect of the two (2) year period expiring on the 30th June 1999 (the "Initial Support Period"), shall be the same rates as set out in this Win CE Agreement for all Founder Members (together with, after the expiry of the Initial Period, Ordinary Members) subject always to the effect of the discount schedule applicable in respect of the second year of this Win CE Agreement as set forth in Clause 5.9 (the "Discount Schedule"). If any more favourable rates are agreed with another Founder or Ordinary Member during the Initial Support Period (other than where such more favourable rate is obtained by virtue of the operation of the Discount Schedule), then ARM shall refund, to ARM Partner, the difference between the Maintenance Fee or Development Fee, as appropriate, and the more favourable rate.

5.13 All sums due to ARM under this Agreement shall be paid net thirty (30) days of receipt by ARM Partner of an invoice therefor.

5.14 Any income or other tax which LGS is required by law to pay or withhold on behalf of ARM with respect to any license fees and/or royalties payable to ARM under this Agreement shall be deducted from the amount of such of license fees and/or royalties otherwise due, provided, however, that in regard to any such deduction, LGS shall give to ARM such assistance as may be necessary to enable or assist ARM to claim exemption therefrom, or credit therefor, and shall upon request furnish to ARM such certificates and other evidence of deduction and payment thereof as ARM may properly require.

5.15 If any sum due under this Agreement is not paid within thirty (30) days of receipt, by LGS, of an invoice therefor then, without prejudice to ARM's other rights and remedies, ARM reserves the right to charge interest on such sum on a day to day basis (as well after as before any judgement) from the date that such sum became due to the date of payment at the rate of two (2) per cent per annum above the base rate of Barclays Bank PLC from time to time in force.

**6. LGS Deliverables**

6.1 LGS shall deliver the LGS deliverables, to ARM, in accordance with the delivery schedule set out in Schedule 8 Part B.

6.2 If LGS fails to deliver the LGS Deliverables in accordance with the delivery schedule set out in Schedule 8 Part B and such failure prevents ARM from meeting any of its obligations under Clause 3.1, ARM shall be permitted to extend any relevant dependent dates in the Delivery Schedule for such period as is reasonable.

6.3 To the extent that it does not result in a disclosure of Confidential Information or a breach of LGS's or any third party Intellectual Property, nothing in this Agreement shall be construed to prevent ARM from using, in furtherance of ARM's normal business, ideas and know-how gained during the performance of the ARM Services and development of the ARM Deliverables and Software.

**7. Provision of LGS Services**

7.1 For the duration of this Agreement LGS shall provide the LGS Services, as required by ARM.

7.2 LGS shall apply reasonable skill and care in the provision of the LGS Services to ARM.

7.3 ARM shall provide, to LGS, all necessary accurate information, support and cooperation that may be reasonably required to enable LGS to provide the LGS Services to ARM.

**8. Intellectual Property and Licences**

**General**

8.1 Except as set out in this Agreement, all right, title and interest in any Intellectual Property in any or all of the ARM Deliverables and ARM Software shall vest in and be owned by ARM.

**ARM720T Core Licence**

8.2 Except to the extent that such terms and conditions have been varied by the terms of this Agreement, ARM hereby grants to LGS a licence, in respect of the ARM720T Core, the Modified ARM720T Core and/or the ARM720T Core Transfer Materials, upon the terms and conditions set out in Clause 2 of the 1996 Agreement (mutatis mutandis) in respect of the ARM7TDMI Core, the Modified ARM7TDMI Core and the ARM7TDMI Core Transfer Materials.

**ARM Software Licence**

8.3 Except to the extent that such terms and conditions have been varied by the terms of this Agreement, ARM hereby grants to LGS a licence, in respect of the ARM Software, upon the terms and conditions set out in the 1996 Agreement (mutatis mutandis) in respect of the Models, Embedded ICE, PID7T, Configurable Device Programs, and Verification and Test as defined in the 1996 Agreement except that LGS shall also have the right to modify the ARM Software and the rights granted under the 1996 Agreement shall apply mutatis mutandis to any modified ARM Software developed by LGS by exercising such right.

**Piccolo Core Licence**

8.4 In consideration of the payment in accordance with the provisions set out in Schedule 7 in respect of the Piccolo Core, ARM hereby grants to, LGS, subject to the terms and conditions of the 1996 Agreement mutatis mutandis a non-transferable, non-exclusive, world-wide licence, with the right to sub-license to LGS's Subsidiary, to use, modify (subject to the provisions of Clauses 2.2 and 2.3 of the 1996 Agreement mutatis mutandis) and copy the Piccolo Core and/or the Piccolo Transfer Materials for the purposes of creating, developing, having developed, manufacturing, having manufactured (subject to the provisions of Clauses 2.4 and 2.5 of the 1996 Agreement mutatis mutandis), and selling, supplying and distributing to any third party, ARM Compliant Products or any other semiconductor products.

**Software Modem Licence**

8.5 In the event that ARM owns or has secured the right from a third party to sub-licence, a 56K6bps software modem, ARM shall not unreasonably withhold a licence, to LGS, in respect of such 56K6bps software modem on usual commercial terms.

**Software Licence**

8.6 LGS hereby acknowledges and represents that ARM has advised LGS that an OEM Agreement with Microsoft is necessary in order to obtain license rights to the Microsoft WinCE software and that LGS's intended customers should communicate with Microsoft concerning such a proposed license agreement prior to signature of this Agreement.

8.7 ARM shall use reasonable efforts to secure the rights from Microsoft, subject to Microsoft's rights and interests in the Device Driver Software to sub-license, to Recipient the non-exclusive, non-transferable, worldwide right under ARM's Intellectual Property, to copy, use, modify, sell, supply and distribute the Device Driver Software in conjunction with software licensed from Microsoft. ARM shall use reasonable efforts to assist LGS in entering into a Microsoft Windows CE Development and Testing Agreement (or its equivalent) with Microsoft.

8.8 ARM shall use reasonable efforts to secure the rights from Microsoft, subject to Microsoft's rights and interests in the OAL Software to sub-license, to Recipient, the non-exclusive, non-transferable, worldwide right under Intellectual Property jointly owned by ARM and Microsoft, to copy, use, modify, sell, supply and distribute the OAL Software in conjunction with software licensed from Microsoft. ARM shall use reasonable efforts to assist LGS in entering into a Microsoft Windows CE Development and Testing Agreement (or its equivalent) with Microsoft.

**ARM7201TDSP Device Licence**

8.9 Except to the extent that such terms and conditions are varied by the terms and conditions of this Agreement, the ARM7201TDSP Device shall be deemed to be an ARM Compliant Product and the terms of the 1996 Agreement shall apply accordingly.

8.10 ARM hereby grants, to LGS, under ARM's Intellectual Property, a worldwide, non-exclusive, perpetual (subject to termination in accordance with the provisions of Clause 13), non-transferable, licence to use, modify (subject to the provisions of Clause 2.2 of the 1996 Agreement in respect of the ARM720T Core and Piccolo Core), have modified (subject to the provisions of Clause 2.4 of the 1996 Agreement mutatis mutandis and the provisions of Clause 2.2 of the 1996 Agreement mutatis mutandis in respect of the ARM720T Core and Piccolo Core), design, have designed (subject to the provisions of Clause 2.4 of the 1996 Agreement mutatis mutandis and the provisions of Clause 2.2 of the 1996 Agreement mutatis mutandis in respect of the ARM720T Core and Piccolo Core) and copy the ARM7201TDSP Transfer Materials for the purpose of exercising the licence granted below;

ARM hereby grants to LGS under ARM's Intellectual Property a worldwide, exclusive, perpetual (subject to termination in accordance with the provisions of Clause 13), transferable licence to use, modify (subject to the provisions of Clause 2.2 of the 1996 Agreement mutatis mutandis in respect of the ARM720T Core and Piccolo Core), have modified (subject to the provisions of Clause 2.4 of the 1996 Agreement mutatis mutandis and the provisions of Clause 2.2 of the 1996 Agreement mutatis mutandis in respect of the ARM720T Core and Piccolo Core) copy, manufacture, have manufactured (subject to the provisions of Clause 2.4 of the 1996 Agreement) sell, supply and distribute to third parties the ARM7201TDSP Device and any derivative of the ARM7201TDSP Device created under the licences granted in this Clause.

**Other ARM Deliverables Licence**

8.11 ARM shall, under ARM's Intellectual Property, grants to LGS a worldwide, non-exclusive, non-transferable, paid-up and perpetual license, with the right to sub-license to LGS's Subsidiary, to use, modify, design, have designed and copy the peripheral circuits incorporated in the ARM7201TDSP Device for the purpose of creating, developing, having developed, manufacturing, having manufactured, and selling, supplying and distributing to any third party, ARM Compliant Products and/or any semiconductor product which incorporates the peripheral circuits incorporated in the ARM7201TDSP Device.

**LG Affiliates's Licence**

8.12 LGS may exercise the right to include any LG Affiliate as a licencee of ARM provided that:

(i) such LG Affiliate agrees in writing to be bound by the obligations of LGS and to comply with all the terms and conditions of this Agreement. LGS shall deliver to ARM a copy of the LG Affiliate's undertaking within thirty (30) days of the execution of such undertaking;

(ii) any breach of the terms and conditions of this Agreement by a LG Affiliate shall constitute a breach of this Agreement by LGS;

(iii) any termination of this Agreement shall be effective in respect of all LG Affiliates.

**LGS Deliverables Licence**

8.13 All right, title and interest in any intellectual property in the LGS Deliverables shall vest in and be owned by LGS.

8.14 LGS hereby grants, to ARM, a non-exclusive licence to use, copy and modify LGS Deliverables solely for the purpose of developing the ARM7201TDSP Device.

**9. Confidentiality**

9.1 During the course of this development, ARM and LGS may exchange information which is of a secret or confidential nature and which is neither already known to the recipient nor in the public domain either at the time of disclosure or subsequently through no fault of the recipient (the "Confidential Information"). ARM Confidential Information shall include but shall not be limited to; (i) the source code for the Software; and (ii) all underlying ideas, principles and information derived by LGS from observing, studying and testing the functioning of the Software. The party receiving Confidential Information hereunder (the "Recipient") shall use the same standard of care, but in any event no less than a reasonable standard of care, to prevent the unauthorised use, dissemination or publication of such Confidential Information, as it uses to protect its own confidential information of a similar nature.

9.2 The Recipient is hereby authorised to disclose such of the Confidential Information to third party sub-contractors or consultants as is necessary for the performance by the sub-contractor or consultant of any of the work under this Agreement that is assigned to it provided always that any such subcontractor or consultant is bound by provisions of confidentiality no less stringent than those provided by Clause 9.1.

9.3 Except as provided by this Agreement the Recipient shall not commercially exploit nor permit others to commercially exploit any Confidential Information.

9.4 Except with the other party's express prior written consent (which shall not be unreasonably withheld), neither party shall make any press announcements or publicise the contents or existence of this Agreement in any way.

**10. ARM Warranties and Indemnities**

10.1 Except as expressly provided in this Agreement, the ARM720T Core Transfer Materials, ARM7201TDSP Transfer Materials, Piccolo Core Transfer Materials and Software are supplied "as is" and ARM makes no representations and gives no warranties express, implied or statutory, including, without limitation, the implied warranties of satisfactory quality or fitness for a particular purpose in respect thereof.

10.2 ARM warrants that; (i) the ARM7201TDSP Transfer Materials shall be consistent and sufficient for a competent semiconductor manufacturer to fabricate the ARM7201TDSP Device which conforms to the device specification approved by LGS in accordance with the Clause 3.2 and 3.3; (ii) the ARM720T Core Transfer Materials shall be consistent and sufficient for a competent semiconductor manufacturer to fabricate the ARM720T Core which conforms to the functionality specified in the ARM Datasheet Doc. No. ARM DDI (00XX); and (iii) the Piccolo Core Transfer Materials shall be consistent and sufficient for a competent semiconductor manufacturer to fabricate the Piccolo Core which conforms to the functionality specified in the ARM Datasheet Doc. No. ARM DDI 0089. LGS sole and exclusive remedy for any breach of this warranty shall be for ARM to correct any errors in the ARM Deliverables and deliver such corrected deliverables to LGS.

10.3 ARM does not warrant the adequacy of any device specification, approved by LGS, with respect to LGS intended use and ARM shall not be responsible for the circuit performance of the ARM7201TDSP Device in LGS intended application.

10.4 ARM shall not be liable for any;

(i) recoverable or non-recoverable costs incurred, directly or indirectly, in the processing, or manufacture of masks and prototypes, characterisation or manufacture of production quality silicon in whatever quantity; or

(ii) defect in the ARM7201TDSP Device caused by a fault in the LGS or LGS agent's manufacturing process.

10.5 After the period of sixty (60) days following approval of the prototypes of the ARM7201 Device in accordance with the provisions of Clause 3.6, ARM shall not be liable for any changes necessary to any layout.

10.6 LGS acknowledges that the Software cannot be tested in every possible operation, and accordingly ARM does not warrant that the Software will be free from all defects or that there will be no interruption in its use. ARM warrants for the period of twelve (12) months from the delivery of the Software to LGS that the Software will be complete and exhibit the functionality described in the Specification. LGS's sole and exclusive remedy for any breach of the warranty in this Clause 10.6 shall be for ARM, as soon as is reasonably practicable, to correct any errors in the Software and deliver such corrected Software to LGS.

10.7 ARM warrants, to LGS, that;

(i) to ARM's knowledge (but expressly without having undertaken any searches for prior art) the Intellectual Property in the ARM720T Core Transfer Materials, ARM7201TDSP Transfer Materials, Piccolo Core Transfer Materials and Software does not infringe any third party copyright, design right, registered design right, trade secret or maskwork right; and

(ii) as at the date of entering into this Agreement, ARM has not received written notice of any claim, and no actions have been commenced or threatened, against ARM for infringement of any third party Intellectual Property; and

(iii) ARM has the right to enter into this Agreement.

10.8 If any part of the ARM720T Core Transfer Materials, ARM7201TDSP Transfer Materials, Piccolo Core Transfer Materials and Software becomes the subject of a claim brought against LGS on the issue of infringement of the Intellectual Property of any third party or if the use or licensing of any part of the ARM720T Core Transfer Materials, ARM7201TDSP Transfer Materials, Piccolo Core Transfer Materials and Software is restricted in any way, then ARM at its option and expense may;

(i) obtain for LGS the right to continue to use the ARM720T Core Transfer Materials, ARM7201TDSP Transfer Materials, Piccolo Core Transfer Materials and Software;

(ii) replace or modify the ARM720T Core Transfer Materials, ARM7201TDSP Transfer Materials, Piccolo Core Transfer Materials and Software so that they become non-infringing; or

(iii) offer reasonable compensation to LGS for the direct loss suffered by LGS up to a maximum of all sums paid by LGS to ARM under this Agreement.

ARM shall have no liability under this Clause it the alleged infringement results from;

(a) compliance with the LGS requirement specification or the Specification, as the case may be, and such alleged infringement is unavoidable in providing such compliance;

(b) the combination, use or operation of the ARM720T Core Transfer Materials, ARM7201TDSP Transfer Materials, Piccolo Core Transfer Materials and Software in connection or combination with any equipment, device or software not developed and supplied by ARM and such alleged infringement would have been avoided in the absence of such combination; or

(c) the modification of the ARM720T Core Transfer Materials, ARM7201TDSP Transfer Materials, Piccolo Core Transfer Materials and Software by the LGS or any third party unless the modification was made or approved by ARM,

(d) infringement by any manufacturing process applied to the ARM720T Core Transfer Materials, ARM7201TDSP Transfer Materials, Piccolo Core Transfer Materials and Software.

10.9 The foregoing states the entire liability of ARM for infringement by the Intellectual Property in the ARM Deliverables and Software, of third party Intellectual Property.

**11. LGS Warranties and Indemnities**

11.1 LGS warrants, to ARM, that;

(i) to LGS knowledge (but expressly without having undertaken any searches for prior art), the Intellectual Property in the LGS Deliverables does not infringe any third party copyright, design right, registered design right, maskwork right, or trade secret; and

(ii) LGS has the right to enter into this Agreement.

11.2 If compliance, by ARM, with LGS designs, specifications or instructions, or use, by ARM, of Intellectual Property received from LGS or LGS agent, results in ARM being subject to a claim for infringement of any Intellectual Property of a third party, LGS, at its option and expense, may;

(i) obtain for ARM the right to continue to use the LGS Deliverables;

(ii) replace or modify the LGS Deliverables so that they become non-infringing; or

(iii) offer reasonable compensation to ARM for the direct loss suffered by ARM up to a maximum of all sums paid by LGS to ARM under this Agreement.

11.3 The foregoing states the entire liability of LGS for infringement by the Intellectual Property in the LGS Deliverables, of third party Intellectual Property.

**12. Limitation of Liability**

12.1 IN NO EVENT SHALL EITHER PARTY BE LIABLE UNDER THE AGREEMENT FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES WHETHER SUCH DAMAGES ARE ALLEGED AS A RESULT OF TORTIOUS CONDUCT OR BREACH OF CONTRACT OR OTHERWISE EVEN IF THE OTHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. SUCH DAMAGES SHALL INCLUDE BUT SHALL NOT BE LIMITED TO THE COST OF REMOVAL AND REINSTALLATION OF GOODS, LOSS OF GOODWILL, LOSS OF PROFITS, LOSS OR USE OF DATA, INTERRUPTION OF BUSINESS OR OTHER ECONOMIC LOSS BUT NOTHING IN THIS CLAUSE SHALL OPERATE TO EXCLUDE LIABILITY FOR DEATH OR PERSONAL INJURY RESULTING FROM EITHER PARTY'S NEGLIGENCE.

12.2 EACH PARTY'S LIABILITY FOR THE AGGREGATE OF ALL CLAIMS IN ANY WAY ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT SHALL NOT EXCEED THE SUM OF ALL FEES PAID TO ARM BY LGS UNDER THE PROVISIONS OF THIS AGREEMENT.

**13. Term and Termination**

13.1 This Agreement shall commence on the Effective Date and shall continue in force until termination in accordance with the provisions of Clause 13.2.

13.2 Without prejudice to any other right or remedy which may be available to it and except as provided to the contrary elsewhere in this Agreement, either party shall be entitled summarily to terminate this Agreement by giving written notice to the other;

(i) If the other party has committed a material breach of any of its obligations hereunder which is not capable of remedy; or

(ii) if the other party has committed a material breach of any of its obligations hereunder which is capable of remedy but which has not been remedied within a period of thirty (30) days following receipt of written notice to do so; or

(iii) if the other party makes any voluntary arrangement with its creditors or becomes subject to an administration order; or

(iv) if the other party has an order made against it, or passes a resolution, for its winding-up (except for the purpose of bona fide solvent amalgamation or reconstruction) or has an encumbrancer take possession or has a receiver or similar officer appointed over a material part of its property or assets.

13.3 LGS and ARM acknowledge that each and every term and condition of this Agreement has been fully and completely negotiated and such terms and conditions closely related to each other. In the event that the Korean Governmental authorities, including the Korean Fair Trade Commission, during the review of this Agreement require a modification to one or more of the clauses of this Agreement, ARM shall have the option to renegotiate the entire Agreement or accept the applicable modification of the Agreement as required by such governmental authorities.

**14. Effect of Termination**

14.1 Upon termination of this Agreement by ARM In accordance with the provisions of Clause 13.2, the license and rights granted by ARM to LGS hereunder shall terminate. LGS shall, at ARM's option, either destroy or return to ARM any Confidential Information, including any copies thereof and any ARM Deliverables in LGS's possession. Within one month after termination of this Agreement in accordance with this Clause 14.1, LGS will furnish to ARM a certificate signed by a duly authorised officer of LGS that to the best of his or her knowledge, information and belief, LGS has complied with provisions of this Clause.

14.2 Upon termination of this Agreement, by LGS under the provisions of Clause 13.2; (i) the rights granted to LGS under Clause 8 (except the licence granted under Clause 8.4) shall survive such termination; (ii) LGS shall be entitled to retain any ARM Deliverables delivered by ARM to LGS prior to such termination; and (iii) ARM shall deliver any then partially completed ARM Deliverables to LGS. The licence granted under Clause 8.4 shall survive only in respect of any semiconductor product which is already under development by LGS at the date of termination under the provisions of this Clause and the survival of such licence shall be subject to a continuing obligation for LGS to pay the appropriate fee in the event that such product is the subject of a Design Win Event.

14.3 The provisions of Clauses 1, 5 (to the extent that any payment has accrued and is outstanding) 8, 9, 10, 11, 12, 13, 14 and Schedule 12 shall survive termination of this Agreement.

**15. General**

| | |
|---|---|
| *Notices* | All notices which are required to be given hereunder shall be in writing and shall be sent to the address of the recipient set out in this Agreement or such other address as the recipient may designate by notice given in accordance with the provisions of this Clause. Any such notice may be delivered personally, by commercial overnight courier, or facsimile transmission which shall be followed by a hard copy and shall be deemed to have been served if by hand when delivered, if by commercial overnight courier 48 hours after deposit with such courier, and it by facsimile transmission when transmitted. |
| *Assignment* | Neither party shall assign or otherwise transfer this Agreement or any of its rights and obligations hereunder whether in whole or in part without the prior written consent of the other, such consent not to be unreasonably withheld. |
| *Non-association* | ARM and LGS are independent parties. Neither party's company nor their employees, consultants, contractors or agents, are agents, employees or joint venturers of the other party, nor do they have the authority to bind the other party by contract or otherwise to any obligation. Neither party shall represent to the contrary, either expressly, or implicitly. |
| *Waiver* | Failure by either party to enforce any provision of this Agreement shall not be deemed a waiver of the right to enforce that or any other provision in the future. |
| *Force Majeure* | ARM shall not be liable to LGS for any delay in or failure to perform its obligations under this Agreement as a result of any cause beyond ARM's reasonable control, including but not limited to any industrial dispute or failure by a supplier to deliver a relevant deliverable to ARM on time. If such delay continues for a period of more than ninety (90) days, then either party shall be entitled to terminate this Agreement by written notice and the provisions of Clause 14.2 shall apply. |
| *Entire Agreement* | These terms and conditions apply in preference to and supersede any terms and conditions referred to, offered or relied upon by LGS whether in negotiation or at any stage in the dealings between ARM and LGS with reference to this Agreement. Without prejudice to the generality of the foregoing, ARM will not be bound by any standard or printed terms and conditions furnished by LGS in any of its documents. No amendment to, or modification of, this Agreement shall be binding unless in writing and signed by a duly authorised representative of both parties. |
| *Severance* | If any provision of this contract is held invalid, illegal or unenforceable for any reason by any court of competent jurisdiction such provision shall be severed and the remainder of the provisions shall continue in full force and effect as if this Agreement had been executed with the invalid provisions eliminated. In the event of a holding of invalidity so fundamental as to prevent the accomplishment of the purpose of this Agreement, ARM and LGS shall immediately commence good faith negotiations to remedy such invalidity. |
| *English Law* | This Agreement shall be considered as a contract made in England and according to English Law. In the event that ARM commences proceedings against LGS under this Agreement, the parties agree to submit to the jurisdiction of the Seoul District Court, Korea, for the purpose of hearing and determining |

any disputes arising out of this Agreement. In the event that LGS commence proceedings against ARM under this Agreement, the parties agree to submit to the jurisdiction of the High Court of Justice, London, England, for the purpose of hearing and determining any disputes arising out of this Agreement.

**IN WITNESS WHEREOF** the parties have caused this Agreement to be signed by their duly authorised representative:

**ADVANCED RISC MACHINES LIMITED**

**BY:** /s/ R.K.Saxby
**NAME:** R.K.Saxby
**TITLE:** President & Ceo

**LG SEMICON CO., LIMITED**

**BY:** /s/ B. D. Sun
**NAME:** Sun Byung-Don
**TITLE:** Executive Vice President

**Exhibit 10.33**

This **Technology License Agreement** ("**Agreement**") is made and entered into the 22 day of August 2001 ("**Effective Date**")

**BETWEEN**

**ARM LIMITED** whose registered office is situated at 110 Fulbourn Road, Cambridge CB1 9NJ, England ("**ARM**")

and

**HYNIX SEMICONDUCTOR INC.** a company organised and existing under the laws of the Republic of Korea and whose principal place of business is situated at San 136-1, Ami-ri, Bubal-eub, Ichon-si, Kyoungki-do, Republic of Korea ("**LICENSEE**").

**WHEREAS**

A. LICENSEE has requested ARM and ARM has agreed to license LICENSEE to manufacture and distribute certain ARM Secure Core Based Products (as defined below) on the following terms and conditions.

B. Therefore, in consideration of the mutual representations, warranties, covenants, and other terms and conditions contained herein, the parties agree as follows:

**1. Definitions**

1.1 "**ARM Secure Core**" means the ARM Secure Core identified in the Technical Reference Manual [DDI-0207-A].

1.2 "**ARM Secure Core Synthesizable Source**" means together; (i) the Synthesizable RTL; (ii) the Synthesis Scripts; and (iii) the Synthesis Reference Deliverables.

1.3 "**ARMv4T Instruction Sets**" means both the ARMv4 instruction set and Thumb instruction set as defined in the ARM Architecture Reference Manual [ARM DDI 0100].

1.4 "**ARM Secure Core Transfer Materials**" means together; (i) the ARM Secure Core Synthesizable Source; (ii) the Implementation Guide; (iii) the Synthesizable Functional Test Vectors; (iv) the Technical Reference Manual; (v) the AVS; (vi) the Core Self Test Programs, together with any Updates thereto delivered to LICENSEE by ARM from time to time; and (vii) any relevant supplemental documentation released by ARM to its other licensees from time to time.

1.5 "**ARM Secure Core Based Product(s)**" means any chip designed and manufactured by or for LICENSEE which is offered for sale solely for use in applications where secure processing is specified and which contains at a minimum; (i) a Microarchitecture Compliant Core; and (ii) LICENSEE or LICENSEE's customer's circuitry which adds significant functionality.

1.6 "**ARM Transfer Materials**" means together; (1) the ARM Secure Core Transfer Materials; and (ii) the MME Transfer Materials.

1.7 "**Authorized Distributor**" means any distributor appointed, in writing, by LICENSEE.

1.8 "**AVS**" means the ARM architectural validation suite identified in Schedule 1 Part H.

1.9 "**Claim**" means a written notice of infringement received by ARM from a third party demanding that ARM cease and desist from such alleged Intellectual Property infringement.

1.10 "**Confidential Information**" means; (i) any trade secrets relating to the ARM Secure Core and the ARM Transfer Materials; (ii) any information designated in writing by either party, by appropriate legend, as confidential; (iii) any information which if first disclosed orally is identified as confidential at the time of disclosure and is thereafter reduced to writing for confirmation and sent to the other party within thirty (30) days after its oral disclosure and designated, by appropriate legend, as confidential; and (iv) the terms and conditions of this Agreement.

1.11 "**Core Self Test Programs**" means the programs identified in Schedule 1 Part K Item K1.

1.12 "**Documentation**" means the documentation identified in Schedule 2 Part A.

1.13 "**Effective Date**" means the date of this Agreement, subject always to the provisions of Clause 15.13.

1.14 "**End User License**" means a license agreement substantially in the form set out in Schedule 6.

1.15 "**Implementation Guide**" means the documentation identified in Schedule 1 Part B.

1.16 "**Intellectual Property**" means any patents, patent rights, trade marks, service marks, registered designs, topography or semiconductor maskwork rights, applications for any of the foregoing, copyright, unregistered design right, trade secrets and know-how and any other similar protected rights in any country.

1.17 "**LICENSEE's Synthesis Timing Constraints File**" means such timing constraints file as the LICENSEE shall finalise prior to final synthesis.

1.18 "**Microarchitecture Compliant Core**" means an implementation of an ARM Secure Core manufactured under licence from ARM and which:

(i) executes each and every instruction in the ARMv4T Instruction Sets;

(ii) executes no additional instructions to those contained in the ARMv4T Instruction Sets;

(iii) exhibits a Pipeline Length of 3;

(iv) exhibits a Von Neumann Architecture;

(v) is Single Issue or Multiple Issue, as appropriate for the respective ARM Secure Core as identified in the relevant Technical Reference Manual;

(vi) implements the programmer's model as identified in the ARM Architecture Reference Manual;

(vii) passes the respective Synthesizable Functional Test Vectors; and

(viii) has been verified in accordance with the provisions of Clause 3.

1.19 "**MME Macrocell**" means the MME hardware accelerator specified in the MME Technical Reference manual SC043-TRM-0001-A.

1.20 "**MME Synthesizable RTL**" means the deliverable identified in Schedule 2 Part B Section 1.

1.21 "**MME Synthesis Scripts**" means the deliverables identified in Schedule 2 Part B Section 2.

1.22 "**MME Synthesizable Source**" means together, (i) the MME Synthesizable RTL; and (ii) the MME Synthesis Scripts.

1.23 "**MME Transfer Materials**" means together (i) the MME Synthesizable Source; (ii) the MME Validation Suite; (iii) the Documentation; (iv) the Software, together with any Updates thereto delivered to LICENSEE by ARM from time to time; and (iv) any relevant supplemental documentation released by ARM to licensees from time to time.

1.24 "**NSP**" means the net sales price of any ARM Secure Core Based Product calculated by taking the aggregate invoice price charged on arms length terms by LICENSEE and its Subsidiaries in the sale or distribution of any ARM Secure Core Based Product, less any; (i) value added, turnover, import, or other tax, duty or tariff payable thereon; (ii) freight, insurance costs incurred; and (iii) amounts actually repaid or credited with respect to any ARM Secure Core Based Products returned.

1.25 "**MME Validation Suite**" means the deliverables identified in Schedule 2 Part C.

1.26 "**Packaging**" means the materials used to encapsulate the silicon of an ARM Secure Core Based Product.

1.27 "**Pipeline Length**" means the number of clocked stages through which each single-cycle instruction must pass to complete the execution of such instruction.

1.28 "**Single Issue**" means that only one instruction is issued for execution within the integer unit in any single clock cycle (where for the purposes of this definition "clock" means the clock that advances the pipeline).

1.29 "**Software**" means the example support software for the MME Macrocell as identified in Schedule 2 Part D, together with any Updates thereto delivered to LICENSEE by ARM from time to time.

1.30 "**Subsidiary**" means any company the majority of whose voting shares is now or hereafter owned or controlled, directly or indirectly, by a party hereto or any company a majority of whose voting shares is now or hereafter owned or controlled, directly or indirectly, by any of the aforementioned entities. The company shall be considered a Subsidiary only so long as such control exists.

1.31 "**Synthesizable Functional Test Vectors**" means the synthesizable functional test vectors identified in Schedule 1 Part D.

1.32 "**Synthesis Reference Deliverables**" means the deliverables identified in Schedule 1 Part C Section 3.

1.33 "**Synthesizable RTL**" means the deliverables identified in Schedule 1 Part C Section 1.

1.34 "**Synthesis Scripts**" means the deliverables identified in Schedule 1 Part C Section 2.

1.35 "**Technical Reference Manual**" means the technical reference manual identified in Schedule 1 Part A.

1.36 "**Trademarks**" means the trademarks identified in Schedule 3.

1.37 "**Updates**" means any enhancements and modifications including but not limited to any error corrections to the ARM Transfer Materials including any documentation associated therewith, designed by, or for ARM, the incorporation of which ARM, in its absolute discretion, decides does not cause a new product to be created.

1.38 "**Unique ARM Secure Core Based Product**" means a device manufactured by or for LICENSEE and which has a unique part number; except that a device shall not be a Unique ARM Secure Core Based Product if the device has a different part number for any or all of the following reasons:

(i) because it is an optically shrunk version of an otherwise unmodified (except to the extent accommodated by this definition) Unique ARM Secure Core Based Product;

(ii) because it is a version of an otherwise unmodified (except to the extent accommodated by this definition) Unique ARM Secure Core Based Product that has been ported to a different set of process design rules;

(iii) because it is an otherwise unmodified (except to the extent accommodated by this definition) Unique ARM Secure Core Based Product that has a different on chip memory size;

(iv) because it is an otherwise unmodified (except to the extent accommodated by this definition) Unique ARM Secure Core Based Product that has a different on chip memory content;

(v) because it is an otherwise unmodified (except to the extent accommodated by this definition) Unique ARM Secure Core Based Product that has a different on chip memory type;

(vi) because it is an otherwise unmodified (except to the extent accommodated by this definition) Unique ARM Secure Core Based Product that incorporates a bug fix (to conform to original specification for the Unique ARM Secure Core Based Product); and

(vii) because it is an otherwise unmodified (except to the extent accommodated by this definition) Unique ARM Secure Core Based Product that incorporates a different revision of the ARM Transfer Materials delivered by ARM to LICENSEE from time to time.

1.39 "**Von Neumann Architecture**" means a microprocessor architecture which dictates that the instruction stream for the integer unit shares the same port with the data stream for such integer unit.

**2. Licence**

2.1 Subject to the provisions of Clause 9 (Confidentiality) and the payment of appropriate fees in accordance with the provisions of Clause 5, ARM hereby grants to LICENSEE, under ARM's Intellectual Property, a non-transferable (subject to Clause 15.3), non-exclusive, perpetual (subject to termination in accordance with the provisions of Clause 13) world-wide licence, to;

**ARM Secure Core Based Products**

(i) use and copy the AVS and the MME Validation Suite only for the purposes of designing ARM Secure Core Based Products;

modify the MME testbench in Verilog identified as Item Cl in Schedule 2 Part C;

(ii) use, copy and modify the Core Self Test Programs only for the purposes of designing ARM Secure Core Based Products;

(iii) use and copy; (a) the Implementation Guide; and (b) the Synthesisable Reference Deliverables, only for the purposes of designing ARM Secure Core Based Products;

modify the SC100 Core Verilog GTECH Synthesis Command Files identified as Item C3 in Schedule 1 Part C Section 3;

(iv) use, copy and modify (solely to the extent necessary to run the following deliverables on LICENSEE's tester or simulator) the Synthesizable Functional Test Vectors, only for the purposes of designing ARM Secure Core Based Products;

(v) use, copy and modify (only for the purpose of substituting functional blocks in the Synthesizable RTL with functionally equivalent LICENSEE or LICENSEE's customer's functional blocks); (i) the Synthesizable RTL; and (ii) the MME Synthesizable RTL, only for the purposes of designing ARM Secure Core Based Products;

(vi) use, copy and modify; (i) the Synthesis Scripts; and (ii) the MME Synthesis Scripts, only for the purposes of designing ARM Secure Core Based Products;

(vii) manufacture and have manufactured (subject to the provisions of Clause 2.2) the ARM Secure Core Based Products created under the licences granted in Clauses 2.1(i) to 2.l(vi) inclusive;

(viii) sell, supply and distribute ARM Secure Core Based Products manufactured under the licences granted in Clause 2.1(vii) to any third party and authorise Authorised Distributors to do the same;

(ix) test and have tested (subject to the provisions of Clause 2.3) the ARM Secure Core Based Products manufactured under the licences granted in Clause 2.1(vii);

**Technical Reference Manual and Documentation**

(x) use, copy, modify and distribute (solely to LICENSEE's customers of ARM Secure Core Based Products and subject to the terms of a confidentiality agreement no less restrictive than those contained in this Agreement) the Technical Reference Manual only for the purposes of designing ARM Secure Core Based Products;

(xi) use, copy, modify and distribute (solely to LICENSEE's customers of ARM Secure Core Based Products and subject to the terms of a confidentiality agreement no less restrictive than those contained in this Agreement) the Documentation only for the purposes of designing ARM Secure Core Based Products;

**Software**

(xii) use, copy and modify the Software; and

(xiii) distribute the Software in source code or binary code form solely in conjunction with ARM Secure Core Based Products.

**Have Manufactured**

2.2 Subject to the provisions of Clause 9 (Confidentiality), LICENSEE may exercise its right to have ARM Secure Core Based Products manufactured by a third party manufacturer ("**Manufacturer**") in accordance with the provisions of Clause 2.1 solely to manufacture ARM Secure Core Based Products for LICENSEE provided that; (a) LICENSEE agrees not to grant to the Manufacturer any license in respect of any ARM Transfer Materials for any other purpose; and (b) that each Manufacturer agrees;

(i) to be bound by obligations of confidentiality no less restrictive than those contained in this Agreement;

(ii) to supply units of the ARM Secure Core Based Product solely to LICENSEE; and

(iii) to return any ARM Confidential Information and ARM Transfer Materials to LICENSEE on the earlier of; (a) the completion of the manufacture; and (b) the expiration of the

confidentiality period for each ARM Transfer Material in accordance with the provisions of Clause 9.

If any Manufacturer breaches the provisions of any of Clauses 2.2(i) to 2.2(iii), LICENSEE agrees that such breach shall be treated as a material breach of this Agreement by LICENSEE which shall entitle ARM to terminate this Agreement in accordance with the provisions of Clause 13.2 and LICENSEE shall hold ARM harmless from and keep ARM indemnified against all and any loss, liability, costs, damages, expenses (including the fees of lawyers and other professionals), suffered, incurred or sustained as a result of or in relation to such breach.

**Have Tested**

2.3 Subject to the provisions of Clause 9 (Confidentiality), LICENSEE may exercise its right to have ARM Secure Core Based Products tested by a third party ("**Test House**") in accordance with the provisions of Clause 2.1 provided that the Test House agrees:

(i) to be bound by obligations of confidentiality no less restrictive than those contained in this Agreement; and

(ii) to supply units of the tested ARM Secure Core Based Products solely to LICENSEE; and

(iii) to return any ARM Confidential Information and ARM Transfer Materials to LICENSEE on the earlier of; (a) the completion of the test; and (b) the expiration of the confidentiality period for each ARM Transfer Material in accordance with the provisions of Clause 9.

If any Test House breaches the provisions of Clauses 2.3(i) to 2.3(iii), LICENSEE agrees that such breach shall be treated as a material breach of this Agreement by LICENSEE which shall entitle ARM to terminate this Agreement in accordance with the provisions of Clause 13.2 and LICENSEE shall hold ARM harmless from and keep ARM indemnified against all and any loss, liability, costs, damages, expenses (including the fees of lawyers and other professionals), suffered, incurred or sustained as a result of or in relation to such breach.

**Have Designed**

2.4 On receipt of a request from LICENSEE, ARM may on a case by case basis grant LICENSEE the right to have ARM Secure Core Based Products designed by a designer subcontracted by LICENSEE ("**Designer**") provided that each Designer agrees;

(i) to be bound by obligations of confidentiality no less restrictive than those contained in this Agreement; and

(ii) to supply units of the tested ARM Secure Core Based Products solely to LICENSEE; and

(iii) to return any ARM Confidential Information and ARM Transfer Materials to LICENSEE on the earlier of; (a) the completion of the design; and (b) the end of the confidentiality period for each ARM Transfer Material in accordance with the provisions of Clause 9.

If any Designer breaches the provisions of Clauses 2.4(i) to 2.4(iii), LICENSEE agrees that such breach shall be treated as a material breach of this Agreement by LICENSEE which shall entitle ARM to terminate this Agreement in accordance with the provisions of Clause 13.2 and LICENSEE shall hold ARM harmless from and keep ARM indemnified against all and any loss, liability, costs, damages, expenses (including the fees of lawyers and other professionals), suffered, incurred or sustained as a result of or in relation to such breach. The parties shall agree for each Designer which of the ARM Transfer Materials can be delivered to such Designer.

2.5 No right is granted to LICENSEE to:

(i) except as expressly granted in Clauses 2.1, sub-license any of the rights licensed to LICENSEE under Clause 2.1; or

(ii) distribute any ARM Secure Core Based Product prior to verification in accordance with Clause 3, except that if it is the intention of LICENSEE, and LICENSEE does proceed, to verify a device in accordance with Clause 3.1 and 3.2, LICENSEE may distribute, in aggregate, up to two thousand (2000) prototype units of such device without having such devices verified provided that LICENSEE provides written evidence to ARM that; (a) the recipient of such devices is aware that such device has not passed the verification process by ARM; and (b) the recipient has agreed to keep the recipient's use of the non verified device as confidential.

2.6 Except as specifically licensed in Clause 2.1, LICENSEE acquires no right, title or interest in the ARM Secure Cores, ARM Transfer Materials or any of ARM's Intellectual Property embodied therein. In no event shall the License grant set out in Clause 2.1 be construed as granting LICENSEE, expressly or by implication, estoppel or otherwise, a license to use any ARM technology except the ARM Transfer Materials arid Software. LICENSEE shall reproduce and not remove or obscure any notice incorporated in the ARM Transfer Materials by ARM to protect ARM's Intellectual Property or to acknowledge the copyright and/or contribution of any third party designer. LICENSEE shall incorporate corresponding notices and/or such other markings and notifications as ARM may reasonably require on all copies of the ARM Transfer Materials used or distributed by LICENSEE.

**Subsidiaries**

2.7 For the continuance of this Agreement, LICENSEE may exercise the right to include any Subsidiary as a licensee under the terms of this Agreement provided that;

(i) such Subsidiary agrees in writing, as set out in Schedule 10 to be bound by the obligations of LICENSEE and to comply with all the terms and conditions of this Agreement;

(ii) any breach of the terms and conditions of this Agreement by a Subsidiary shall constitute a breach of this Agreement by LICENSEE; and

(iii) any termination of this Agreement in accordance with the provisions of Clause 13 shall be effective in respect of all Subsidiaries.

**3. Verification**

3.1 For each ARM Secure Core implementation which is used in the manufacture of ARM Secure Core Based Products for sale and distribution by LICENSEE in accordance with the terms of this Agreement, LICENSEE shall in the course of generating such implementation use the ARM Transfer Materials to generate a netlist (each a "**Synthesized Netlist**") which includes back-annotated delays derived from the physical layout of the Synthesized Netlist.

3.2 LICENSEE shall simulate the AVS on each Synthesized Netlist (defined in Clause 3.1).

3.3 LICENSEE shall deliver to ARM a copy of the log results generated by running the AVS on each respective Synthesized Netlist (the "**Synthesized Log Results**" for each Synthesized Netlist). Prior to delivery of such Synthesized Log Results LICENSEE shall give ARM as much advance warning as practicably possible of LICENSEE'S proposed delivery of such Synthesized Log Results.

3.4 Each Synthesized Netlist shall be verified for a particular process upon ARM'S acceptance of the Synthesized Log Results delivered by LICENSEE.

3.5 The Synthesized Log Results shall be accepted when they indicate that no errors have been detected or where any errors detected have been jointly agreed, in good faith, and a waiver agreed between the parties.

3.6 ARM shall notify LICENSEE, in writing, within fifteen (15) days of delivery by LICENSEE of the Synthesized Log Results ("**Synthesis Verification Period**"), whether the Synthesized Log Results have been accepted by ARM or have failed the in verification process. In the event that ARM fails to confirm the result of the verification process within the Synthesis Verification Period, the Synthesized Log Results shall be deemed accepted by ARM. In the event that the Synthesized Log Results fail the verification process, ARM shall provide details of the errors which cause the failure to LICENSEE and LICENSEE shall endeavour to correct the errors. The parties shall repeat the above process until either; (i) the Synthesized Log Results are accepted; or (ii) LICENSEE withdraws the Synthesized Log Results from the verification process.

**4. Trademark License**

4.1 ARM hereby grants to LICENSEE a non-transferrable (subject to Clause 15.3), non-exclusive, world-wide licence to use the Trademarks in the promotion and sale of ARM Secure Core Based Products.

4.2 LICENSEE shall use one of the Trademarks, in accordance with ARM's guidelines set forth in Schedule 3 ("**Guidelines**"), on; (i) all ARM Secure Core Based Products sold or distributed by LICENSEE; and (ii) all documentation, promotional materials and software associated with such ARM Secure Core Based Products. ARM shall have the right to revise Schedule 3 and the Guidelines (including the right to add further trademarks or modify the Trademarks) provided that such revisions are made in respect of the Guidelines issued to all licencees of the Trademarks. Any such revisions shall be effective, upon written notice to LICENSEE; (a) for printed material upon ninety (90) days notice; and (b) immediately in respect of products to be manufactured after ninety (90) days from receipt of such notice.

4.3 LICENSEE shall submit samples of all documentation, packaging, and promotional or advertising materials bearing the Trademarks to ARM from time to time as requested by ARM to verify compliance with the Guidelines. LICENSEE shall immediately rectify any documentation, packaging, and promotional or advertising materials so as to comply with the Guidelines and cease using any non-compliant materials.

4.4 LICENSEE agrees to assist ARM in maintaining the validity of the Trademarks by retaining a record of its use of the Trademarks. Such records shall include samples of all uses of the Trademarks for each ARM Secure Core Based Product as well as information regarding the first use of each of the Trademarks in each country. Upon request from ARM, LICENSEE shall make available all such records to ARM.

4.5 Upon ARM's request, LICENSEE shall provide, free of charge, samples of the use of the Trademarks for the purpose of trademark registration. LICENSEE shall support ARM in the application and maintenance of any registration for the Trademarks in the name of ARM. Upon request from ARM, LICENSEE shall execute any required registered user agreements (including any such other documents required by the applicable laws of any jurisdiction) for the Trademarks. In the event that LICENSEE fails to timely execute any such documents, LICENSEE hereby irrevocably appoints ARM as its attorney with respect to such matters. Any and all registrations for the Trademarks shall be procured by and for ARM, at ARM's expense.

4.6 Except as provided by the terms of this Agreement, LICENSEE shall not use or register any trademark, service mark, device or logo or any word or mark confusingly similar to any of the Trademarks, in any jurisdiction.

**5. Fees and Royalties**

5.1 In consideration of the licenses granted in Clause 2.1 for the ARM Secure Core Transfer Materials, LICENSEE shall pay ARM a fee (each a "**Core Licence Fee**") for each Unique ARM Secure Core Based Product developed by LICENSEE as set out in and in accordance with Schedule 7 Part A. If within three (3) years after the Effective Date, LICENSEE pays ARM [*****] Core Licence Fees for [*****] Unique ARM Secure Core Based Products, then during the continuance of this Agreement, LICENSEE shall not have any obligation to pay Core Licence Fees for the [*****] Unique ARM Secure Core Based Products.

5.2 In consideration of the licenses granted in Clause 2.1 for the MME Transfer Materials, LICENSEE shall pay, ARM a fee ("**MME Licence Fee**") as set out in and in accordance with Schedule 7 Part B.

5.3 In consideration of the licenses granted in Clause 2.1, LICENSEE shall pay to ARM a royalty ("**Royalty**"), as determined in accordance with the table in Schedule 8, for each unit of ARM Secure Core Based Product sold, supplied or otherwise distributed by LICENSEE.

5.4 In consideration of the ARM Maintenance (defined in Clause 8.1) LICENSEE shall pay, ARM, annual fees (each a "**Maintenance Fee**") as set out in and in accordance with Schedule 7 Part C. The Maintenance Fees shall be fixed for two (2) years after the Effective Date and thereafter shall be subject to re-negotiation between the parties.

5.5 In consideration of the ARM Support (defined in Clause 8.2) LICENSEE shall pay, ARM, annual fees (each a "**Support Fee**") as set out in and in accordance with Schedule 7 Part D. The Support Fees shall be fixed for two (2) years after the Effective Date and thereafter shall be subject to re-negotiation between the parties.

5.6 Royalties (defined in Clause 5.3) due to ARM under this Agreement shall be paid in accordance with the terms set out in Schedule 4.

5.7 LICENSEE shall keep all records of account as are necessary to demonstrate compliance with its obligations under this Clause 5 for six (6) years from the date of each royalty report

5.8 ARM shall have the right for representatives of a firm of independent Chartered Accountants to which LICENSEE shall not unreasonably object ("**Auditors**"), to make an examination and audit, by appointment made at least thirty (30) days prior to the audit, during normal business hours, not more frequently than once annually, of all records and accounts as may under recognised accounting practices contain information including; (i) the number of units of ARM Secure Core Based Product and the number of cores per ARM Secure Core Based Product, sold or distributed by LICENSEE under this Agreement; and (ii) the amount of Royalties payable to ARM under this Clause 5. The Auditors will report to ARM only upon whether the Royalties paid to ARM by LICENSEE were or were not correct, and if incorrect, what are the correct amounts for the Royalties. LICENSEE shall be supplied with a copy of or sufficient extracts from any preliminary and final report prepared by the Auditors. The Auditor's report shall (in the absence of clerical or manifest error) be final and binding on the parties. Such audit shall be at ARM's expense unless it reveals an underpayment of Royalties of five per cent (5%) or more, in which case LICENSEE shall reimburse ARM for the costs of such audit. LICENSEE shall make good any underpayment of Royalties forthwith. If the audit identifies that LICENSEE has made an overpayment of Royalties, such overpayment will be credited with the next such payment or payments to be made by LICENSEE.

5.9 Any income or other tax which LICENSEE is required by law to pay or withhold on behalf of ARM with respect to any licence fees and/or Royalties payable to ARM under this Agreement shall be deducted from the amount of such licence fees and/or Royalties otherwise due, provided, however, that in regard to any such deduction, LICENSEE shall give such assistance as may be

[*****] - Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

necessary to enable or assist ARM to claim exemption therefrom, or credit therefor, and shall furnish ARM with such certificates and other evidence of deduction and payment thereof as ARM may properly require.

5.10 LICENSEE shall pay all licence fees and Royalties due to ARM under the terms of this Agreement within forty five (45) days of receipt of ARM's original invoice therefor ("**Due Date**").

5.11 If any sum under this Agreement is not paid by the Due Date (as defined in Clause 5.10), then (without prejudice to ARM's other rights and remedies) ARM reserves the right to charge interest on such sum on a day to day basis (as well after as before any judgement) from the day after the Due Date to the date of payment at the rate of two and a half (2.5%) per cent per annum above the base rate of The Bank of England from time to time in force. Notwithstanding the foregoing. ARM may waive this requirement, at its sole discretion, in the event that LICENSEE gives ARM advance warning that it has good cause to believe that, for reasons beyond its control, it may be unable to pay any such sum on the Due Date.

**6. Delivery and Acceptance**

6.1 ARM shall deliver the ARM Transfer Materials to LICENSEE in accordance with the delivery schedule set out in Schedule 9.

**7. Contract Management and Administration**

7.1 The parties hereby appoint the following individuals as their respective contract administrator between ARM and LICENSEE with respect to this Agreement:

**ARM**

**For Legal Notices:**

VP and general Counsel
ARM Limited
110 Fulbourn Road
Cambridge
CB19JN

**For Corporate Issues:**
Chief Operations Officer
At the address above

**For Financial Matters:**
Financial Controller
At the address above

**LICENSEE**

**For Legal Notices, Corporate Issues, Financial Matters, Confidential Information, Design Transfer and Support**

Jay Ho Chac
Vice President/System IC SBU, SP BU, MCU
Hynix Semiconductor Inc.
1 Hyangjeong-dong Hungduk-gu
Cheongju-si
361-725 Korea

**For Confidential Information:**

Manager of Core Licensing
At the Address above

**For Design Transfer and Support**

Manager of Core Licensing
At the Fulbourn Road Address above

**For Technical Matters**

As above

7.2 The contract administrators identified herein are appointed by the parties for the receipt and dispatch on their behalf all communications relating to this Agreement. The contract administrators shall also be responsible for the good progress of the parties' performance under this Agreement and the timely resolution of all technical, administrative and commercial issues which may arise from time to time during the execution of this Agreement.

7.3 Each party reserves the right to change its appointment as above upon at least seven (7) days prior written notice to the other party's then current corresponding liaison.

7.4 As soon as reasonably possible after the Effective Date, the parties shall mutually agree and publish a press release relating to the contents of this Agreement and the relationship thereby established between the parties.

**8. ARM Maintenance and Support**

8.1 Subject to LICENSEE's payment of the Maintenance Fees, ARM shall provide to LICENSEE, in respect of the ARM Transfer Materials through the parties' contract administrator, with the following services ("**ARM Maintenance**");

(i) the use of commercially reasonable efforts to correct any defects in the ARM Transfer Materials which cause any of the ARM Transfer Materials not to operate in accordance with the functionality described in the datasheet and/or manual for the ARM Transfer Materials, as appropriate. If ARM determines that such defects are due to errors in such datasheet and/or manual provided by ARM shall promptly issue corrections to the datasheet and/or manual and shall not be required to revise the ARM Materials, provided that use of the ARM Transfer Materials by LICENSEE is not adversely affected thereby; and

(ii) all Updates to the ARM Transfer Materials.

8.2 Subject to LICENSEE's payment of the Support Fees, ARM shall provide to LICENSEE, in respect of the ARM Transfer Materials through the parties' contract administrator, with the following services ("**ARM Support**"); reasonable telephone, e-mail and written consultation pertaining to the operation and application of the ARM Transfer Materials. The ARM Support provided under this Clause 8.2 shall be limited to a total of ten (10) person days per annum.

8.3 LICENSEE agrees to receive ARM Maintenance and ARM Support for the ARM Secure Core and the ARM Transfer Materials for two (2) years after the Effective Date and after such date may request ARM to continue the provision of ARM Maintenance and ARM Support subject to the payment of appropriate fees mutually agreed by the parties.

8.4 Upon LICENSEE requesting ARM Maintenance pursuant to Clause 8.1 or ARM Support pursuant to the provisions of Clause 8.2, LICENSEE shall promptly provide ARM with such samples and technical information as ARM may reasonably require to enable ARM to provide such ARM Maintenance or ARM Support, as appropriate.

8.5 For the avoidance of doubt, ARM's obligation under this Clause 8 is limited expressly to the provision of ARM Support only for LICENSEE and ARM shall be under no obligation to provide ARM Support for LICENSEE's customers.

8.6 ARM Maintenance and ARM Support shall be provided from ARM's premises in Cambridge, England. Nevertheless, ARM will use reasonable efforts to provide ARM Maintenance and ARM Support to LICENSEE, at LICENSEE's premises, subject to LICENSEE bearing all reasonable travelling, accommodation and sustenance expenses incurred and agreed in advance in writing with both parties.

8.7 For the avoidance of doubt, ARM's obligation under Clause 8.2 is limited expressly to the provision of ARM Support only for LICENSEE and ARM shall be under no obligation to provide ARM Support for LICENSEE's customers.

8.8 Upon LICENSEE requesting ARM Support pursuant to the provisions of Clause 8, LICENSEE shall promptly provide ARM with such samples and technical information as ARM may reasonably require to enable ARM to provide ARM Support.

**9. Confidentiality**

9.1 Except as provided by Clause 9.3 and 9.4, each party shall maintain in confidence the Confidential Information disclosed by the other party and apply security measures no less stringent than the measures that such party applies to protect its own Confidential Information, but not less than a reasonable degree of care, to prevent unauthorised disclosure and use of the Confidential Information. The period of confidentiality shall be fifteen (15) years with respect to each party's Confidential Information.

9.2 LICENSEE agrees that it shall not use any of ARM's Confidential Information other than for the purposes of designing, having designed, manufacturing, having manufactured, marketing and distributing ARM Secure Core Based Products whether alone or incorporated in other products and any other activities reasonably necessary in the normal course of business for LICENSEE to sell ARM Secure Core Based Products. ARM agrees that it shall only use LICENSEE's Confidential Information for LICENSEE's purposes.

9.3 Notwithstanding the foregoing; LICENSEE shall have the right to disclose layout derived from the Synthesizable RTL identified in Schedule 1 Part C Section 1 and the MME Synthesisable RTL identified in Schedule 2 Part B Section 1, to a Manufacturer (as defined in Clause 2.2) pursuant to the exercise of the "have manufactured" rights granted in Clause 2.1 under an NDA with substantially similar terms to this Clause 9 but also including a prohibition on the reverse engineering of the ARM Transfer Materials and/or the derivatives therefrom and except that the confidentiality period for each deliverable shall be at a minimum of ten (10) years from the date of disclosure.

9.4 Notwithstanding the foregoing, LICENSEE shall have the right to disclose the Core Self Test Programs, to a House (as defined in Clause 2.3) pursuant to the exercise of the have tested rights granted in Clause 2.1 under an NDA containing substantially similar terms to this Clause 9, except that the confidentiality period for each deliverable shall be at a minimum of five (5) years from the date of disclosure.

9.5 The provisions of this Clause 9 shall not apply to information which:

(i) is known and has been reduced to tangible form by the receiving party prior to disclosure by the other party; or

(ii) is published or otherwise made available to the public other than by a breach of this Agreement by the receiving party; or

(iii) is disclosed to the receiving patty by a third party without a duty of confidentiality; or

(iv) is independently conceived by the receiving party provided that the receiving party is able to provide evidence of such independent conception in the form of written records; or

(v) is released to the receiving party for disclosure to any third party, other than on a confidential basis, by the disclosing party in writing; or

(vi) is approved for release by the disclosing party; or

(vii) is released to a third party by the disclosing party without a duty of confidentiality; or

(viii) is marked (N) in the Schedules of this Agreement.

9.6 For the avoidance of doubt, LICENSEE Royalty reports may be disclosed in confidence to ARM's financial and legal advisors. In addition, ARM may disclose the total unit sales of ARM processor based products on an annual basis provided that the unit sales of such ARM Secure Core Based Products by LICENSEE are not separately identifiable or deducible therefrom.

**10. Warranties**

10.1 Except as expressly provided in this Agreement, the ARM Transfer Materials and Software are supplied "as is" and ARM makes no representations and gives no warranties express, implied or statutory, including, without limitation, the implied warranties of satisfactory quality or fitness for a particular purpose in respect thereof.

10.2 ARM warrants, to LICENSEE, that;

(i) the Intellectual Property in the ARM Transfer Materials does not infringe any third party copyright, design right, registered design right or maskwork right or tradesecret; and

(ii) ARM has the right to enter into this Agreement.

10.3 ARM represents and warrants that as of the Effective Date, there are no pending Claims that have been made, or actions commenced, against ARM for breach by the ARM Transfer Materials of any third party Intellectual Property.

10.4 ARM warrants that the ARM Transfer Materials will be consistent and sufficient for a competent semiconductor manufacturer to produce Microarchitecture Compliant Cores, as the case may be, which meet the functionality and performance specified in the applicable Technical Reference Manual. LICENSEE's remedy for any breach of such warranty shall be for ARM, as soon as is reasonably possible, to correct any errors in the appropriate ARM Transfer Materials and deliver such corrected materials to LICENSEE in accordance with the provisions of Clause 8.

10.5 LICENSEE acknowledges that the Software cannot be tested in every possible operation, and accordingly ARM does not warrant that the Software will be free from all defects or that there will be no interruption in their use. However, ARM warrants that the Software will comply with the description of their functionality specified in the related documentation. LICENSEE's remedy for any breach of such warranty shall be for ARM, as soon as is reasonably possible, to correct any errors in the Software and deliver such corrected Software to LICENSEE.

10.6 ARM shall not be responsible for any recoverable or non-recoverable costs incurred, directly or indirectly, by LICENSEE in the design migration, processing, or manufacture of masks and prototypes, characterization or manufacture of production quality silicon in whatever quantity.

**11. Infringement**

11.1 LICENSEE shall notify ARM immediately upon learning of any claim which may be made or threatened that the exercise by LICENSEE of the rights hereby licensed constitutes an infringement of the patent, copyright, maskwork right, or trade secret (together "**Rights**") of a third party and will not take any action in relation to such claim which may be prejudicial to the interests of ARM without the written consent of ARM.

11.2 ARM agrees that it will, at its expense, timely defend any suit instituted against LICENSEE and shall indemnify LICENSEE against any award of damages and costs made against LICENSEE in any such suit insofar as the same is based on a claim that the exercise by LICENSEE of its licensed rights under Clause 2.1, infringes any Right of a third party, provided that LICENSEE gives ARM timely notice in writing of the institution of such suit and permits ARM through ARM's lawyers of choice to defend the same and LICENSEE provides all available information, assistance and authority to so defend. ARM shall have control of the defence of any such suit, including appeals, and of all negotiations for settlement, including the right to effect the settlement or compromise thereof.

11.3 In the event that rights licensed to LICENSEE under Clause 2.1 are, in any suit for infringement of any Right of a third party, held to constitute an infringement, ARM shall, at its option and expense, procure for LICENSEE the right to continue exercising its rights under Clause 2.1, or, to the extent commercially practicable, replace or modify the ARM Transfer Materials, as appropriate, provided that such replacement or modification of the ARM Transfer Materials maintain compatibility, so that the exercise by LICENSEE of its rights under Clause 2.1, does not constitute an infringement.

11.4 ARM shall have no liability under this Clause 11 with respect to any suit or claim to the extent that infringement is due solely to; ARM shall have no liability under this Clause for any infringement arising from;

(i) the combination of the ARM Transfer Materials with other products not supplied by ARM if such infringement arises exclusively from such combination;

(ii) the modification of the ARM Transfer Materials unless the modification was made or approved by ARM if such infringement arises exclusively from modification;

(iii) any manufacturing process applied to the ARM Transfer Materials by LICENSEE or LICENSEE'S agent; or

(iv) compliance by ARM with the LICENSEE requirement specification where such compliance necessarily lead to such infringement.

11.5 LICENSEE agrees that it will, at its expense, timely defend any suit instituted against ARM and shall indemnify ARM against any award of damages and costs made against ARM in any such suit insofar as the same is based on a claim that; (i) the combination of the ARM Transfer Materials with other products not supplied by ARM if such infringement arises exclusively from such combination; (ii) the modification of the ARM Transfer Materials unless the modification was made or approved by ARM if such infringement arises exclusively from modification; (iii) any manufacturing process applied to the ARM Transfer Materials by LICENSEE; or (iv) compliance by ARM with the LICENSEE requirement specification where such compliance necessarily lead to infringement, infringes any Right of a third party, provided that ARM gives LICENSEE timely notice in writing of the institution of such suit and permits LICENSEE through LICENSEE's lawyers of choice to defend the same and ARM provides, at ARM's expense, all available information, assistance and authority to so defend. LICENSEE shall have control of the defence of any such suit, including appeals, and of all negotiations for settlement, including the right to effect the settlement or compromise thereof. Notwithstanding the foregoing, LICENSEE shall not be

liable under the indemnification provided in this Clause 11.5 unless it is held in any suit that the infringement has been caused by the wilful action of LICENSEE.

**12. Disclaimer of Consequential Damages and limitation of liability**

12.1 IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES RESULTING FROM ITS PERFORMANCE OR FAILURE TO PERFORM UNDER THIS AGREEMENT, OR THE FURNISHING, PERFORMANCE OR USE OF THE ARM SECURE CORE OR ARM TRANSFER MATERIALS LICENSED HEREBY.

12.2 NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, ARM SHALL NOT BE LIABLE FOR ANY AMOUNTS IN EXCESS OF THE TOTAL CORE LICENCE FEES PAID TO ARM PURSUANT TO CLAUSE 5.1 OF THIS AGREEMENT FOR ALL PAYMENTS BY ARM TO LICENSEE MADE PURSUANT TO ALL CLAIMS IN ANY WAY ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT.

12.3 NOTHING IN THIS CLAUSE SHALL OPERATE TO EXCLUDE LIABILITY FOR DEATH OR PERSONAL INJURY RESULTING FROM EITHER PARTY'S NEGLIGENCE.

12.4 If the Synthesizable RTL and MME Synthesizable RTL for the ARM Secure Core simulates substantially the functionality described in the Technical Reference Manual, ARM shall not be liable for any loss or damage suffered by LICENSEE as a result of the failure of any ARM Secure Core Based Product to provide security of data processed by the device. If an ARM Secure Core Based Product fails to provide security of data processed by it, ARM shall, subject to the provisions of Clause 12.2, only be liable for any loss or damage suffered by LICENSEE as a result of such failure to the extent that such loss or damage is a direct result of the Synthesizable RTL and MME Synthesizable RTL for the ARM Secure Core failing to simulate substantially the functionality described in the Technical Reference Manual.

**13. Term and Termination**

13.1 This Agreement shall commence on the Effective Date and shall continue in force unless earlier terminated in accordance with the provisions of Clause 13.2.

13.2 Without prejudice to any other right or remedy which may be available to it, either party shall be entitled summarily to terminate this Agreement forthwith by giving written notice to the other, if the other party:

(i) has committed a material breach of any of its obligations hereunder which is not capable of remedy; or

(ii) has committed a material breach of any of its obligations hereunder which is capable of remedy but which has not been remedied within sixty (60) days following receipt of written notice to do so; or

(iii) makes any voluntary arrangement with its creditors for the general settlement of its debts or becomes subject to an administration order; or

(iv) has an order made against it, or passes a resolution, for its winding-up (except for the purposes of amalgamation or reconstruction) or has an encumbrancer take possession or has a receiver or similar officer appointed over all or substantially all of its property or assets.

**14. Effect of Expiry and Termination**

14.1 Upon termination of this Agreement by ARM pursuant to Clause 13.2, LICENSEE will immediately discontinue any use and distribution of all ARM Secure Core Based Products, the ARM Secure Core, the ARM Transfer Materials, any Intellectual Property embodied therein, and any ARM Confidential Information. LICENSEE shall, at ARM's option, either destroy or return to ARM any Confidential Information, including any copies thereof in its possession, together with the ARM Transfer Materials in its possession. Within one month after termination of this Agreement LICENSEE will furnish to ARM a certificate signed by a duly authorised representative of LICENSEE that to the best of his or her knowledge, information and belief, after due enquiry, LICENSEE has complied with provisions of this Clause.

14.2 Unless this Agreement is terminated by LICENSEE in accordance with the provisions of Clause 13.2, the licenses granted to LICENSEE under the terms of this Agreement shall survive (subject to the terms and conditions of this Agreement) in the event that either; (i) ARM makes any voluntary arrangement with its creditors for the settlement of its debts or becomes subject to an administration order; or (ii) ARM has an order made against it, or passes a resolution, for its winding-up (except for the purposes of amalgamation or reconstruction) or has an encumbrancer take possession or has a receiver or similar officer appointed over all or substantially all of its property or assets. Notwithstanding anything to the contrary contained elsewhere in this Agreement, if this Agreement is terminated by LICENSEE in accordance with the provisions of Clause 13.2, any and all rights, including, without limitation, all licences granted to LICENSEE hereunder shall survive such termination subject to the terms and conditions of this Agreement including, without limitation, the continued payment of Royalties in accordance with the provisions of Clause 5.3.

14.3 Upon termination the provisions of Clauses 1, 5 (to the extent that any obligation under this Clause remains outstanding) 9, 10, 11, 12, 14 and 15 shall survive termination.

**15. General**

15.1 All communications between the parties including, but not limited to, notices, royalty reports, error or bug reports, the exercise of options, and support requests shall be in the English language.

15.2 All notices which are required to be given hereunder shall be in writing and shall be sent to the address of the recipient set out in this Agreement or such other address as the recipient may designate by notice given in accordance with the provisions of this Clause. Any such notice may be delivered personally, by commercial overnight courier or facsimile transmission which shall be followed by a hard copy and shall be deemed to have been served if by hand when delivered, if by commercial overnight courier 48 hours after deposit with such courier, and if by facsimile transmission when dispatched.

15.3 Neither party shall assign or otherwise transfer this Agreement or any of its rights and obligations hereunder whether in whole or in part without the prior written consent of the other provided that such consent shall not be unreasonably withheld.

15.4 Neither party shall be liable for any failure or delay in its performance under this Agreement due to causes, including, but not limited to, acts of God, acts of civil or military authority, fires, epidemics, floods, earthquakes, riots, wars, sabotage, third party industrial disputes and governments actions, which are beyond its reasonable control; provided that the delayed party: (i) gives the other party written notice of such cause promptly, and in any event within fourteen (14) days of discovery thereof; and (ii) uses its reasonable efforts to correct such failure or delay in its performance. The delayed party's time for performance or cure under this Clause 15.4 shall be extended for a period equal to the duration of the cause.

15.5 ARM and LICENSEE are independent parties. Neither company nor their employees, consultants, contractors or agents, are agents, employees or joint venturers of the other party, nor do they have

the authority to bind the other party by contract or otherwise to any obligation. Neither party will represent to the contrary, either expressly, implicitly, by appearance or otherwise.

15.6 The parties agree that the terms and conditions of this Agreement shall be treated as Confidential Information hereunder and shall not be disclosed without the consent of both parties.

15.7 Failure by either party to enforce any provision of this Agreement shall not be deemed a waiver of future enforcement of that or any other provision.

15.8 If any provision of this Agreement, or portion thereof, is determined to be invalid or unenforceable the same will be enforced to the maximum extent permissible so as to effect the intent of the parties, and the remainder of this Agreement will continue in full force and effect.

15.9 The headings to the Clauses of this Agreement are for ease of reference only and shall not affect the interpretation or construction of this Agreement.

15.10 This Agreement may be executed in one or more counterparts each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

15.11 This Agreement, including all Schedules and documents referenced herein, constitutes the entire agreement between the parties with respect to the subject matter hereof, and supersedes and replaces all prior or contemporaneous understandings or agreements, written or oral, regarding the subject matter. Except in respect of changes to the Trademark Guidelines (defined in Clause 4.2) which may be changed in accordance with the provisions of Clause 4.2, no amendment to, or modification of, this Agreement shall be binding unless in writing and signed by a duly authorized representatives of both parties.

15.12 This Agreement shall be governed by and construed in accordance with the laws of England. In the event that ARM commences proceedings against LICENSEE under this Agreement, the parties agree to submit to the jurisdiction of the Seoul District Court, Korea, for the purpose of hearing and determining any disputes arising out of this Agreement. In the event that LICENSEE commences proceedings against ARM under this Agreement, the parties agree to submit to the jurisdiction of the High Court of Justice, London, England, for the purpose of hearing and determining any disputes arising out of this Agreement.

15.13 LICENSEE and ARM acknowledge that each and every term and condition of this Agreement has been fully and completely negotiated and such terms and conditions closely relate to each other. In the event that the Korean governmental authorities, including the Korean Fair Trade Commission, during the review of this Agreement require a modification to one or more of the clauses of this Agreement, ARM shall have the option to renegotiate the entire Agreement or accept the applicable modification of the Agreement as required by such governmental authorities.

15.14 Subject to the mutual agreement of the authorized executives of the parties, ARM and LICENSEE agree to issue a mutually agreed press release detailing the relationship established and products licensed under this Agreement.

**IN WITNESS WHEREOF** the parties have caused this Agreement to be executed by their duly authorized representatives:

**ARM LIMITED:**

SIGNED Illegible
NAME: Illegible
TITLE: EVP

**HYNIX SEMICONDUCTOR LIMITED**

SIGNED /s/ Jay Ho Chae
NAME: Jay Ho Chae
TITLE: VP

**Exhibit 10.34**

This **Technology License Agreement** ("**TLA**") is made the 20th day of May day of 2004 ("**Effective Date**")

**BETWEEN**

**ARM LIMITED** whose registered office is situated at 110 Fulbourn Road, Cambridge CB1 9NJ, England ("**ARM**");

and

**HYNIX SEMICONDUCTOR INC.** whose principal place of business is situated at Youngdong Building 891, Daechi-dong, Kangnam-gu, Seoul, Republic of Korea ("**HYNIX**").

**WHEREAS**

LICENSEE has requested ARM and ARM has agreed to license to LICENSEE certain ARM Technology (defined below) on the following terms and conditions.

**1. Definitions**

1.1 **"ARM Compliant Product"** means an integrated circuit incorporating an ARM Compliant Core as defined in the relevant Annex 1.

1.2 **"ARM Technology"** means any or all, as the context admits, of the technology identified in each Annex 1 and any Updates thereto delivered by ARM to LICENSEE.

1.3 **"ASP"** means the average sales price of an ARM Compliant Product or other device which contains royalty bearing ARM Technology, as the case may be, in a Quarter, calculated by taking the figure for the aggregate of all invoices for the distribution of such ARM Compliant Product or other device which contains royalty bearing ARM Technology in such Quarter by the entity exercising the licences to manufacture or have manufactured under this TLA (notwithstanding that such distribution may be between HYNIX and a Subsidiary of HYNIX or between Subsidiaries of HYNIX), less; **(i)** any value added, turnover, import or other tax, duty or tariff payable by law thereon; and **(ii)** any freight and insurance costs included in the invoiced price, and dividing it by the number of units of such ARM Compliant Product or other device which contains royalty bearing ARM Technology, as appropriate, accounted for under such invoices.

1.4 **"Claim"** means a written notice received by ARM and claiming infringement of the Intellectual Property of a third party by any of the ARM Technology and which demands that ARM cease and desist from such claimed Intellectual Property infringement.

1.5 **"Confidential Information"** means; **(i)** the ARM Technology and derivatives thereof (including any translation, modification, compilation, abridgement or other form in which the ARM Technology has been recast, transformed or adapted) and any trade secrets relating to the ARM Technology; **(ii)** any information designated in writing by either party, by appropriate legend, as confidential; **(iii)** any information which if first disclosed orally is identified as confidential at the time of disclosure and is thereafter reduced to writing for confirmation and sent to the other party within thirty (30) days after its oral disclosure and designated, by appropriate legend, as confidential; and **(iv)** the terms and conditions of this TLA.

1.6 **"Customer"** means any entity that has contracted with LICENSEE for the design and manufacture of an ARM Compliant Product for such entity.

1.7 **"Designer"** means any entity sub-contracted by LICENSEE to provide design resource to LICENSEE.

1.8 **"Intellectual Property"** means any patents, patent rights, trade marks, service marks, registered designs, topography or semiconductor mask work rights, applications for any of the foregoing, copyright, unregistered design right and any other similar protected rights in any country.

1.9 **"LICENSEE"** means HYNIX and any Subsidiaries of HYNIX.

1.10 **"Manufacturer"** means any entity sub-contracted by LICENSEE to manufacture integrated circuits for LICENSEE.

1.11 **"Quarter"** means each calendar quarter ending the 31st March, 30th June, 30th September and 31st December of each year.

1.12 **"Subsidiary"** means any company the majority of whose voting shares is now or hereafter owned or controlled, directly or indirectly, by a party hereto or any company a majority of whose voting shares is now or hereafter owned or controlled, directly or indirectly, by any of the aforementioned entities. A company shall be a Subsidiary only so long as such control exists.

1.13 **"Term"** means the term for which the subject ARM Technology is licensed to LICENSEE by ARM as specifically set out in Section 7 of the relevant Annex 1.

1.14 **"Test House"** means any entity sub-contracted by LICENSEE to test integrated circuits for LICENSEE.

1.15 **"Trademarks"** means the trademarks identified in Section 6 of each Annex 1.

1.16 **"Trademark Guidelines"** means the guidelines for the use of ARM's Trademarks as set out in Annex 2 and any amendment thereto delivered to LICENSEE by ARM from time to time in accordance with the provisions of Clause 2.9.

1.17 **"Updates"** means any; **(i)** error corrections developed by or for ARM; and **(ii)** functional enhancements or other modifications developed by or for ARM (which ARM in its discretion decides does not constitute a new product), together with any Intellectual Property embodied therein.

**2. Licence**

**ARM Technology Licence**

2.1 The ARM Technology shall be licensed to LICENSEE subject to the relevant license terms identified in Section 2 of the relevant Annex 1.

**Subcontracting Design**

2.2 Subject to the provisions of Clause 3 (Confidentiality), LICENSEE may exercise the right, if granted in Section 2 of the relevant Annex 1, to have ARM Compliant Products or other devices which contain ARM Technology licensed in accordance with the terms of this TLA, as the case may be, designed by any Designer, provided that; **(a)** LICENSEE does not grant to the Designer any license in respect of the ARM Technology for any other purpose; and **(b)** that each Designer;

(i) is subject to contractual obligations of confidentiality in respect of the ARM Confidential Information and ARM Technology which are in accordance with the provisions of Clause 3.3;

(ii) is subject to a contractual obligation to use the ARM Confidential Information and ARM Technology solely for the purpose of supplying the designs of the ARM Compliant Products or other devices which contain ARM Technology licensed in accordance with the terms of this TLA, as the case may be, solely to LICENSEE; and

(iii) is subject to a contractual obligation to return any ARM Confidential Information and ARM Technology to LICENSEE on the earlier of; **(a)** the completion of the design; and **(b)** the end of the contractual confidentiality period (in the agreement between LICENSEE and Designer) for the relevant ARM Confidential Information or ARM Technology.

If any Designer breaches the provisions of Clauses 2.2(i) to 2.2(iii), LICENSEE agrees that such breach shall be treated as a material breach of this TLA by LICENSEE which shall entitle ARM to terminate this TLA in accordance with the provisions of Clause 14.2 and LICENSEE shall hold ARM harmless from and keep ARM

indemnified against all and any loss, liability, costs, damages, expenses (including the fees of lawyers and other professionals), suffered, incurred or sustained as a result of or in relation to such breach.

**Customer Collaboration**

2.3 Subject to the provisions of Clause 3 (Confidentiality), LICENSEE may exercise the right, if granted in Section 2 of the relevant Annex 1, to have ARM Compliant Products or other devices which contain ARM Technology licensed in accordance with the terms of this TLA, as the case may be, designed by any Customer provided that; **(a)** LICENSEE does not grant to the Customer any license in respect of the ARM Technology for any purpose other than for collaborating on the design of ARM Compliant Products or other devices which contain ARM Technology licensed in accordance with the terms of this TLA, as the case may be, with LICENSEE and; and **(b)** that each Customer;

(i) is subject to contractual obligations of confidentiality in respect of the ARM Confidential Information and ARM Technology which are in accordance with the provisions of Clause 3.4;

(ii) is subject to a contractual obligation to use the ARM Confidential Information and ARM Technology solely for the purpose of supplying the designs of the ARM Compliant Products or other devices which contain ARM Technology licensed in accordance with the terms of this TLA, as the case may be, solely to LICENSEE; and

(iii) is subject to a contractual obligation to return any ARM Confidential Information and ARM Technology to LICENSEE on the earlier of; **(a)** the completion of the design; and **(b)** the end of the contractual confidentiality period (in the agreement between LICENSEE and Customer) for the relevant ARM Confidential Information or ARM Technology.

If any Customer breaches the provisions of Clauses 2.3(i) to 2.3(iii), LICENSEE agrees that such breach shall be treated as a material breach of this TLA by LICENSEE which shall entitle ARM to terminate this TLA in accordance with the provisions of Clause 14.2 and LICENSEE shall hold ARM harmless from and keep ARM indemnified against all and any loss, liability, costs, damages, expenses (including the fees of lawyers and other professionals), suffered, incurred or sustained as a result of or in relation to such breach.

**Subcontracting Manufacture**

2.4 Subject to the provisions of Clause 3 (Confidentiality), LICENSEE may exercise the right, if granted in Section 2 of the relevant Annex 1, to have ARM Compliant Products or other devices which contain ARM Technology licensed in accordance with the terms of this TLA, as the case may be, manufactured by a Manufacturer provided that; **(a)** LICENSEE does not grant to the Manufacturer any license in respect of the ARM Technology for any purpose other than for manufacturing ARM Compliant Products or other devices which contain ARM Technology licensed in accordance with the terms of this TLA, as the case may be, solely for LICENSEE; and **(b)** that each Manufacturer;

(i) is subject to contractual obligations of confidentiality in respect of the ARM Confidential Information and ARM Technology which are in accordance with the provisions of Clause 3.2;

(ii) is subject to a contractual obligation to use the ARM Confidential Information and ARM Technology solely for the purpose of supplying units of the ARM Compliant Products or other devices which contain ARM Technology licensed in accordance with the terms of this TLA, as the case may be, solely to LICENSEE; and

(iii) is subject to a contractual obligation to return any ARM Confidential Information and ARM Technology to LICENSEE on the earlier of; **(a)** the completion of the manufacture; and **(b)** the end of the contractual confidentiality period (in the agreement between LICENSEE and Manufacturer) for the relevant ARM Confidential Information or ARM Technology.

If any Manufacturer breaches the provisions of Clauses 2.4(i) to 2.4(iii), LICENSEE agrees that such breach shall be treated as a material breach of this TLA by LICENSEE which shall entitle ARM to terminate this TLA in accordance with the provisions of Clause 14.2 and LICENSEE shall hold ARM harmless from and keep ARM

indemnified against all and any loss, liability, costs, damages, expenses (including the fees of lawyers and other professionals), suffered, incurred or sustained as a result of or in relation to such breach.

**Subcontracting Testing**

2.5 Subject to the provisions of Clause 3 (Confidentiality), LICENSEE may exercise the right, if granted in Section 2 of the relevant Annex 1, to have tested ARM Compliant Products or other devices which contain ARM Technology licensed in accordance with the terms of this TLA, as the case may be, by a **Test House** provided that; **(a)** LICENSEE does not grant to the Test House any license in respect of the ARM Technology for any purpose other than for testing ARM Compliant Products or other devices which contain ARM Technology licensed in accordance with the terms of this TLA, as the case may be, solely for LICENSEE; and **(b)** that each Test House;

(i) is subject to contractual obligations of confidentiality in respect of the ARM Confidential Information and ARM Technology which are in accordance with the provisions of Clause 3.5;

(ii) is subject to a contractual obligation to use the ARM Confidential Information and ARM Technology solely for the purpose of supplying units of the tested ARM Compliant Products or other devices which contain ARM Technology licensed in accordance with the terms of this TLA, as the case may be, solely to LICENSEE; and

(iii) is subject to a contractual obligation to return any ARM Confidential Information and ARM Technology to LICENSEE on the earlier of; **(a)** the completion of the testing; and **(b)** the end of the contractual confidentiality period (in the agreement between LICENSEE and Test House) for the relevant ARM Confidential Information or ARM Technology.

If any Test House breaches the provisions of Clauses 2.5(i) to 2.5(iii), LICENSEE agrees that such breach shall be treated as a material breach of this TLA by LICENSEE which shall entitle ARM to terminate this TLA in accordance with the provisions of Clause 14.2 and LICENSEE shall hold ARM harmless from and keep ARM indemnified against all and any loss, liability, costs, damages, expenses (including the fees of lawyers and other professionals), suffered, incurred or sustained as a result of or in relation to such breach.

**Intercompany Matters**

2.6 Any breach of this TLA by a Subsidiary of HYNIX shall entitle ARM to terminate this TLA in accordance with the provisions of Clause 14.2 as if HYNIX were the party in breach. Any termination of this TLA in accordance with the provisions of Clause 14.2 shall be effective in respect of HYNIX and all Subsidiaries.

Any rights granted to any Subsidiary of HYNIX hereunder shall automatically terminate upon such Subsidiary of HYNIX ceasing to be a Subsidiary of HYNIX.

In the event that a Subsidiary of HYNIX is in breach of any of the terms of this TLA, HYNIX shall hold harmless and indemnify ARM against all and any loss, liability, costs, damages, expenses (including the reasonable fees of lawyers and other professionals) suffered, as a result of or in connection with such breach.

**Licence Restrictions**

2.7 Except as specifically licensed in accordance with Clause 2.1, LICENSEE acquires no right, title or interest in any ARM Confidential Information, ARM Technology or any Intellectual Property embodied therein. In no event shall the licenses granted in accordance with Clause 2.1 be construed as granting LICENSEE, expressly or by implication, estoppel or otherwise, a license to use any ARM technology except the ARM Technology.

Except as expressly licensed in accordance with Clause 2.1, no right is granted to LICENSEE to sublicense the rights granted to LICENSEE under this TLA.

LICENSEE shall **not** use or procure others to use any ARM Technology or ARM Confidential Information; **(i)** for the purposes of determining if any features, functions or processes provided by the ARM Technology or disclosed by the ARM Confidential Information are covered by any patents or patent applications owned by LICENSEE; or **(ii)** as a reference for developing inventions in respect of which LICENSEE or its agents will seek patent protection; **(iii)** for developing technology or products which work around any of ARM's Intellectual Property licensed

hereunder; or **(iv)** as a reference for modifying existing patents or patent applications or creating any continuation, continuation in part, or extension of existing patents or patent applications.

**Intellectual Property Notices**

2.8 LICENSEE shall reproduce and not remove or obscure any notice incorporated in the ARM Technology by ARM to protect ARM's Intellectual Property or to acknowledge the Intellectual Property of any third party. LICENSEE shall incorporate and shall require that any Designer, Customer, Manufacturer and Test House to which any ARM Technology is provided in accordance with the terms of this Agreement, incorporates corresponding notices and such other markings and notifications as ARM may reasonably require on all copies of the ARM Technology and any derivatives thereof (including any translation, modification, compilation, abridgement or other form in which the ARM Technology has been recast, transformed or adapted) created by LICENSEE, Designer, Customer, Manufacturer or Test House, as the case may be.

**ARM Trademarks**

2.9 ARM hereby grants to LICENSEE a non-transferable (subject to Clause 16.3), non-exclusive, royalty-free, world-wide license to use the Trademarks in connection with the promotion and sale of products developed under the licences granted in this TLA.

LICENSEE shall use the Trademarks, in accordance with the Trademark Guidelines. ARM shall have the right to revise the Trademark Guidelines and Section 6 of any Annex 1. Any such revisions shall be effective with respect to printed materials and products to be produced or manufactured after ninety (90) days from receipt of ARM's written notice specifying the revisions to LICENSEE.

Upon request from ARM, LICENSEE shall submit samples of documentation, packaging, and promotional or advertising materials bearing the Trademarks to ARM so that ARM may verify compliance with the Trademark Guidelines. In the event that any documentation, packaging, promotional or advertising material fails to comply with the Trademark Guidelines, ARM shall notify LICENSEE and LICENSEE shall rectify such documentation, packaging, and promotional or advertising materials so as to comply with the Trademark Guidelines and cease using any such non-compliant materials as soon as reasonably possible after the date of ARM's notice.

LICENSEE agrees to provide reasonable assistance to ARM in maintaining the validity of the Trademarks. Upon ARM's request, LICENSEE shall provide, free of charge, a reasonable number of samples of the use of the Trademarks for the purpose of trademark registration or renewal. Upon request, LICENSEE shall at ARM's expense execute any documents required by the applicable laws of any jurisdiction for the purpose of either or both registering and maintaining the Trademarks.

Except as provided by the terms of this TLA, LICENSEE shall not use or register, in any jurisdiction, any trademark, service mark, device or logo or any word or mark confusingly similar to any of the Trademarks.

## 3. Confidentiality

**Restricted Disclosure**

3.1 Except as expressly provided by Clauses 3.2, 3.3, 3.4, 3.5, 3.6 and 3.7, each party shall maintain in confidence the Confidential Information disclosed by the other party and apply security measures no less stringent than the measures that such party applies to its own like information, but not less than a reasonable degree of care, to prevent unauthorised disclosure and use of the Confidential Information. The period of confidentiality shall be indefinite with respect to each party's Confidential Information.

**Permitted Disclosure to Manufacturers**

3.2 LICENSEE may disclose the (i) the ARM Technology marked "M" in any Annex 1, and any translation, modification, compilation, abridgement or other form in which the ARM Technology marked "M" has been recast, transformed or adapted; (ii) any GDSII created by or for LICENSEE from the synthesizable RTL licensed under any Annex 1; and (iii) any masks created from the GDSII by or for LICENSEE, to a **Manufacturer** pursuant to the exercise of any have manufactured rights (if granted in Section 2 of the relevant Annex 1) solely for the purposes of having ARM Compliant Products manufactured for LICENSEE by such third party and under a non-disclosure

agreement containing substantially similar terms to this Clause 3, except that the confidentiality period for each deliverable shall be, at a minimum, of five (5) years from the date of disclosure.

**Permitted Disclosure to Designers**

3.3 LICENSEE may disclose the ARM Technology marked "D" in any Annex 1 and any translation, modification, compilation, abridgement or other form in which the ARM Technology marked "D" has been recast, transformed or adapted, to a **Designer** pursuant to the exercise of the have designed rights (if granted in Section 2 of the relevant Annex 1) solely for the purposes of having ARM Compliant Products designed for LICENSEE by such third party and under an non-disclosure agreement containing substantially similar terms to this Clause 3, including the confidentiality period for each deliverable determined in accordance with the provisions of Clause 3.1.

**Permitted Disclosure to Customers**

3.4 LICENSEE may disclose the ARM Technology marked "CS" in any Annex 1 to a **Customer** solely for the purposes of collaborating on the design of ARM Compliant Products for such third party and under an non-disclosure agreement containing substantially similar terms to this Clause 3, including the confidentiality period for each deliverable determined in accordance with the provisions of Clause 3.1.

**Permitted Disclosure to Test Houses**

3.5 LICENSEE may disclose (i) the ARM Technology marked "T" in any Annex 1 and any translation, modification, compilation, abridgement or other form in which the ARM Technology marked "T" has been recast, transformed or adapted; and (ii) any ATPG test vectors created by or for LICENSEE from the synthesizable RTL to a **Test House** pursuant to the exercise of the have tested rights (if granted in Section 2 of the relevant Annex 1) solely for the purposes of having ARM Compliant Products tested for LICENSEE by such third party and under an non-disclosure agreement containing substantially similar terms to this Clause 3, except that the confidentiality period for each deliverable shall be, at a minimum, five (5) years from the date of disclosure.

3.6 **Other Permitted Disclosures**

Either party may disclose Confidential Information received from the other party in the following circumstances;

(i) disclosure to third parties to the extent that the Confidential Information is required to be disclosed pursuant to a court order or as otherwise required by law, provided that the party required to make the disclosure promptly notifies the other party upon learning of such requirement and has given the other party a reasonable opportunity to contest or limit the scope of such required disclosure (including but not limited to making an application for a protective order);

(ii) disclosure to nominated third parties under written authority from the original discloser of the Confidential Information; and

(iii) disclosure to the receiving party's legal counsel, accountants or professional advisors to the extent necessary for them to advise upon the interpretation or enforcement of this Agreement.

**Permitted Disclosure of LICENSEE Confidential Information**

3.7 LICENSEE royalty reports may be disclosed in confidence to ARM's financial and legal advisors. In addition, ARM may disclose the total unit sales, from time to time, of ARM Compliant Products and any other devices which contain royalty bearing ARM Technology, provided that the unit sales of such products by LICENSEE are not separately identifiable or deducible therefrom.

ARM shall be permitted to disclose LICENSEE Confidential Information to Subsidiaries of ARM subject to the same terms and conditions of confidentiality as are set out in this Agreement.

**Restricted Use**

3.8 LICENSEE agrees that it shall not use any of ARM's Confidential Information other than pursuant to and in accordance with the exercise of any of the licences granted under this TLA.

**Excepted Information**

3.9 The provisions of this Clause 3 shall not apply to information which;

(i) is known to and has been reduced to tangible form by the receiving party prior to its receipt provided that such information is not already subject to any obligations of confidentiality; or

(ii) is in the public domain at the time of receipt or later becomes part of the public domain without breach of the confidentiality obligations in this TLA; or

(iii) is received from a third party without any breach of any obligation of confidentiality in respect of such information provided that such information is not subject to any continuing obligations of confidentiality; or

(iv) is identified as (N) in Section 1 of the relevant Annex 1 of this TLA.

**4. Verification**

4.1 Prior to the distribution of any integrated circuit incorporating a central microprocessor unit manufactured by or for LICENSEE under the licences granted in Section 2 of any Annex 1, LICENSEE shall verify such central microprocessor unit in accordance with the verification procedure set out in Section 3 of the relevant Annex 1.

**5. Delivery**

5.1 ARM shall use reasonable efforts to deliver the ARM Technology in each Annex 1 to LICENSEE on or before the delivery dates set out in Section 1 of the relevant Annex 1. ARM shall deliver Updates for any ARM Technology to LICENSEE as soon as reasonably possible after such Update is made generally available by ARM.

**6. Fees and Royalties**

**Fees**

6.1 HYNIX shall pay, to ARM, fees ("**Fees**") as set out in and in accordance with Section 8 of the relevant Annex 1.

**Royalties**

6.2 If provided for in Section 8 of a relevant Annex 1, HYNIX shall pay, to ARM, a royalty ("**Royalty**") in accordance with the provisions of such Annex 1.

For the purpose of calculating Royalties, only the distribution by the entity exercising the licences to manufacture or have manufactured under this TLA (notwithstanding that such distribution may be between HYNIX and a Subsidiary of HYNIX or between Subsidiaries of HYNIX) shall be relevant.

**Any distribution of ARM Compliant Products by LICENSEE shall, in the absence of evidence to the contrary, be deemed to be distributed under the licences granted to LICENSEE under this TLA and LICENSEE shall pay Royalties to ARM accordingly. The burden of proof for rebutting the above presumption shall be on LICENSEE.**

**Royalty Report**

6.3 HYNIX shall submit a report within thirty (30) days after the end of each Quarter, containing at least the information required by the form set out in Section 8 of each Annex 1.

**Intercompany Sales**

6.4 For transactions between any of HYNIX and the Subsidiaries of HYNIX, LICENSEE shall ensure that such transactions shall be conducted so that the ASP of any ARM Compliant Product or other device which contains royalty bearing ARM Technology licensed in accordance with the terms of this TLA, as the case may be, is not manipulated for the purpose of reducing the Royalties payable to ARM under this TLA. If any ARM Compliant Product or other device which contains royalty bearing ARM Technology is sold to HYNIX or to a Subsidiary of HYNIX then the invoice price shall be deemed to be the higher of the actual invoice price and what the invoice price of the ARM Compliant Product or other device which contains royalty bearing ARM Technology, as the case may

be, would have been if such ARM Compliant Product or other device which contains royalty bearing ARM Technology had been sold to an independent customer at a fair open market value.

**Records**

6.5 For the period of five (5) years from the date that each royalty report is delivered to ARM by HYNIX, LICENSEE shall keep such records and books of account, identifying and providing invoice details for ARM Compliant Products or any other royalty bearing ARM Technology distributed under the licences granted in this TLA, as are necessary to derive the ASP for each ARM Compliant Product or any other royalty bearing ARM Technology identified in such royalty report and to demonstrate compliance with LICENSEE's obligations under this Clause 6.

**Audit**

6.6 ARM shall have the right for representatives of a firm of independent Chartered Accountants ("**Auditors**"), to make an examination and audit, by prior appointment during normal business hours, of all records and accounts as may under recognised accounting practices contain information bearing upon;

(i) the number of units of ARM Compliant Products and any other devices which contain royalty bearing ARM Technology which have been distributed by LICENSEE under this TLA;

(ii) the number of ARM microprocessor cores incorporated into any ARM Compliant Product which has been distributed by LICENSEE under this TLA;

(iii) the ASP and fair market value of any ARM Compliant Product and any other devices which contain royalty bearing ARM Technology which have been distributed by LICENSEE under this TLA;

(iv) the amounts of Royalties payable to ARM under this TLA; and

(v) any fees payable to ARM under this TLA.

The Auditors shall be permitted to provide, to ARM, information relating to Clauses 6.6(i)-(iv), including but not limited to, information relating to the systems operated by LICENSEE to capture and record such information. Any information obtained pursuant to any audit performed in accordance with the provisions of this Clause 6.6 and provided by the Auditors to ARM shall be treated by ARM as LICENSEE Confidential Information. The Auditors' conclusions shall (in the absence of clerical or manifest error) be final and binding on the parties. Such audit shall be at ARM's expense unless it reveals a net underpayment of Royalties or other fees of five per cent (5%) or more in any Quarter, in which case HYNIX shall promptly reimburse ARM for the costs of such audit. HYNIX shall make good any underpayment of royalties forthwith. If the audit identifies that HYNIX has made an overpayment, such overpayment will be credited to the next payment or payments of Royalties or fees to be made by HYNIX.

**Taxes**

6.7 All sums stated under this TLA do not include taxes. All applicable taxes shall be payable by LICENSEE in accordance with relevant legislation in force at the relevant tax point. Any income or other tax which LICENSEE is required by law to pay or withhold on behalf of ARM with respect to any Royalties or other fees payable to ARM under this TLA may be deducted from the amount of such Royalties or other fees otherwise due, provided, however, that in regard to any such deduction, HYNIX shall give to ARM such assistance as may be necessary to enable or assist ARM to claim exemption therefrom, or credit therefor, and shall upon request furnish to ARM such certificates and other evidence of deduction and payment thereof as ARM may properly require.

**Payment**

6.8 HYNIX shall pay all Royalties and Fees due to ARM under the terms of this TLA within thirty (30) days of receipt of ARM's invoice therefor ("**Due Date**"). ARM shall send any invoice for payment to the address set out in Section 8 of the relevant Annex 1 and HYNIX shall provide ARM with at least ten (10) working days notice of any change to such address.

6.9 If any sum under this TLA is not paid by the Due Date (defined in Clause 6.8), then (without prejudice to ARM's other rights and remedies in addition to the invoice amount) ARM reserves the right to charge interest on such sum

on a day to day basis (as well after as before any judgement) from the Due Date to the date of payment at the rate of five (5%) per cent per annum above the base rate of National Westminster Bank PLC from time to time in force.

**No Right of Set Off**

6.10 All sums properly due to ARM under this Agreement shall be paid in full and LICENSEE shall not be entitled to assert against ARM any credit, set-off or counterclaim arising under any Annex 1 in order to justify withholding payment of any sum properly due under any other Annex 1. Obligations under each Annex 1 shall be construed as divisible from obligations under any other Annex 1 for the purposes of interpreting this Clause 6.10.

**7 Maintenance**

7.1 Subject to LICENSEE's payment of the appropriate Fees (defined in Clause 6.1), ARM shall provide to LICENSEE, in respect of the relevant ARM Technology the following maintenance for such ARM Technology ("**Maintenance**");

(i) the use of commercially reasonable efforts to correct any defects in the ARM Technology which cause such technology not to operate in accordance with the functionality described in the relevant datasheet or manual for such technology. If ARM determines that such defects are due to errors in such description ARM shall promptly issue corrections to the datasheet or manual and shall not be required to revise the ARM Technology, provided that LICENSEE's use of the ARM Technology by LICENSEE is not adversely affected thereby; and

(ii) all Updates to such ARM Technology.

7.2 Upon LICENSEE requesting ARM's assistance pursuant to the provisions of Clause 7.1(i), LICENSEE shall promptly provide to ARM such samples and technical information as ARM may reasonably require and in a form specified by ARM to enable ARM to provide such assistance.

7.3 ARM's obligation under this Clause 7 is limited expressly to the provision of Maintenance to LICENSEE and ARM shall be under no obligation to provide any maintenance to any Designer, Customer, Manufacturer, Test House or other third parties.

7.4 If ARM believes at any time that any ARM Technology infringes the Intellectual Property of any third party, then ARM, at its option and expense, may develop an Update to the relevant ARM Technology which in ARM's opinion avoids such infringement and upon receipt of such Update from ARM, LICENSEE shall cease use of the ARM Technology which the Update replaces.

**8. Support**

8.1 Subject to LICENSEE's payment of the appropriate Fees (defined in Clause 6.1), ARM shall provide to LICENSEE, in respect of the relevant ARM Technology, reasonable telephone, e-mail and written consultation about the operation and application of such ARM Technology. The services provided under this Clause 8.1 shall be limited in accordance with the provisions of Section 4 of the relevant Annex 1.

8.2 The support shall be provided from the relevant ARM support centre. Nevertheless, ARM will use reasonable efforts to provide support to LICENSEE, at LICENSEE's premises, subject to LICENSEE meeting all reasonable travelling, accommodation and sustenance expenses thereby incurred and agreed in advance in writing with LICENSEE.

8.3 ARM's obligation under this Clause 8 is limited expressly to the provision of support to LICENSEE and ARM shall be under no obligation to provide any support any Designer, Customer, Manufacturer, Test House or other third parties.

8.4 Upon LICENSEE requesting ARM's assistance pursuant to the provisions of Clause 8.1, LICENSEE shall promptly provide to ARM such samples and technical information as ARM may reasonably require to enable ARM to provide such assistance.

**9. Training**

9.1 If provided for in Section 5 of a relevant Annex 1, ARM shall provide training in respect of the relevant ARM Technology in accordance with the provisions of Section 5 of the relevant Annex 1.

**10. ARM Technology Functionality Warranties**

10.1 Except as expressly provided in this TLA, ARM provides no warranties express, implied or statutory, including, without limitation, the implied warranties of satisfactory quality or fitness for a particular purpose with respect to the ARM Technology.

10.2 ARM warrants to LICENSEE that the ARM Technology will be consistent with allowing a competent semiconductor manufacturer to manufacture products which substantially conform to the functionality described in the relevant technical reference manual. LICENSEE acknowledges that the process for converting the ARM Technology delivered to LICENSEE in to silicon necessarily involves the introduction and use of technology not delivered by ARM and accordingly ARM's liability and LICENSEE's sole remedy for breach of the warranty provided under this Clause 10.2 shall be as follows; if LICENSEE can demonstrate to ARM that any defect in the silicon developed using any ARM Technology is exclusively caused by a defect in the ARM Technology as delivered to LICENSEE then ARM shall use commercially reasonable efforts to correct any errors in the ARM Technology and deliver corrected ARM Technology to LICENSEE. THE FOREGOING STATES THE ENTIRE LIABILITY OF ARM WITH RESPECT TO BREACH OF THE WARRANTY PROVIDED IN THIS CLAUSE 10.2.

10.3 ARM shall not be responsible for any recoverable or non-recoverable costs incurred, directly or indirectly, by LICENSEE in the design migration, processing, or manufacture of masks and prototypes, characterization or manufacture of production quality silicon in whatever quantity.

**11. ARM Technology Intellectual Property Warranties**

11.1 ARM warrants, to ARM's knowledge and belief, that;

(i) the ARM Technology does not infringe any third party copyright, mask work right or trade secret; and

(ii) as at the relevant Annex Effective Date, there are no pending; **(a)** Claims, or **(b)** actions commenced against ARM for infringement by the relevant ARM Technology of any third party Intellectual Property.

**12. Intellectual Property Indemnities**

12.1 Except as provided under Clause 12.2, in the event of a suit against LICENSEE based upon a claim that any of the ARM Technology delivered by ARM to LICENSEE under this TLA, when used in accordance with this TLA, infringes any third party Intellectual Property, ARM agrees, subject to the limitations of Clauses 13.1 and 13.2, to defend and indemnify LICENSEE, at ARM's expense, and to pay costs and damages finally awarded in any such suit, provided that; **(i)** ARM is promptly notified by LICENSEE, in writing, of any threats, claims and proceedings related thereto; **(ii)** ARM shall have sole control of the defence and any settlement thereof; **(iii)** LICENSEE shall not make any admission of liability nor settle or otherwise compromise any such claim without ARM's prior written consent; **(iv)** LICENSEE furnishes to ARM, upon request, any information available to LICENSEE relating to the defence of such claim; **(v)** LICENSEE provides reasonable assistance to ARM in the defence of such claim; and **(vi)** ARM, at its option and expense, may; **(a)** obtain for LICENSEE the right to continue to use the ARM Technology; or **(b)** replace or modify the ARM Technology so that it becomes non-infringing, in which event LICENSEE shall cease use of the infringing ARM Technology. THE FOREGOING STATES THE ENTIRE LIABILITY OF ARM

WITH RESPECT TO INFRINGEMENT BY THE ARM TECHNOLOGY OF ANY THIRD PARTY INTELLECTUAL PROPERTY.

12.2 ARM shall have no liability under Clause 12.1 for any infringement arising from; **(i)** the combination of the ARM Technology with other products not supplied by ARM if such infringement would not have occurred but for such combination; **(ii)** the modification by LICENSEE of the ARM Technology if such infringement would not have occurred but for such modification; **(iii)** the process of synthesizing any ARM Technology including but not limited to the use by LICENSEE of LICENSEE's or LICENSEE's agent's cell libraries if such infringement would not have occurred but for the application of such process; or **(iv)** any manufacturing process applied to the ARM Technology by LICENSEE if such infringement would not have occurred but for the application of such process.

12.3 If a suit against ARM is based in whole or in part upon a claim that any of the ARM Technology delivered by ARM to LICENSEE under this TLA, when used in accordance with this TLA, infringes any third party Intellectual Property because of; **(i)** the combination of the ARM Technology with other products not supplied by ARM if such infringement would not have occurred but for such combination; **(ii)** the modification by LICENSEE of the ARM Technology if such infringement would not have occurred but for such modification; **(iii)** the process of synthesizing any ARM Technology including but not limited to the use by LICENSEE of LICENSEE's or LICENSEE's agent's cell libraries if such infringement would not have occurred but for the application of such process; or **(iv)** any manufacturing process applied to the ARM Technology by LICENSEE if such infringement would not have occurred but for the application of such process, then LICENSEE agrees to indemnify ARM for any legal costs (including attorney's fees) reasonably incurred by ARM in defending such suit, up to a maximum limit of Two Million US Dollars (US$2,000,000) per suit, provided that LICENSEE is notified promptly in writing of the suit and that at LICENSEE's request, LICENSEE is given control of and all requested reasonable assistance to defend such suit.

12.4 ARM shall only be liable under Clause 12.1 for any damages awarded by a court for infringement by any ARM Technology of the Intellectual Property of a third party, up to the date upon which such court issues its judgement. ARM shall have no continuing liability under Clause 12.1 for any loss suffered by LICENSEE in respect of the same infringement after the date of such judgement.

**13. Limitation of Liability**

13.1 EXCEPT IN RESPECT OF ANY BREACH OF THE PROVISIONS OF CLAUSE 3 (CONFIDENITIALITY), IN RESPECT OF WHICH A PARTY'S LIABILITY SHALL BE UNLIMITED, IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES WHETHER SUCH DAMAGES ARE ALLEGED AS A RESULT OF TORTIOUS CONDUCT (INCLUDING NEGLIGENCE) OR BREACH OF CONTRACT OR OTHERWISE EVEN IF THE OTHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

13.2 NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS TLA, THE MAXIMUM LIABILITY OF ARM TO LICENSEE IN AGGREGATE FOR ALL CLAIMS MADE AGAINST ARM IN CONTRACT TORT OR OTHERWISE UNDER OR IN CONNECTION WITH THE SUBJECT MATTER OF EACH ANNEX 1 **SHALL NOT EXCEED THE TOTAL AMOUNT OF THE FEES (DEFINED IN CLAUSE 6.1) PAID BY LICENSEE TO ARM UNDER SUCH ANNEX 1.** THE EXISTENCE OF MORE THAN ONE CLAIM OR SUIT WILL NOT ENLARGE OR EXTEND THE LIMIT. LICENSEE RELEASES ARM FROM ALL OBLIGATIONS, LIABILITY, CLAIMS OR DEMANDS IN EXCESS OF THIS LIMITATION.

13.3 NOTHING IN THIS CLAUSE SHALL OPERATE TO EXCLUDE LIABILITY FOR DEATH OR PERSONAL INJURY RESULTING FROM EITHER PARTY'S NEGLIGENCE.

13.4 The parties hereby acknowledge that the provisions of this Clause 13 allocate the risks under this Agreement between ARM and Customer after negotiation and ARM's pricing reflects this allocation of risk and the limitation of liability specified herein.

Initials of ARM authorised signatory
Initials of HYNIX authorised signatory

**14. Term, Termination and Expiration**

**TLA Term**

14.1 Except as provided below, this TLA shall commence on the Effective Date and shall continue in force unless earlier terminated in accordance with the provisions of either of Clause 14.2 or Clause 14.3.

**Termination by Either Party**

14.2 Without prejudice to any other right or remedy which may be available to it, either party shall be entitled to immediately terminate this TLA (including all Annexes incorporated thereunder) by giving written notice to the other, if the other party:

(i) has committed a material breach of any of its obligations hereunder which is not capable of remedy; or

(ii) has committed a material breach of any of its obligations hereunder which is capable of remedy but which has not been remedied within a period of sixty (60) days following receipt of written notice to do so; or

(iii) any circumstances arise which would entitle the court or a creditor to appoint a receiver, administrative receiver or administrator or to present a winding-up petition or make a winding-up order; or

(iv) makes any voluntary arrangement with its creditors for the general settlement of its debts or becomes subject to an administration order; or

(v) has an order made against it, or passes a resolution, for its winding-up (except for the purposes of amalgamation or reconstruction) or has a receiver or similar officer appointed over all or substantially all of its property or assets.

**Termination by ARM**

14.3 If a court of competent jurisdiction issues a judgement that any ARM Technology infringes the Intellectual Property of a third party, then the licences granted to such ARM Technology under this TLA shall terminate unless LICENSEE or ARM has obtained the necessary rights, from such third party, for LICENSEE to continue to exercise such licenses.

**Annex Expiry**

14.4 Each Annex shall commence on the Annex Effective Date (defined in each Annex 1) and shall continue in force for the Term set out therein unless earlier terminated in accordance with the provisions either Clause 14.2 or Clause 14.3.

**15. Effect of Expiry and Termination**

**Termination by ARM**

15.1 Upon termination of this TLA by ARM in accordance with either of Clause 14.2, LICENSEE will immediately discontinue any use and distribution of all ARM Technology, ARM Confidential Information and any products embodying such technology or information. LICENSEE shall, at ARM's option, either destroy or return to ARM any ARM Confidential Information, including any copies thereof in its possession and any ARM Technology or derivatives (including any translation, modification, compilation, abridgement or other form in which the ARM Technology has been recast, transformed or adapted) thereof in its possession. Within one month after termination of this TLA LICENSEE will furnish to ARM a certificate signed by a duly authorised representative of LICENSEE that to the best of his or her knowledge, information and belief, after due enquiry, LICENSEE has complied with provisions of this Clause.

Upon termination of this TLA by ARM in accordance with either of Clauses 14.2; **(i)** the termination date shall be treated as the end of a Quarter for the purpose of accounting for Royalties to ARM; and **(ii)** any fees outstanding,

whether or not such fees have become due at the date of termination) shall become due and payable to ARM in accordance with the provisions of Clause 6.

**Termination by LICENSEE**

15.2 Upon termination of this TLA by LICENSEE pursuant to Clause 14.2 the licenses granted under Clause 2 of this TLA shall survive such termination, subject to the terms and conditions of this TLA including but not limited to LICENSEE's continued payment, to ARM, its liquidator or receiver of any fees and Royalties due at the date of termination or in the future in accordance with the provisions of Clause 6.

**Annex 1 Termination**

15.3 Upon termination of any Annex 1 in accordance with the provisions of Clause 14.3 LICENSEE will immediately discontinue any use and distribution of all the relevant ARM Technology, ARM Confidential Information and any products embodying such technology or information. LICENSEE shall, at ARM's option, either destroy or return to ARM any ARM Confidential Information, including any copies thereof in its possession and any ARM Technology or derivatives (including any translation, modification, compilation, abridgement or other form in which the ARM Technology has been recast, transformed or adapted) thereof in its possession licensed or disclosed to LICENSEE in connections with such Annex 1. Within one month after termination of the relevant Annex 1, LICENSEE will furnish to ARM a certificate signed by a duly authorised representative of LICENSEE that to the best of his or her knowledge, information and belief, after due inquiry, LICENSEE has complied with provisions of this Clause 15.3.

Upon termination of any Annex 1 by ARM in accordance with either of Clauses 14.3; **(i)** the termination date shall be treated as the end of a Quarter for the purpose of accounting for Royalties to ARM; and **(ii)** any fees outstanding, whether or not such fees have become due at the date of termination) shall become due and payable to ARM in accordance with the provisions of Clause 6.

**Annex 1 Expiry**

15.4 Upon expiry of any Annex 1 in accordance with the provisions of Clause 14.4,

(i) any licences granted under Section 2 of the relevant Annex 1, to use copy and modify the relevant ARM Technology to develop products shall cease;

(ii) any licences granted under Section 2 of the relevant Annex 1, to manufacture, have manufactured and sell supply or otherwise distribute products developed using the relevant ARM Technology shall survive subject to the terms and conditions of this TLA and subject to the continued payment to ARM of any fees and Royalties due at the time of expiry and in the future under the terms of this TLA and provided that such products are already being distributed at the date of expiry of the Annex 1; and

(iii) except as expressly provided to the contrary in this Clause 15.4(iii), LICENSEE shall at ARM's option, either destroy or return to ARM any ARM Confidential Information, including any copies thereof in its possession and any ARM Technology or derivatives (including any translation, modification, compilation, abridgement or other form in which the ARM Technology has been recast, transformed or adapted) thereof in its possession but LICENSEE may keep one copy of the relevant ARM Technology for the purpose of supporting the products referred to in Clause 15.4(ii).

15.5 Upon termination the provisions of Clauses 1, 3, 6 (to the extent that any obligation under this Clause remains outstanding), 11, 13, 15 and 16 shall survive termination.

**16. General**

16.1 All communications between the parties including, but not limited to, notices, royalty reports, error or bug reports, the exercise of options, and support requests shall be in the English language.

16.2 All notices which are required to be given hereunder shall be in writing and shall be sent to the address of the recipient set out below (either party may change their respective address for service by giving notice of the change to the other party). Any such notice may be delivered personally, by commercial overnight courier or facsimile transmission which shall be followed by a hard copy and shall be deemed to have been served if by hand when

delivered, if by commercial overnight courier 48 hours after deposit with such courier, and if by facsimile transmission when dispatched.

| ARM Contact | LICENSEE Contact |
|---|---|

16.3 Neither party shall assign or otherwise transfer this TLA or any of its rights and obligations hereunder whether in whole or in part without the prior written consent of the other, such consent not to be unreasonably withheld. An assignment shall be deemed to include, without limitation; **(i)** a merger of one party with a third party, whether or not the party is a surviving entity; **(ii)** any transaction or series of transactions whereby a third party acquires direct or indirect power to control the management and policies of the party, whether through the acquisition of voting securities, by contract or otherwise; or **(iii)** the sale of more than fifty percent (50%) of the party's assets whether in a single transaction or series of transactions.

16.4 Neither party shall be liable for any failure or delay in its performance under this TLA due to causes, including, but not limited to, acts of God, acts of civil or military authority, fires, epidemics, floods, earthquakes, riots, wars, sabotage, third party industrial disputes and governments actions, which are beyond its reasonable control; provided that the delayed party: (i) gives the other party written notice of such cause promptly, and in any event within fourteen (14) days of discovery thereof; and (ii) uses its reasonable efforts to correct such failure or delay in its performance. The delayed party's time for performance or cure under this Clause 16.4 shall be extended for a period equal to the duration of the cause.

16.5 ARM and LICENSEE are independent parties. Neither company nor their employees, consultants, contractors or agents are agents, employees or joint venturers of the other party, nor do they have the authority to bind the other party by contract or otherwise to any obligation. Neither party will represent to the contrary, either expressly, implicitly, by appearance or otherwise.

16.6 Except as expressly provided under Clause 3 of this TLA, the parties agree that the terms and conditions of this TLA shall be treated as Confidential Information hereunder and shall not be disclosed without the consent of both parties.

16.7 Failure or delay by either party to enforce any provision of this TLA shall not be deemed a waiver of future enforcement of that or any other provision.

16.8 The provisions contained in each clause and sub-clause of this TLA shall be enforceable independently of each of the others and if a provision of this TLA is, or becomes, illegal, invalid or deemed unenforceable by any court or administrative body of competent jurisdiction it shall not affect the legality, validity or enforceability of any other provisions of this TLA. If any of these provisions is so held to be illegal. Invalid or unenforceable but would be legal, valid or enforceable if some part of the provision were deleted, the provision in question will apply with such modification as may be necessary to make it legal, valid or enforceable.

16.9 This TLA, including all Annexes, constitutes the entire agreement between the parties with respect to the subject matter hereof, and supersedes and replaces all prior or contemporaneous understandings or agreements, written or oral, regarding the subject matter. Except in respect of changes to the Trademark Guidelines which may be changed in accordance with the provisions of Clause 2.9, no amendment to or modification of this TLA shall be binding unless in writing and signed by a duly Authorized representative of both parties.

16.10 The ARM Technology provided under this TLA is subject to U.S. export control laws, including the U.S. Export Administration Act and its associated regulations, and may be subject to export or import regulations in other countries. LICENSEE agrees to comply fully with all laws and regulations of the United States and other countries ("**Export Laws**") to assure that neither the ARM Technology, nor any direct products thereof are; **(i)** exported, directly or indirectly, in violation of Export Laws, either to any countries that are subject to U.S export restrictions or to any end user who has been prohibited from participating in the U.S. export transactions by any federal agency

of the U.S. government; or **(ii)** intended to be used for any purpose prohibited by Export Laws, including, without limitation, nuclear, chemical, or biological weapons proliferation.

16.11 Any ARM Technology provided to the US Government pursuant to solicitations issued on or after December 1st 1995 is provided with the rights and restrictions described elsewhere herein. Any ARM Technology provided to the US Government pursuant to solicitations issued prior to December 1st 1995 is provided with "Restricted Rights" as provided for in FAR, 48 CFR 52.227-14 (JUNE 1987) or DFAR, 48 CFR 252.227-7013 (OCT 1988), as applicable. LICENSEE shall be responsible for ensuring that the ARM Technology is marked with the "Restrictive Rights Notice" or "Restrictive Rights Legend", as required.

16.12 Except as expressly stated in this TLA, the Contracts (Rights of Third Parties) Act 1999 and any legislation amending or replacing that Act shall not apply in relation to this TLA or any agreement, arrangement, understanding, liability or obligation arising under or in connection with this TLA and nothing in this TLA shall confer on any third party the right to enforce any provision of this TLA.

16.13 The validity, construction and performance of this TLA shall be governed by English Law. In the event that ARM commences proceedings against LICENSEE under this Agreement, the parties agree to submit to the jurisdiction of the Seoul District Court, Korea, for the purpose of hearing and determining any disputes arising out of this Agreement. In the event that LICENSEE commences proceedings against ARM under this Agreement, the parties agree to submit to the jurisdiction of the High Court of Justice, London, England, for the purpose of hearing and determining any disputes arising out of this Agreement.

**IN WITNESS WHEREOF** the parties have caused this TLA to be executed by their duly authorised representatives:

| **ARM LIMITED:** | | **HYNIX SEMICONDUCTOR INC.** | |
|---|---|---|---|
| SIGNED | _____ | SIGNED | _____ |
| NAME: | _____ | NAME: | _____ |
| TITLE: | _____ | TITLE: | _____ |
| DATE: | _____ | DATE: | _____ |

**Exhibit 12.1**

**MagnaChip Semiconductor LLC**
**COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES**

| | Predecessor | | | | | Successor | |
|---|---|---|---|---|---|---|---|
| | For the year ended December 31, | | | For the three months ended March 31, 2004 | For nine months ended September 30, 2004 | For the three months ended | |
| | 2001 | 2002 | 2003 | | | December 31, 2004 | April 3, 2005 |
| | Actual | Actual | Actual | Actual | Actual | Actual | Actual |
| | (in millions of US dollars, except ratios and per unit data) | | | | | | |
| Pre-tax income (loss) from continuing operations before adjustment for minority interests in consolidated subsidiaries or income or loss from equity investees | $(154.9) | $(176.5) | $(112.3) | $ 9.1 | $ 46.0 | $ 0.9 | $(28.9) |
| Fixed charges: | | | | | | | |
| Interest expense and amortization of debt discount and premium on all indebtedness | 92.0 | 46.9 | 38.0 | 7.3 | 18.0 | 17.6 | 14.2 |
| Rent expense | 0.5 | 0.8 | 0.5 | 0.3 | 0.8 | 0.5 | 0.5 |
| Preferred stock dividend requirements of consolidated subsidiaries | — | — | — | — | — | 13.4 | 2.4 |
| Total fixed charges | $ 92.5 | $ 47.7 | $ 38.5 | $ 7.6 | $ 18.8 | $ 31.5 | $ 17.1 |
| Pre-tax income (loss) from continuing operations before adjustment for minority interests in consolidated subsidiaries or income or loss from equity investees plus fixed charges, less preferred stock dividend requirements of consolidated subsidiaries | $ (62.4) | $(128.8) | $ (73.8) | $ 16.7 | $ 64.8 | $ 19.0 | $(14.2) |
| Ratio of earnings to fixed charges | — | — | — | 2.2 | 3.4 | — | — |
| (*) Applying one-third of rental expenses relating to operating leases as the interest portion | | | | | | | |
| (**) To achieve a one to one earnings ratio the company would need to have additional income of: | $ 154.9 | $ 176.5 | $ 112.3 | $ N/A | $ N/A | $ 12.5 | $ 31.3 |

**Exhibit 21.1**

**List of Subsidiaries of MagnaChip Semiconductor LLC**

| Subsidiary | Jurisdiction |
|---|---|
| IC Media Holding Company Limited | British Virgin Islands |
| IC Media Corporation | California |
| IC Media International Corporation | Cayman Islands |
| Shanghai Ximei Corporation | China |
| MagnaChip Semiconductor SA Holdings LLC | Delaware |
| MagnaChip Semiconductor Finance Company | Delaware |
| MagnaChip Semiconductor, Inc. | Delaware |
| MagnaChip Semiconductor Ltd. | England |
| MagnaChip Semiconductor Ltd. | Hong Kong |
| MagnaChip Semiconductor Inc. | Japan |
| IC Media Japan Kabushiki Kaisha | Japan |
| ISRON Corporation | Japan |
| MagnaChip Semiconductor, Ltd. | Korea |
| MagnaChip Semiconductor S.A. | Luxembourg |
| MagnaChip Semiconductor B.V. | The Netherlands |
| MagnaChip Semiconductor Ltd. | Taiwan |
| IC Media Technology Corporation | Taiwan |
| IC Media International Corporation, Taiwan Branch | Taiwan |

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Registration Statement on Form S-4 of MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company of our reports dated June 15, 2005 relating to the financial statements of MagnaChip Semiconductor LLC, which appear in such Registration Statement. We also consent to the reference to us under the headings "Experts" in such Registration Statement.

/s/ Samil PricewaterhouseCoopers

Seoul, KOREA
June 21, 2005

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM T-1

**STATEMENT OF ELIGIBILITY UNDER THE TRUST INDENTURE ACT OF 1939 OF A CORPORATION DESIGNATED TO ACT AS TRUSTEE**

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A TRUSTEE PURSUANT TO SECTION 305(b)(2)

# THE BANK OF NEW YORK

**(Exact name of trustee as specified in its charter)**

| | |
|---|---|
| **New York**<br>(Jurisdiction of incorporation if not a U.S. national bank) | **13-5160382**<br>(I.R.S. Employer Identification No.) |
| **One Wall Street**<br>**New York, New York**<br>(Address of principal executive offices) | **10286**<br>(Zip code) |

# MAGNACHIP SEMICONDUCTOR S.A.

**(Exact name of obligor as specified in its charter)**

| | |
|---|---|
| **Luxembourg**<br>(State or other jurisdiction of incorporation or organization) | **Not Applicable**<br>(I.R.S. Employer Identification No.) |
| **10, rue de Vianden, L-2680**<br>**Luxembourg, Grand Duchy of Luxembourg**<br>(Address of principal executive offices) | **361-725**<br>(Zip code) |

# MAGNACHIP SEMICONDUCTOR FINANCE COMPANY

| | |
|---|---|
| **Delaware**<br>(State or other jurisdiction of incorporation or organization) | **84-1664144**<br>(I.R.S. Employer Identification No.) |
| **c/o MagnaChip Semiconductor S.A.**<br>**10, rue de Vianden, L-2680**<br>**Luxembourg, Grand Duchy of Luxembourg**<br>(Address of principal executive offices) | **361-725**<br>(Zip code) |

**Floating Rate Second Priority Senior Secured Notes due 2011**
**6 7/8% Second Priority Senior Secured Notes due 2011**
**(Title of the Indenture Securities)**

**Item 1. General Information.**

Furnish the following information as to the Trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

| | |
|---|---|
| Superintendent of Banks of the State of New York | 2 Rector Street, New York, N.Y. 10006 and Albany, N.Y. 12203 |
| Federal Reserve Bank of New York | 33 Liberty Plaza, New York, N.Y. 10045 |
| Federal Deposit Insurance Corporation | 550 17th Street, N.W., Washington, D.C. 20429 |
| New York Clearing House Association | New York, N.Y. 10005 |

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

**Item 2. Affiliations with Obligor.**

If the obligor is an affiliate of the trustee, describe each such affiliation.

None.

**Item 16. List of Exhibits.**

Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and 17 C.F.R. 229.10(d).

1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)

4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed as Exhibit 25(a) to Registration Statement No. 333-102200.)

6. The consent of the Trustee required by Section 321(b) of the Act. (Exhibit 6 to Form T-1 filed with Registration Statement No. 33-44051.)

7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

**SIGNATURE**

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 21st day of June, 2005.

**THE BANK OF NEW YORK**

By: /s/ DOROTHY MILLER
Name: Dorothy Miller
Title: Vice President

Consolidated Report of Condition of
THE BANK OF NEW YORK
of One Wall Street, New York, N.Y. 10286
And Foreign and Domestic Subsidiaries,

a member of the Federal Reserve System, at the close of business March 31, 2005, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

| | Dollar Amounts In Thousands |
|---|---|
| **ASSETS** | |
| Cash and balances due from depository institutions: | |
| Noninterest-bearing balances and currency and coin | $2,292,000 |
| Interest-bearing balances | 7,233,000 |
| Securities: | |
| Held-to-maturity securities | 1,831,000 |
| Available-for-sale securities | 21,039,000 |
| Federal funds sold and securities purchased under agreements to resell | |
| Federal funds sold in domestic offices | 1,965,000 |
| Securities purchased under agreements to resell | 379,000 |
| Loans and lease financing receivables: | |
| Loans and leases held for sale | 35,000 |
| Loans and leases, net of unearned income | 31,461,000 |
| LESS: Allowance for loan and lease losses | 579,000 |
| Loans and leases, net of unearned income and allowance | 30,882,000 |
| Trading Assets | 4,656,000 |
| Premises and fixed assets (including capitalized leases) | 832,000 |
| Other real estate owned | 0 |
| Investments in unconsolidated subsidiaries and associated companies | 269,000 |
| Customers' liability to this bank on acceptances outstanding | 54,000 |
| Intangible assets: | |
| Goodwill | 2,042,000 |
| Other intangible assets | 740,000 |
| Other assets | 5,867,000 |
| Total assets | $80,116,000 |

| | |
|---|---|
| **LIABILITIES** | |
| Deposits: | |
| In domestic offices | $34,241,000 |
| Noninterest-bearing | 15,330,000 |
| Interest-bearing | 18,911,000 |
| In foreign offices, Edge and Agreement subsidiaries, and IBFs | 25,464,000 |
| Noninterest-bearing | 548,000 |
| Interest-bearing | 24,916,000 |
| Federal funds purchased and securities sold under agreements to repurchase | |
| Federal funds purchased in domestic offices | 735,000 |
| Securities sold under agreements to repurchase | 121,000 |
| Trading liabilities | 2,780,000 |
| Other borrowed money: (includes mortgage indebtedness and obligations under capitalized leases) | 1,560,000 |
| Not applicable | |
| Bank's liability on acceptances executed and outstanding | 55,000 |
| Subordinated notes and debentures | 1,440,000 |
| Other liabilities | 5,803,000 |
| Total liabilities | $72,199,000 |
| Minority interest in consolidated subsidiaries | 141,000 |
| **EQUITY CAPITAL** | |
| Perpetual preferred stock and related surplus | 0 |
| Common stock | $ 1,135,000 |
| Surplus (exclude all surplus related to preferred stock) | 2,088,000 |
| Retained earnings | 4,643,000 |
| Accumulated other comprehensive income | -90,000 |
| Other equity capital components | 0 |
| Total equity capital | $ 7,776,000 |
| Total liabilities, minority interest, and equity capital | $80,116,000 |

I, Thomas J. Mastro, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition is true and correct to the best of my knowledge and belief.

Thomas J. Mastro,
Senior Vice President and Comptroller

We, the undersigned directors, attest to the correctness of this statement of resources and liabilities. We declare that it has been examined by us, and to the best of our knowledge and belief has been prepared in conformance with the instructions and is true and correct.

Thomas A. Renyi
Gerald L. Hassell
Alan R. Griffith

Directors

Exhibit 25.1(b)

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM T-1

**STATEMENT OF ELIGIBILITY UNDER THE TRUST INDENTURE ACT OF 1939 OF A CORPORATION DESIGNATED TO ACT AS TRUSTEE**

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A TRUSTEE PURSUANT TO SECTION 305(b)(2)

# THE BANK OF NEW YORK

**(Exact name of trustee as specified in its charter)**

| | |
|---|---|
| **New York**<br>(Jurisdiction of incorporation if not a U.S. national bank) | **13-5160382**<br>(I.R.S. Employer Identification No.) |
| **One Wall Street**<br>**New York, New York**<br>(Address of principal executive offices) | **10286**<br>(Zip code) |

# MAGNACHIP SEMICONDUCTOR S.A.

**(Exact name of obligor as specified in its charter)**

| | |
|---|---|
| **Luxembourg**<br>(State or other jurisdiction of incorporation or organization) | **Not Applicable**<br>(I.R.S. Employer Identification No.) |
| **10, rue de Vianden, L-2680**<br>**Luxembourg, Grand Duchy of Luxembourg**<br>(Address of principal executive offices) | **361-725**<br>(Zip code) |

# MAGNACHIP SEMICONDUCTOR FINANCE COMPANY

| | |
|---|---|
| **Delaware**<br>(State or other jurisdiction of incorporation or organization) | **84-1664144**<br>(I.R.S. Employer Identification No.) |
| **c/o MagnaChip Semiconductor S.A.**<br>**10, rue de Vianden, L-2680**<br>**Luxembourg, Grand Duchy of Luxembourg**<br>(Address of principal executive offices) | **361-725**<br>(Zip code) |

**8% Senior Subordinated Notes due 2014**
(Title of the Indenture Securities)

**Item 1. General Information.**

Furnish the following information as to the Trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

| | |
|---|---|
| Superintendent of Banks of the State of New York | 2 Rector Street, New York, N.Y. 10006 and Albany, N.Y. 12203 |
| Federal Reserve Bank of New York | 33 Liberty Plaza, New York, N.Y. 10045 |
| Federal Deposit Insurance Corporation | 550 17th Street, N.W., Washington, D.C. 20429 |
| New York Clearing House Association | New York, N.Y. 10005 |

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

**Item 2. Affiliations with Obligor.**

If the obligor is an affiliate of the trustee, describe each such affiliation.

None.

**Item 16. List of Exhibits.**

Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and 17 C.F.R. 229.10(d).

1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)

4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed as Exhibit 25(a) to Registration Statement No. 333-102200.)

6. The consent of the Trustee required by Section 321(b) of the Act. (Exhibit 6 to Form T-1 filed with Registration Statement No. 33-44051.)

7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

**SIGNATURE**

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 21st day of June, 2005.

**THE BANK OF NEW YORK**

By: /s/ DOROTHY MILLER
Name: Dorothy Miller
Title: Vice President

Consolidated Report of Condition of
THE BANK OF NEW YORK
of One Wall Street, New York, N.Y. 10286
And Foreign and Domestic Subsidiaries,

a member of the Federal Reserve System, at the close of business March 31, 2005, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

| | Dollar Amounts In Thousands |
|---|---|
| **ASSETS** | |
| Cash and balances due from depository institutions: | |
| Noninterest-bearing balances and currency and coin | $ 2,292,000 |
| Interest-bearing balances | 7,233,000 |
| Securities: | |
| Held-to-maturity securities | 1,831,000 |
| Available-for-sale securities | 21,039,000 |
| Federal funds sold and securities purchased under agreements to resell | |
| Federal funds sold in domestic offices | 1,965,000 |
| Securities purchased under agreements to resell | 379,000 |
| Loans and lease financing receivables: | |
| Loans and leases held for sale | 35,000 |
| Loans and leases, net of unearned income | 31,461,000 |
| LESS: Allowance for loan and lease losses | 579,000 |
| Loans and leases, net of unearned income and allowance | 30,882,000 |
| Trading Assets | 4,656,000 |
| Premises and fixed assets (including capitalized leases) | 832,000 |
| Other real estate owned | 0 |
| Investments in unconsolidated subsidiaries and associated companies | 269,000 |
| Customers' liability to this bank on acceptances outstanding | 54,000 |
| Intangible assets: | |
| Goodwill | 2,042,000 |
| Other intangible assets | 740,000 |
| Other assets | 5,867,000 |
| Total assets | $80,116,000 |

| | |
|---|---|
| **LIABILITIES** | |
| Deposits: | |
| In domestic offices | $34,241,000 |
| Noninterest-bearing | 15,330,000 |
| Interest-bearing | 18,911,000 |
| In foreign offices, Edge and Agreement subsidiaries, and IBFs | 25,464,000 |
| Noninterest-bearing | 548,000 |
| Interest-bearing | 24,916,000 |
| Federal funds purchased and securities sold under agreements to repurchase | |
| Federal funds purchased in domestic offices | 735,000 |
| Securities sold under agreements to repurchase | 121,000 |
| Trading liabilities | 2,780,000 |
| Other borrowed money: (includes mortgage indebtedness and obligations under capitalized leases) | 1,560,000 |
| Not applicable | |
| Bank's liability on acceptances executed and outstanding | 55,000 |
| Subordinated notes and debentures | 1,440,000 |
| Other liabilities | 5,803,000 |
| Total liabilities | $72,199,000 |
| Minority interest in consolidated subsidiaries | 141,000 |
| **EQUITY CAPITAL** | |
| Perpetual preferred stock and related surplus | 0 |
| Common stock | $ 1,135,000 |
| Surplus (exclude all surplus related to preferred stock) | 2,088,000 |
| Retained earnings | 4,643,000 |
| Accumulated other comprehensive income | -90,000 |
| Other equity capital components | 0 |
| Total equity capital | $ 7,776,000 |
| Total liabilities, minority interest, and equity capital | $80,116,000 |

I, Thomas J. Mastro, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition is true and correct to the best of my knowledge and belief.

Thomas J. Mastro,
Senior Vice President and Comptroller

We, the undersigned directors, attest to the correctness of this statement of resources and liabilities. We declare that it has been examined by us, and to the best of our knowledge and belief has been prepared in conformance with the instructions and is true and correct.

Thomas A. Renyi
Gerald L. Hassell
Alan R. Griffith

Directors

**Exhibit 99.1**

# MAGNACHIP SEMICONDUCTOR S.A.
# MAGNACHIP SEMICONDUCTOR FINANCE COMPANY

## LETTER OF TRANSMITTAL

**for offer to exchange**
**$300,000,000 Floating Rate Second Priority Senior Secured Notes due 2011**

**$200,000,000 6 7/8% Second Priority Senior Secured Notes due 2011**

**$250,000,000 8% Senior Subordinated Notes due 2014**
**for**
**$300,000,000 Floating Rate Second Priority Senior Secured Notes due 2011**

**$200,000,000 6 7/8% Second Priority Senior Secured Notes due 2011**

**$250,000,000 8% Senior Subordinated Notes due 2014**
**which have been offered in a transaction registered**
**under the Securities Act of 1933**

**Pursuant to the Prospectus dated , 2005**

**THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON , 2005, UNLESS EXTENDED.**

To: The Bank of New York (as "Exchange Agent")

*By Mail (Registered or Certified Mail is recommended),*
*By Courier or By Hand*

The Bank of New York
Corporate Trust Operations—Reorganization Unit

101 Barclay Street—7 East

New York, N.Y. 10286

Attn: Mr. David Mauer

*By Facsimile Transmission*
*(For Eligible Institutions Only)*

(212) 298-1915

*Confirm by Telephone:*

(212) 815-3687

**DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION VIA A FACSIMILE NUMBER OTHER THAN THE ONE SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.**

**YOU SHOULD READ THE INSTRUCTIONS ACCOMPANYING THIS LETTER OF TRANSMITTAL CAREFULLY BEFORE COMPLETING THIS LETTER OF TRANSMITTAL.**

**HOLDERS WHO WISH TO BE ELIGIBLE TO RECEIVE NEW NOTES FOR THEIR OLD NOTES PURSUANT TO THE EXCHANGE OFFER MUST VALIDLY TENDER (AND NOT WITHDRAW) THEIR OLD NOTES TO THE EXCHANGE AGENT PRIOR TO THE EXPIRATION DATE.**

The undersigned hereby acknowledges receipt of the Prospectus dated , 2005 (the "Prospectus") of MagnaChip Semiconductor S.A. ("MagnaChip S.A.") and MagnaChip Semiconductor Finance Company ("MagnaChip Finance," and together with MagnaChip S.A., "MagnaChip Semiconductor") and this Letter of Transmittal, which together constitute MagnaChip Semiconductor's offer (the "Exchange Offer") to exchange an aggregate principal amount of up to $300,000,000 of its Floating Rate Second Priority Senior Secured Notes due 2011 (the "New Floating Rate Second Lien Notes"), $200,000,000 of its 6 7/8% Second Priority Senior Secured Notes due 2011 (the "New Fixed Rate Second Lien Notes") and $250,000,000 of its 8% Senior Subordinated Notes due 2014 (the "New Subordinated Notes" and, together with the New Floating Rate Second Lien Notes and the New Fixed Rate Second Lien Notes, the "New Notes") in integral multiples of $1,000, which have been offered in a transaction registered under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to a Registration Statement of which the Prospectus is a part, for an equal principal amount of its outstanding $300,000,000 Floating Rate Second Priority Senior Secured Notes due 2011 (the "Old Floating Rate Second Lien Notes"), $200,000,000 6 7/8% Second Priority Senior Secured Notes due 2011 (the "Old Fixed Rate Second Lien Notes") and $250,000,000 8% Senior Subordinated Notes due 2014 (the "Old Subordinated Notes" and, together with the Old Floating Rate Second Lien Notes and the Old Fixed Rate Second Lien Notes, the "Old Notes"), that were issued and sold in integral multiples of $1,000 in a transaction exempt from registration under the Securities Act.

The term "Expiration Date" shall mean 5:00 p.m., New York City time, on , 2005, unless MagnaChip Semiconductor, in its sole discretion, extends the Exchange Offer, in which case the term shall mean the latest date and time to which the Exchange Offer is extended.

For each Old Note accepted for exchange, the Holder of such Old Note will receive a New Note having a principal amount equal to that of the Old Note accepted for exchange. The New Notes will bear interest from the most recent date to which interest has been paid on the Old Notes exchanged therefor. Accordingly, registered holders of New Notes on the relevant record date for the first interest payment date following the consummation of the Exchange Offer will receive interest accruing from the most recent date on which interest has been paid. Old Notes accepted for exchange will cease to accrue interest from and after the date of consummation of the Exchange Offer. Holders of Old Notes whose Old Notes are accepted for exchange will not receive any payment in respect of accrued interest on such Old Notes otherwise payable on any interest payment date that occurs on or after the consummation of the Exchange Offer.

A Holder who holds Old Notes in book-entry form need not manually execute a Letter of Transmittal and must tender Old Notes in accordance with the procedures mandated by The Depository Trust Company's ("DTC") Automated Tender Offer Program ("ATOP"). In lieu of delivering this Letter of Transmittal to the Exchange Agent, an "agents message" (as defined in the prospectus), in which the holder of old notes acknowledges and agrees to be bound by the terms of this letter of transmittal, must be transmitted by DTC and received by the Exchange Agent before 5:00 p.m., New York City time, on the expiration date. In all other cases, a Letter of Transmittal must be manually executed and delivered as described in this Letter of Transmittal.

**Your bank or broker can assist you in completing this Letter of Transmittal. The instructions included with this Letter of Transmittal must be followed. Questions and requests for assistance or for additional copies of the Prospectus and this letter of transmittal may be directed to the Exchange Agent.**

List below the Old Notes to which this Letter of Transmittal relates. If the space indicated below is inadequate, the Certificate or Registration Numbers and Principal Amounts should be listed on a separately signed schedule affixed hereto.

**DESCRIPTION OF NOTES TENDERED HEREBY**

This Letter of Transmittal is being used with respect to the following series of notes (check only one):

☐ Floating Rate Second Priority Senior Secured Notes due 2011 (CUSIP Nos. 55932RAA5, 55932RAB3 and L62495AA1);

☐ 6 7/8% Second Priority Senior Secured Notes due 2011 (CUSIP Nos. 55932RAC1, 55932RAD9 and L62495AB9); or

☐ 8% Senior Subordinated Notes due 2014 (CUSIP Nos. 55932RAE7, 55932RAF4 and L62495AC7).

If more than one series of notes is being tendered, you must return a separate Letter of Transmittal for each such series of notes.

| Name(s) and Address(es) of Registered Owner(s) (Please fill in) | Certificate or Registration Numbers* | Aggregate Principal Amount Represented by Old Notes | Principal Amount Tendered** |
|---|---|---|---|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | **Total** | | |

* **Need not be completed by book-entry Holders.**

** **Unless otherwise indicated, the Holder will be deemed to have tendered the full aggregate principal amount represented by such Old Notes. All tenders must be in integral multiples of $1,000 for Old Notes.**

This Letter of Transmittal is to be used (i) if certificates for Old Notes are to be forwarded herewith or (ii) tender of Old Notes is to be made according to the guaranteed delivery procedures described in the Prospectus under the caption "Exchange Offer—Guaranteed Delivery Procedures." See Instruction 2. **Delivery of documents to the book-entry transfer facility does not constitute delivery to the Exchange Agent.**

The term "Holder" with respect to the Exchange Offer means any person in the name of which Old Notes are registered on the books of MagnaChip Semiconductor or any other person that has obtained a properly completed bond power from the registered holder. The undersigned has completed, executed and delivered this Letter of Transmittal to indicate the action the undersigned desires to take with respect to the Exchange Offer. Holders that wish to tender their Old Notes must complete this letter in its entirety.

☐ **Check here if Old Notes are being delivered by Book-Entry Transfer made to an account maintained by the Exchange Agent with DTC and complete the following:**

Name of Tendering Institution _____

DTC Account Number _____

Transaction Code Number _____

Holders the Old Notes of which are not immediately available or that cannot deliver their Old Notes and this Letter of Transmittal and all other documents required hereby to the Exchange Agent or comply with the

applicable procedures for book-entry transfer on or prior to the Expiration Date must tender their Old Notes according to the guaranteed delivery procedures set forth in the Prospectus under the caption "Exchange Offer—Guaranteed Delivery Procedures." See Instruction 2.

☐ **Check here and enclose a photocopy of the Notice of Guaranteed Delivery if tendered Old Notes are being delivered pursuant to a Notice of Guaranteed Delivery previously sent to the Exchange Agent and complete the following:**

Name of Registered Holder(s) _____

Window Ticket Number (if any) _____

Date of Execution of Notice of Guaranteed Delivery _____

Name of Eligible Institution that Guaranteed Delivery _____

**If Guaranteed Delivery is to be made by Book-Entry Transfer:**

Name of Tendering Institution _____

DTC Account Number _____

Transaction Code Number _____

☐ **Check here if Tendered Old Notes are enclosed herewith.**

☐ **Check here if you are a Broker-Dealer and wish to receive 10 additional copies of the Prospectus and 10 copies of any amendments or supplements thereto.**

Name _____

Address _____

**Please read the accompanying instructions carefully**

Ladies and Gentlemen:

On the terms and subject to the conditions of the Exchange Offer, the undersigned hereby tenders to MagnaChip Semiconductor the aggregate principal amount of the Old Notes indicated above. Subject to, and effective upon, the acceptance for exchange of such Old Notes tendered hereby, the undersigned hereby exchanges, assigns and transfers to, or upon the order of, MagnaChip Semiconductor all right, title and interest in and to such Old Notes as are being tendered hereby, including all rights to accrued and unpaid interest thereon as of the Expiration Date. The undersigned hereby irrevocably constitutes and appoints the Exchange Agent the true and lawful agent and attorney-in-fact of the undersigned (with full knowledge that said Exchange Agent acts as the agent of MagnaChip Semiconductor in connection with the Exchange Offer) to cause the Old Notes to be assigned, transferred and exchanged. The undersigned represents and warrants that it has full power and authority to tender, exchange, assign and transfer the Old Notes and to acquire New Notes issuable upon the exchange of such tendered Old Notes, and that when the same are accepted for exchange, MagnaChip Semiconductor will acquire good and unencumbered title to the tendered Old Notes, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim.

The undersigned represents to MagnaChip Semiconductor that (a) any New Notes to be received by the undersigned will be acquired in the ordinary course of its business; (b) the undersigned is not engaged in, and does not intend to engage in, and has no arrangement or understanding with any person to participate in, a distribution of the New Notes; (c) the undersigned is not an "affiliate" (as defined in Rule 405 under the Securities Act) of MagnaChip Semiconductor; (d) if the undersigned is a broker-dealer that receives New Notes for its own account in exchange for Old Notes that were acquired as a result of market-making activities or other trading activities, it will deliver a prospectus in connection with any resale of these New Notes; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act; (e) if the undersigned is a broker-dealer, it did not purchase the Old Notes to be exchanged for the New Notes from the initial purchasers in the initial offering of the Old Notes; and (f) the undersigned is not acting on behalf of any person who could not truthfully and completely make the foregoing representations.

The undersigned acknowledges that this Exchange Offer is being made in reliance on interpretations by the staff of the Securities and Exchange Commission (the "SEC"), as set forth in no-action letters to third parties, and that, subject to the following two sentences, the New Notes issued in the exchange for Old Notes pursuant to the Exchange Offer may be offered for resale, resold and otherwise transferred by the Holders thereof without further compliance with the registration and prospectus delivery requirements of the Securities Act. However, the SEC has not considered the Exchange Offer in the context of a no-action letter, and there can be no assurance that the staff of the SEC would make a similar determination with respect to the Exchange Offer as in other circumstances. Any Holder of Old Notes who is one of MagnaChip Semiconductor's "affiliates" (as defined in Rule 405 under the Securities Act), that does not acquire the New Notes in the ordinary course of business, that intends to distribute the New Notes as part of the Exchange Offer, or that is a broker-dealer that purchased Old Notes from the initial purchasers in the initial offering of the Old Notes for resale pursuant to Rule 144A or any other available exemption under the Securities Act, (1) will not be able to rely on the interpretations of the staff of the SEC, and (2) in the absence of any exemption, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the New Notes.

The undersigned also warrants that, upon request, it will execute and deliver any additional documents deemed by the Exchange Agent or MagnaChip Semiconductor to be necessary or desirable to complete the exchange, assignment and transfer of tendered Old Notes or transfer ownership of such Old Notes on the account books maintained by DTC.

The Exchange Offer is subject to certain conditions set forth in the Prospectus under the caption "Exchange Offer—Conditions." The undersigned recognizes that as a result of these conditions (which may be waived, in

whole or in part, by MagnaChip Semiconductor), as more particularly set forth in the Prospectus, MagnaChip Semiconductor may not be required to exchange any of the Old Notes tendered hereby and, in such event, the Old Notes not exchanged will be returned to the undersigned at the address shown below the signature of the undersigned.

All authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned and every obligation of the undersigned hereunder shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned. Tendered Old Notes may be withdrawn at any time prior to the Expiration Date.

Unless otherwise indicated in the box entitled "Special Registration Instructions" or the box entitled "Special Delivery Instructions" in this Letter of Transmittal, certificates for all New Notes delivered in exchange for tendered Old Notes, and any Old Notes delivered herewith but not exchanged, will be registered in the name of the undersigned and shall be delivered to the undersigned at the address shown below the signature of the undersigned. If a New Note is to be issued to a person other than the person(s) signing this Letter of Transmittal, or if a New Note is to be mailed to someone other than the person(s) signing this Letter of Transmittal or to the person(s) signing this Letter of Transmittal at an address different than the address shown on this Letter of Transmittal, the appropriate boxes of this Letter of Transmittal should be completed. If Old Notes are surrendered by Holder(s) that have completed either the box entitled "Special Registration Instructions" or the box entitled "Special Delivery Instructions" in this Letter of Transmittal, signature(s) on this Letter of Transmittal must be guaranteed by an Eligible Institution (defined in Instruction 2).

**SPECIAL REGISTRATION INSTRUCTIONS**

To be completed ONLY if certificates for Old Notes not exchanged and/or New Notes are to be issued in the name of someone other than the undersigned.

Name: _____

Address: _____

_____

_____

DTC Account: _____

Employer Identification or Social Security Number:

_____

**(Please Print or Type)**

**SPECIAL DELIVERY INSTRUCTIONS**

To be completed ONLY if certificates for Old Notes not exchanged and/or the New Notes are to be sent to someone other than the undersigned, or to the undersigned at an address other than that shown under "Description of Notes Tendered Hereby."

Name: _____

Address: _____

_____

_____

Employer Identification or Social Security Number:

_____

**(Please Print or Type)**

**REGISTERED HOLDER(S) OF OLD NOTES SIGN HERE**
**(In addition, complete the attached Substitute Form W-9)**

**X**_____

**X**_____

Must be signed by registered holder(s) exactly as name(s) appear(s) on the Old Notes or on a security position listing as the owner of the Old Notes or by person(s) authorized to become registered holder(s) by properly completed bond powers transmitted herewith. If signature is by attorney-in-fact, trustee, executor, administrator, guardian, officer of a corporation or other person acting in a fiduciary capacity, please provide the following information (Please print or type).

_____
Name and Capacity (full title)

_____

_____

_____
Address (including zip code)

_____
(Area Code and Telephone Number)

_____
(Taxpayer Identification No. or
Social Security No.)

Dated: _____, 2005

SIGNATURE GUARANTEE
(If Required—See Instruction 4)

_____
(Signature of Representative of Signature Guarantor)

_____
(Name and Title)

_____
(Name of Plan)

_____
(Area Code and Telephone Number)

Dated: _____, 2005

**THE SUBSTITUTE FORM W-9 BELOW MUST BE COMPLETED AND SIGNED.** Please provide your social security number or other taxpayer identification number ("TIN") and certify that you are not subject to backup withholding.

| | | |
|---|---|---|
| **SUBSTITUTE**<br>**Form W-9**<br>**Department of the Treasury,**<br>**Internal Revenue Service**<br><br>**Payer's Request for TIN and Certification** | Name: _____ | |
| | Please check the appropriate box indicating your status:<br>☐ Individual/Sole proprietor<br>☐ Corporation<br>☐ Partnership<br>☐ Other | ☐ Exempt from backup withholding |
| | _____<br>Address (number, street, and apt. or suite no.)<br>_____<br>City, State, and ZIP code | |
| | **Part 1 TIN**<br>**PLEASE PROVIDE YOUR TIN ON THE APPROPRIATE LINE AT THE RIGHT.** For most individuals, this is your social security number. If you do not have a number, see the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9. If you are awaiting a TIN, write "Applied For" in this Part I, complete the "Certificate of Awaiting Taxpayer Identification Number" below and see "IMPORTANT TAX INFORMATION" below. | _____<br>Social Security Number<br>OR<br>_____<br>Employer Identification Number |
| | **Part 2 Certification.**<br>Under penalties of perjury, I certify that:<br>(1) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me), and<br>(2) I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and<br>(3) I am a U.S. person (including a U.S. resident alien).<br>**CERTIFICATION INSTRUCTION**—You must cross out item (2) above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return.<br>The IRS does not require your consent to any provision of this document other than the certifications required to avoid backup withholding. | |
| **Sign Here** | Signature of U.S. person ➢ _____ Date ➢ _____ | |

**NOTE: FAILURE TO COMPLETE AND RETURN THE SUBSTITUTE FORM W-9 MAY RESULT IN BACKUP WITHHOLDING OF 28% OF ANY PAYMENTS MADE TO YOU ON ACCOUNT OF THE NEW NOTES. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS, AND PLEASE SEE "IMPORTANT TAX INFORMATION" BELOW.**

**COMPLETE THE FOLLOWING CERTIFICATION IF YOU WROTE "APPLIED FOR" INSTEAD OF A TIN ON THE SUBSTITUTE FORM W-9.**

| **CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER** | | | |
|---|---|---|---|
| I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a TIN to the appropriate Internal Revenue Service Center or Social Security Administration Office or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a TIN by the time of payment, 28% of all reportable payments made to me will be withheld. | | | |
| **Sign Here** | Signature of U.S. person ➢ | _____ | Date ➢ _____ |

**Instructions**

**Forming part of the terms and conditions of the exchange offer**

1. *Delivery of this Letter of Transmittal and Certificates.* All physically delivered Old Notes or confirmation of any book-entry transfer to the Exchange Agent's account at DTC of Old Notes tendered by book-entry transfer, as well as a properly completed and duly executed copy of this Letter of Transmittal or facsimile thereof or an agent's message in lieu thereof, and any other documents required by this Letter of Transmittal, must be received by the Exchange Agent at its address set forth herein on or prior to expiration of the Exchange Offer (the "Expiration Date"). If Old Notes, the Letter of Transmittal or any other required documents are physically delivered to the Exchange Agent, the method of delivery is at the Holder's election and risk. Except as otherwise provided below, the delivery will be deemed made only when actually received by the Exchange Agent. Rather than mail these items, it is recommended that Holders use a nationally recognized U.S. overnight delivery service or a hand delivery service. If such delivery is by mail, it is suggested that registered mail with return receipt requested, properly insured, be used. In all cases, Holders should allow sufficient time to assure delivery to the Exchange Agent before the Expiration Date. Holders may request their respective brokers, dealers, commercial banks, trust companies or other nominees to effect the above transactions for them.

No conditional, irregular or contingent tenders will be accepted. All tendering Holders, by execution of this Letter of Transmittal (or facsimile thereof) or otherwise complying with the tender procedures set forth in the Prospectus, shall waive any right to receive notice of the acceptance of the Old Notes for exchange.

Delivery to an address other than as set forth herein, or transmission via a facsimile number other than the one set forth herein, will not constitute a valid delivery.

2. *Guaranteed Delivery Procedures.* Holders that wish to tender their Old Notes, but that Old Notes of which are not immediately available or that cannot deliver their Old Notes, the Letter of Transmittal or any other required documents to the Exchange Agent or comply with DTC's procedures through ATOP for book-entry transfer prior to the Expiration Date, may effect a tender if:

(a) the tender is made through a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or an "eligible guarantor institution" within the meaning of Rule 17Ad-15 under the Exchange Act (an "Eligible Institution");

(b) prior to the Expiration Date, the Exchange Agent receives from such Eligible Institution a properly completed and duly executed Notice of Guaranteed Delivery (by facsimile transmission, mail or hand delivery) setting forth the name and address of the Holder, the registration number(s) of such Old Notes and the principal amount of Old Notes tendered, stating that the tender is being made thereby and guaranteeing that, within three New York Stock Exchange trading days after the Expiration Date, the Letter of Transmittal (or facsimile thereof) or an agent's message in lieu thereof, together with the Old Notes (or a confirmation of book-entry transfer of such Notes into the Exchange Agent's account at DTC) and any other documents required by the Letter of Transmittal, will be deposited by the Eligible Institution with the Exchange Agent; and

(c) such properly completed and executed Letter of Transmittal (or facsimile thereof) or agent's message in lieu thereof, as well as all tendered Old Notes in proper form for transfer (or a confirmation of book-entry transfer of such Old Notes into the Exchange Agent's account at DTC) and all other documents required by the Letter of Transmittal, are received by the Exchange Agent within three New York Stock Exchange trading days after the Expiration Date.

Upon request to the Exchange Agent, a Notice of Guaranteed Delivery will be sent to Holders that wish to tender their Old Notes according to the guaranteed delivery procedures set forth above. Any Holder that wishes to tender Old Notes pursuant to the guaranteed delivery procedures described above must ensure that the Exchange Agent receives the Notice of Guaranteed Delivery relating to such Old Notes prior to the Expiration

Date. Failure to comply with the guaranteed delivery procedures outlined above will not, of itself, affect the validity or effect a relocation of any Letter of Transmittal form properly completed and executed by a Holder who attempted to use the guaranteed delivery procedures.

3. *Partial Tenders; Withdrawals.* If less than the entire principal amount of Old Notes evidenced by a submitted certificate is tendered, the tendering Holder should fill in the principal amount tendered in the column entitled "Principal Amount Tendered" in the box entitled "Description of Notes Tendered Hereby." A newly issued Old Note for the principal amount of Old Notes submitted but not tendered will be sent to such Holder as soon as practicable after the Expiration Date. All Old Notes delivered to the Exchange Agent will be deemed to have been tendered in full unless otherwise indicated.

Old Notes tendered pursuant to the Exchange Offer may be withdrawn at any time prior to the Expiration Date, after which tenders of Old Notes are irrevocable. To be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Exchange Agent or the Holder must otherwise comply with the withdrawal procedures of DTC as described in the Prospectus. Any such notice of withdrawal must (a) specify the name of the person having deposited the Old Notes to be withdrawn (the "Depositor"), (b) identify the Old Notes to be withdrawn (including the principal amount of such Old Notes, or, in the case of Old Notes transferred by book-entry transfer, the name and number of the account at DTC, to be credited), (c) be signed by the Holder in the same manner as the original signature on this Letter of Transmittal (including any required signature guarantees) or be accompanied by documents of transfer sufficient to have the Trustee with respect to the Old Notes register the transfer of such Old Notes into the name of the person withdrawing the tender and (d) where certificates for Old Notes have been transmitted, specify the name in which any such Old Notes are to be registered, if different from that of the Depositor. If certificates for Old Notes have been delivered or otherwise identified to the Exchange Agent, then, prior to the release of those certificates, the withdrawing Holder must also submit (1) the serial numbers of the particular certificates to be withdrawn and (2) a signed notice of withdrawal with signatures guaranteed by an Eligible Institution, unless the withdrawing Holder is an Eligible Institution. All questions as to the validity, form and eligibility (including time of receipt) of such notices will be determined by MagnaChip Semiconductor, the determination of which shall be final and binding on all parties. Any Old Notes so withdrawn will be deemed not to have been validly tendered for purposes of the Exchange Offer and no New Notes will be issued with respect thereto unless the Old Notes so withdrawn are validly retendered. Any Old Notes that have been tendered but that are not accepted for exchange for any reason will be returned to the Holder thereof without cost to such Holder. In the case of Old Notes tendered by book-entry transfer into the Exchange Agent's account at DTC, those Old Notes will be credited to an account maintained with DTC, for Old Notes, as soon as practicable after withdrawal, rejection of tender or termination of the Exchange Offer.

4. *Signature on this Letter of Transmittal; Written Instruments and Endorsements; Guarantee of Signatures.* If this Letter of Transmittal is signed by the registered Holder(s) of the Old Notes tendered hereby, the signature must correspond with the name(s) as written on the face of the certificates of the Old Notes without alteration or enlargement or any change whatsoever. If this Letter of Transmittal is signed by a participant in DTC, the signature must correspond with the name as it appears on the security position listing as the owner of the Old Notes.

If any of the Old Notes tendered hereby are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal.

If a number of Old Notes registered in different names are tendered, it will be necessary to complete, sign and submit as many separate copies of this Letter of Transmittal as there are different registrations of Old Notes.

Signatures on this Letter of Transmittal or a notice of withdrawal, as the case may be, must be guaranteed by an Eligible Institution unless the Old Notes tendered hereby are tendered (a) by a registered Holder who has not completed the box entitled "Special Registration Instructions" or "Special Delivery Instructions" on the Letter of Transmittal or (b) for the account of an Eligible Institution.

If this Letter of Transmittal is signed by the registered Holder or Holders of Old Notes (which term, for the purposes described herein, shall include a participant in DTC whose name appears on a security position listing as the owner of the Old Notes) listed and tendered hereby, no endorsements of the tendered Old Notes or separate written instruments of transfer or exchange are required. In any other case, the registered Holder (or acting Holder) must either properly endorse the Old Notes or transmit properly completed bond powers with this Letter of Transmittal (in either case, executed exactly as the name(s) of the registered Holder(s) appear(s) on the Old Notes, and, with respect to a participant in DTC whose name appears on a security position listing as the owner of Old Notes, exactly as the name of the participant appears on such security position listing), with the signature on the Old Notes or bond power guaranteed by an Eligible Institution (except where the Old Notes are tendered for the account of an Eligible Institution).

If this Letter of Transmittal, or any Old Notes, bond powers, certificates or separate written instruments of transfer or exchange are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by MagnaChip Semiconductor, proper evidence satisfactory to MagnaChip Semiconductor of their authority so to act must be submitted.

5. *Special Registration and Delivery Instructions.* Tendering Holders should indicate, in the applicable box, the name and address (or account at DTC) in which the New Notes or substitute Old Notes for principal amounts not tendered or not accepted for exchange are to be issued (or deposited), if different from the names and addresses or accounts of the person signing this Letter of Transmittal. In the case of issuance in a different name, the employer identification number or social security number of the person named must also be indicated and the tendering Holder should complete the applicable box.

If no instructions are given, the New Notes (and any Old Notes not tendered or not accepted) will be issued in the name of and sent to the acting Holder of the Old Notes or deposited at such Holder's account at DTC, as applicable.

6. *Transfer Taxes.* MagnaChip Semiconductor will pay all transfer taxes, if any, applicable to the exchange of Old Notes under the Exchange Offer. If, however, transfer taxes arise because the New Notes or substitute Old Notes not exchanged are to be delivered to, or are to be registered or issued in the name of, any person other than the registered Holder of the Old Notes tendered hereby, or tendered Old Notes are registered in the name of any person other than the person signing this Letter of Transmittal, or if a transfer tax is imposed for any reason other than the exchange of Old Notes under the Exchange Offer, the amount of any such transfer taxes (whether imposed on the registered Holder or any other person) will be payable by the tendering Holder. If satisfactory evidence of payment of such taxes or exception therefrom is not submitted herewith, the amount of such transfer taxes will be collected from the tendering Holder by the Exchange Agent.

Except as provided in this Instruction 6, it will not be necessary for transfer stamps to be affixed to the Old Notes listed in this Letter of Transmittal.

7. *Waiver of Conditions.* MagnaChip Semiconductor reserves the right, in its sole discretion, to waive, in whole or in part, any of the conditions to the Exchange Offer set forth in the Prospectus.

8. *Mutilated, Lost, Stolen or Destroyed Old Notes.* Any Holder the Old Notes of which have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at the address indicated above for further instructions.

9. *Requests for Assistance or Additional Copies.* Questions relating to the procedure for tendering, questions and requests for assistance, as well as requests for additional copies of the Prospectus, this Letter of Transmittal, the notice of guaranteed delivery or the notice of withdrawal, may be directed to the Exchange Agent at the address and telephone number set forth above. In addition, all questions relating to the Exchange Offer, as well as requests for assistance or additional copies of the Prospectus and this Letter of Transmittal, may be directed to the following address: MagnaChip Semiconductor, 1 Hyangjeong-dong, Hungduk-gu, Cheongju-si 361-725, Korea, Attn: Investor Relations.

10. *Validity and Form.* All questions as to the validity, form, eligibility (including time of receipt), acceptance of tendered Old Notes and withdrawal of tendered Old Notes will be determined by MagnaChip Semiconductor in its sole discretion, which determination will be final and binding. MagnaChip Semiconductor reserves the absolute right to reject any and all Old Notes not properly tendered or any Old Notes MagnaChip Semiconductor's acceptance of which would, in the opinion of counsel for MagnaChip Semiconductor, be unlawful. MagnaChip Semiconductor also reserves the right to waive any defects, irregularities or conditions of tender as to particular Old Notes. MagnaChip Semiconductor's interpretation of the terms and conditions of the Exchange Offer (including the instructions in this Letter of Transmittal) will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Old Notes must be cured within such time as MagnaChip Semiconductor shall determine. Although MagnaChip Semiconductor intends to notify Holders of defects or irregularities with respect to tenders of Old Notes, neither MagnaChip Semiconductor, the Exchange Agent nor any other person shall incur any liability for failure to give such notification. Tenders of Old Notes will not be deemed to have been made until such defects or irregularities have been cured or waived. Any Old Notes received by the Exchange Agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned by the Exchange Agent to the tendering Holder as soon as practicable following the Expiration Date.

**Important tax information**

A Holder tendering Old Notes in connection with the Exchange Offer is required to provide the Exchange Agent with such Holder's correct TIN on Substitute Form W-9 above. In general, if such Holder is an individual, the TIN is the Holder's social security number. The Certificate of Awaiting Taxpayer Identification Number should be completed if the tendering Holder has not been issued a TIN and has applied for a TIN or intends to apply for a TIN in the near future. If the Exchange Agent is not provided with the correct TIN, the Holder may be subject to a penalty imposed by the IRS. In addition, payments that are made to such Holder with respect to tendered Old Notes may be subject to backup withholding.

Certain Holders (including, among others, all domestic corporations) are exempt from these backup withholding and reporting requirements. Non-United States Holders must submit a properly completed IRS Form W-8BEN or other appropriate form to avoid backup withholding on payments made to them.

IRS Form W-8BEN or such other appropriate form may be obtained by contacting the Exchange Agent at one of the addresses on the face of this Letter of Transmittal.

If backup withholding applies, the Exchange Agent is required to withhold 28% of payments made to the Holder. Backup withholding is not an additional federal income tax. Rather, the federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained provided that the required information is properly furnished to the IRS in a timely manner.

**Purpose of Substitute Form W-9.** To prevent backup withholding on payments that are made to a Holder, the Holder is required to notify the Exchange Agent of his or her correct TIN by completing the form herein certifying that (a) the TIN provided on Substitute Form W-9 is correct (or that such Holder is awaiting a TIN), (b) the Holder is exempt from backup withholding, or such Holder has not been notified by the IRS that he or she is subject to backup withholding as a result of failure to report all interest or dividends or the IRS has notified such Holder that he or she is no longer subject to backup withholding, and (c) the Holder is a U.S. person (including a U.S. resident alien).

**What Number to Give the Exchange Agent.** Each Holder is required to give the Exchange Agent the social security number or employer identification number of the record Holder(s) of the Old Notes. If Old Notes are in more than one name, or are not in the name of the actual Holder, consult the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 and the instructions on IRS Form W-9, which may be obtained from the Exchange Agent, for additional guidance on which number to report.

**Certificate of Awaiting Taxpayer Identification Number.** If the tendering Holder has not been issued a TIN and has applied for a number or intends to apply for a number in the near future, write "Applied For" in the space for the TIN on Substitute Form W-9, sign and date the form and the Certificate of Awaiting Taxpayer Identification Number and return them to the Exchange Agent. If such certificate is completed and the Exchange Agent is not provided with the TIN by the time of payment, the Exchange Agent will withhold 28% of all reportable payments.

**IMPORTANT:** This Letter of Transmittal or a facsimile thereof or an agent's message in lieu thereof (together with Old Notes or confirmation of book-entry transfer and all other required documents) or a Notice of Guaranteed Delivery must be received by the Exchange Agent on or prior to the Expiration Date.

**GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9**

**GUIDELINES FOR DETERMINING THE PROPER IDENTIFICATION NUMBER TO GIVE THE PAYOR.**—Social security numbers have nine digits separated by two hyphens, *e.g.*, 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen, *e.g.*, 00-0000000. The table below will help determine the number to give the payor.

| For this type of account: | Give the name* and SOCIAL SECURITY number of— | For this type of account: | Give the name and EMPLOYER IDENTIFICATION number of— |
|---|---|---|---|
| 1. Individual | The individual | 6. Sole proprietorship or single-owner LLC | The owner(3) |
| 2. Two or more individuals (joint account) | The actual owner of the account or, if combined funds, the first individual on the account(1) | 7. A valid trust, estate, or pension trust | Legal entity(4) |
| 3. Custodian account of a minor (Uniform Gift to Minors Act) | The minor(2) | 8. Corporate or LLC electing corporate status on Form 8832 | The corporation |
| 4. a. The usual revocable savings trust (grantor is also trustee) | The grantor-trustee(1) | 9. Association, club, religious, charitable, educational or other tax-exempt organization | The organization |
| b. So-called "trust" account that is not a legal or valid trust under state law | The actual owner(1) | 10. Partnership or Multi-Member LLC | The partnership |
| 5. Sole proprietorship or single-owner LLC | The owner(3) | 11. A broker or registered nominee | The broker or nominee |
| | | 12. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments | The public entity |

* If you are an individual, you must generally enter the name shown on your social security card. However, if you have changed your last name, for instance, due to marriage, without informing the Social Security Administration of the name change, enter your first name, the last name shown on your social security card, and your new last name.

(1) List first and circle the name of the person whose number you furnish. If only one person on a joint account has a social security number, that person's number must be furnished.

(2) Circle the minor's name and furnish the minor's social security number.

(3) You must show your individual name and you may also enter your business or "DBA" name on the second name line. You may use either your social security number or employer identification number (if you have one). If you are a sole proprietor, the Internal Revenue Service encourages you to use your social security number.

(4) List first and circle the name of the legal trust, estate or pension trust. (Do not furnish the TIN of the personal representative or trustee unless the legal entity itself is not designated in the account title.)

**Note:** If no name is circled when more than one name is listed, the number will be considered to be that of the first name listed.

**GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9**

**Obtaining a TIN**

If you do not have a TIN or you do not know your number, obtain **Form SS-5**, Application for a Social Security Card (for resident individuals), **Form SS-4**, Application for Employer Identification Number (for businesses and all other entities), **Form W-7**, Application for IRS Individual Taxpayer Identification Number (for resident alien individuals required to file U.S. tax returns). You may obtain Form SS-5 from your local Social Security Administration Office and Forms SS-4 and W-7 from the IRS by calling 1-800-TAX-FORM (1-800-829-3676) or from the IRS's Internet Web Site at *www.irs.gov*.

To complete Substitute Form W-9 if you do not have a TIN, check the "Applied For" box in Part 1, sign and date the form, and give it to the payor. Generally, you will then have 60 days to obtain a TIN and furnish it to the payor. If the payor does not receive your TIN within 60 days, backup withholding, if applicable, will begin and will continue until you furnish your TIN to the payor. **Note***: Checking "Applied For" means that you have already applied for a TIN* **OR** *that you intend to apply for one soon.*

**Payees Exempt from Backup Withholding**

*Unless otherwise noted herein, all references below to section numbers or to regulations are references to the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.*

Payees specifically exempted from backup withholding on ALL payments include the following:*

- An organization exempt from tax under section 501(a), any IRA, or a custodial account under section 403(b)(7) if the account satisfies the requirements of section 401(f)(2).
- The United States or any of its agencies or instrumentalities.
- A state, the District of Columbia, a possession of the United States, or any of their political subdivisions or instrumentalities.
- A foreign government or any of its political subdivisions, agencies or instrumentalities.
- An international organization or any of its agencies or instrumentalities.

**Exempt payees described above should file a Substitute Form W-9 to avoid possible backup withholding. FURNISH YOUR TIN IN PART 1, WRITE "EXEMPT" IN PART 2, SIGN AND DATE THE FORM AND RETURN IT TO THE PAYOR.**

Certain payments not subject to information reporting also are not subject to backup withholding. For details, see sections 6041, 6041A(a), 6042, 6044, 6045, 6049, 6050A, and 6050N, and their regulations.

**Privacy Act Notice.** Section 6109 requires you to give your correct TIN to persons who must file information returns with the IRS to report interest, dividends and certain other payments. The IRS uses the numbers for identification purposes and to help verify the accuracy of your tax return. The IRS also may provide this information to the Department of Justice for civil and criminal litigation, and to cities, states and the District of Columbia to carry out their tax laws.

**You must provide your TIN to the payor whether or not you are required to file a tax return.** Payors must generally withhold 28% of taxable interest, dividends, and certain other payments to a payee who does not give a TIN to a payor. Certain penalties also may apply.

**Penalties**

**(1) Penalty for Failure to Furnish a TIN.—**If you fail to furnish your TIN to a payor, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

**(2) Civil Penalty for False Statements With Respect to Withholding.—**If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a $500 penalty.

**(3) Criminal Penalty for Falsifying Information.—**Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE.

Exhibit 99.2

# MAGNACHIP SEMICONDUCTOR S.A.
# MAGNACHIP SEMICONDUCTOR FINANCE COMPANY

## NOTICE OF GUARANTEED DELIVERY

**for tender of**
**$300,000,000 Floating Rate Second Priority Senior Secured Notes due 2011**
**$200,000,000 6 7/8% Second Priority Senior Secured Notes due 2011**
**$250,000,000 8% Senior Subordinated Notes due 2014**
**(including those in book-entry form)**
**in exchange for**
**$300,000,000 Floating Rate Second Priority Senior Secured Notes due 2011**
**$200,000,000 6 7/8% Second Priority Senior Secured Notes due 2011**
**$250,000,000 8% Senior Subordinated Notes due 2014**
**which have been offered in a transaction registered**
**under the Securities Act of 1933**

This form or one substantially equivalent hereto must be used to accept the Exchange Offer of MagnaChip Semiconductor S.A. ("MagnaChip S.A.") and MagnaChip Semiconductor Finance Company ("MagnaChip Finance," and together with MagnaChip S.A., "MagnaChip Semiconductor") made pursuant to the Prospectus, dated , 2005 (the "Prospectus"), if:

(1) certificates for the outstanding Floating Rate Second Priority Senior Secured Notes due 2011 (the "Old Floating Rate Second Lien Notes"), 6 7/8% Second Priority Senior Secured Notes due 2011 (the "Old Fixed Rate Second Lien Notes") or 8% Senior Subordinated Notes due 2014 (the "Old Subordinated Notes" and, together with the Old Floating Rate Second Lien Notes and Old Fixed Rate Second Lien Notes, the "Old Notes") of MagnaChip Semiconductor (as applicable) are not immediately available;

(2) the Old Notes, the Letter of Transmittal or any other required documents cannot be delivered to the Exchange Agent (as defined below) prior to 5:00 p.m., New York City time, on , 2005 (as it may be extended, the "Expiration Date"); or

(3) DTC's procedures through ATOP for book-entry transfer cannot be complied with prior to the Expiration Date.

Such form may be delivered or transmitted by telegram, telex, facsimile transmission, mail or hand delivery to The Bank of New York (the "Exchange Agent") as set forth below. In addition, in order to use the guaranteed delivery procedure to tender Old Notes pursuant to the Exchange Offer, a completed, signed and dated Letter of Transmittal (or facsimile thereof) or an agent's message in lieu of the rest must also be received by the Exchange Agent prior to 5:00 p.m., New York City time, on the Expiration Date. Capitalized terms not defined herein are defined in the Prospectus.

To: The Bank of New York (as "Exchange Agent")

*By Mail (Registered or Certified Mail is recommended),*
*By Courier or By Hand*

The Bank of New York
Corporate Trust Operations - Reorganization Unit

101 Barclay Street - 7 East

New York, N.Y. 10286

Attn: Mr. David Mauer

*By Facsimile Transmission*
*(For Eligible Institutions Only)*

(212) 298-1915

*Confirm by Telephone:*

(212) 815-3687

**DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSION VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY.**

**THIS INSTRUMENT IS NOT TO BE USED TO GUARANTEE SIGNATURES. IF A SIGNATURE ON A LETTER OF TRANSMITTAL IS REQUIRED TO BE GUARANTEED BY AN ELIGIBLE INSTITUTION (AS DEFINED IN THE PROSPECTUS), SUCH SIGNATURE GUARANTEE MUST APPEAR IN THE APPLICABLE SPACE PROVIDED ON THE LETTER OF TRANSMITTAL FOR GUARANTEE OF SIGNATURES.**

Ladies and Gentlemen:

On the terms and subject to the conditions set forth in the Prospectus and the Letter of Transmittal, the undersigned hereby tenders to MagnaChip Semiconductor the principal amount of Old Notes set forth below, pursuant to the guaranteed delivery procedure described in "Exchange Offer—Guaranteed Delivery Procedures" section of the Prospectus.

| Principal Amount of Old Notes Tendered:* | Series of Old Notes | Certificate Nos. (if available): | Total Principal Amount Represented by Certificate(s): |
|---|---|---|---|
| $ | | | $ |
| | | | |
| | | | |

* Must be in denominations of principal amount of $1,000, and any integral multiple thereof.

All authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned and every obligation of the undersigned hereunder shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned.

**PLEASE SIGN HERE**

X _____ _____

X _____ _____

SIGNATURE(S) OF OWNER(S) OR AUTHORIZED SIGNATORY DATE

Area Code and Telephone Number: _____

Must be signed by the holder(s) of Old Notes as their name(s) appear(s) on certificates for Old Notes, or on a security position listing, or by person(s) authorized to become registered holder(s) by endorsement and documents transmitted with this Notice of Guaranteed Delivery. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer or other person acting in a fiduciary or representative capacity, such person must set forth his or her full title below. If Old Notes will be delivered by book-entry transfer to The Depository Trust Company, provide account number.

**PLEASE PRINT NAME(S) AND ADDRESS(ES)**

Name(s): _____

_____

_____

_____

_____

Capacity: _____

_____

Address(es): _____

_____

_____

Account: _____

Number: _____

**GUARANTEE**

**(NOT TO BE USED FOR SIGNATURE GUARANTEE)**

The undersigned, a firm or other entity identified in Rule 17Ad-15 under the Securities Exchange Act of 1934 as an "eligible guarantor institution," which is a financial institution that is a participant in the Securities Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Program or the Stock Exchanges Medallion Program, hereby guarantees that the undersigned will deliver to the Exchange Agent the certificates representing the Old Notes being tendered hereby or confirmation of book-entry transfer of such Old Notes into the Exchange Agent's account at The Depository Trust Company, in proper form for transfer, in either case together with one or more properly completed and duly executed Letters of Transmittal (or facsimile thereof) or electronic instructions sent to The Depository Trust Company, and any other documents required by the Letter of Transmittal within three New York Stock Exchange trading days after the Expiration Date.

Name of Firm: _____

Address: _____

_____

_____

Area Code and Telephone Number: _____

Authorized Signature: _____

Name: _____
(PLEASE TYPE OR PRINT)

Title: _____

Date: _____

**NOTE: DO NOT SEND CERTIFICATES OF OLD NOTES WITH THIS FORM. CERTIFICATES OF OLD NOTES SHOULD BE SENT ONLY WITH A COPY OF THE PREVIOUSLY EXECUTED LETTER OF TRANSMITTAL OR ELECTRONIC INSTRUCTIONS PREVIOUSLY SENT TO THE DEPOSITORY TRUST COMPANY, AND ANY OTHER REQUIRED DOCUMENTS.**

**Exhibit 99.3**

**MAGNACHIP SEMICONDUCTOR S.A.**
**MAGNACHIP SEMICONDUCTOR FINANCE COMPANY**

**LETTER TO HOLDERS**

To Holders of:

- Floating Rate Second Priority Senior Secured Notes due 2011;
- 6 7/8% Second Priority Senior Secured Notes due 2011; and
- 8% Senior Subordinated Notes due 2014:

MagnaChip Semiconductor S.A. ("MagnaChip S.A.") and MagnaChip Semiconductor Finance Company (together with MagnaChip S.A., "MagnaChip Semiconductor") is offering upon and subject to the terms and conditions set forth in the Prospectus, dated , 2005 (the "Prospectus"), and the enclosed Letter of Transmittal (the "Letter of Transmittal"), to exchange (the "Exchange Offer") an aggregate principal amount of up to $300,000,000 of its Floating Rate Second Priority Senior Secured Notes due 2011 (the "New Floating Rate Second Lien Notes"), $200,000,000 of its 6 7/8% Second Priority Senior Secured Notes due 2011 (the "New Fixed Rate Second Lien Notes") and $250,000,000 of its 8% Senior Subordinated Notes due 2014 (the "New Subordinated Notes" and, together with the New Floating Rate Second Lien Notes and the New Fixed Rate Second Lien Notes, the "New Notes") in integral multiples of $1,000, which have been offered in a transaction registered under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to a Registration Statement of which the Prospectus is a part, for an equal principal amount of its outstanding $300,000,000 Floating Rate Second Priority Senior Secured Notes due 2011 (the "Old Floating Rate Second Lien Notes"), $200,000,000 6 7/8% Second Priority Senior Secured Notes due 2011 (the "Old Fixed Rate Second Lien Notes") and $250,000,000 8% Senior Subordinated Notes due 2014 (the "Old Subordinated Notes" and, together with the Old Floating Rate Second Lien Notes and the Old Fixed Rate Second Lien Notes, the "Old Notes"), that were issued and sold in integral multiples of $1,000 in a transaction exempt from registration under the Securities Act.

The Exchange Offer is being made in order to satisfy certain obligations of MagnaChip Semiconductor contained in the Registration Rights Agreements (the "Registration Rights Agreements") by and among MagnaChip Semiconductor, the Guarantors named therein, and UBS Securities LLC, Citigroup Global Markets Inc., Goldman, Sachs & Co., J.P. Morgan Securities Inc. and Deutsche Bank Securities Inc.

Briefly, you may either:

a. Tender all or some of your Old Notes, along with a completed and executed Letter of Transmittal, and receive New Notes in exchange; or

b. Retain your Old Notes.

All tendered Old Notes must be received on or prior to , 2005 at 5:00 p.m., New York City Time, (the "Expiration Date"), as shown in the accompanying Prospectus.

Please review the enclosed Letter of Transmittal and Prospectus carefully. If you have any questions on the terms of the Exchange Offer or questions regarding the appropriate procedures for tendering your Old Notes and the Letter of Transmittal, please call The Bank of New York at (212)-815-3687 or write The Bank of New York, Corporate Trust Operations—Reorganization Unit, 101 Barclay Street – 7 East, New York, N.Y., 10286, Attention: Mr. David Mauer.

**Exhibit 99.4**

# MAGNACHIP SEMICONDUCTOR S.A.
# MAGNACHIP SEMICONDUCTOR FINANCE COMPANY

## LETTER TO BROKERS, DEALERS AND OTHER NOMINEES

**for offer to exchange**
**$300,000,000 Floating Rate Second Priority Senior Secured Notes due 2011**
**$200,000,000 6 7/8% Second Priority Senior Secured Notes due 2011**
**$250,000,000 8% Senior Subordinated Notes due 2014**
**for**
**$300,000,000 Floating Rate Second Priority Senior Secured Notes due 2011**
**$200,000,000 6 7/8% Second Priority Senior Secured Notes due 2011**
**$250,000,000 8% Senior Subordinated Notes due 2014**
**which have been offered in a transaction registered**
**under the Securities Act of 1933**

Pursuant to the Prospectus dated , 2005

*To Brokers, Dealers, Commercial Banks,*
*Trust Companies and Other Nominees:*

Enclosed for your consideration is a Prospectus dated , 2005 (as the same may be amended or supplemented from time to time, the "Prospectus") and a form of Letter of Transmittal (the "Letter of Transmittal") relating to the offer (the "Exchange Offer") by MagnaChip Semiconductor S.A. ("MagnaChip S.A.") and MagnaChip Semiconductor Finance Company ("MagnaChip Finance," and together with MagnaChip S.A., "MagnaChip Semiconductor") to exchange an aggregate principal amount of up to $300,000,000 of its Floating Rate Second Priority Senior Secured Notes due 2011 (the "New Floating Rate Second Lien Notes"), $200,000,000 of its 6 7/8% Second Priority Senior Secured Notes due 2011 (the "New Fixed Rate Second Lien Notes") and $250,000,000 of its 8% Senior Subordinated Notes due 2014 (the "New Subordinated Notes" and, together with the New Floating Rate Second Lien Notes and the New Fixed Rate Second Lien Notes, the "New Notes") in integral multiples of $1,000, which have been offered in a transaction registered under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to a Registration Statement of which the Prospectus is a part, for an equal principal amount of its outstanding $300,000,000 Floating Rate Second Priority Senior Secured Notes due 2011 (the "Old Floating Rate Second Lien Notes"), $200,000,000 6 7/8% Second Priority Senior Secured Notes due 2011 (the "Old Fixed Rate Second Lien Notes") and $250,000,000 8% Senior Subordinated Notes due 2014 (the "Old Subordinated Notes" and, together with the Old Floating Rate Second Lien Notes and the Old Fixed Rate Second Lien Notes, the "Old Notes"), that were issued and sold in integral multiples of $1,000 in a transaction exempt from registration under the Securities Act.

We are asking you to contact your clients for which you hold Old Notes registered in your name or in the name of your nominee. In addition, we ask you to contact your clients which, to your knowledge, hold Old Notes registered in their own names. MagnaChip Semiconductor will not pay any fees or commissions to any broker, dealer or other person in connection with the solicitation of tenders pursuant to the Exchange Offer. You will, however, be reimbursed by MagnaChip Semiconductor for customary mailing and handling expenses incurred by you for forwarding any of the enclosed materials to your clients. MagnaChip Semiconductor will pay all transfer taxes, if any, applicable to the exchange of Old Notes under the Exchange Offer, except as otherwise provided in the Prospectus and the Letter of Transmittal.

Enclosed are copies of the following documents:

1. the Prospectus;
2. a Letter of Transmittal for your use in connection with the exchange of Old Notes and for the information of your clients (facsimile copies of which may be used to exchange Old Notes);
3. a form of Letter to Clients that may be sent to your clients for the accounts of which you hold Old Notes registered in your name or the name of your nominee, with space provided for obtaining the clients' instructions with regard to the Exchange Offer;
4. a Notice of Guaranteed Delivery;
5. guidelines of the Internal Revenue Service for Certification of Taxpayer Identification Number on Substitute Form W-9; and
6. a return envelope addressed to The Bank of New York, the Exchange Agent.

YOUR PROMPT ACTION IS REQUESTED. THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON , 2005, UNLESS EXTENDED (AS SO EXTENDED, THE "EXPIRATION DATE"). OLD NOTES TENDERED PURSUANT TO THE EXCHANGE OFFER MAY BE WITHDRAWN, SUBJECT TO THE PROCEDURES DESCRIBED IN THE PROSPECTUS, AT ANY TIME PRIOR TO THE EXPIRATION DATE.

To tender Old Notes, certificates for Old Notes or a book-entry confirmation (see "Exchange Offer" in the Prospectus), a duly executed and properly completed Letter of Transmittal or a facsimile thereof or electronic instructions sent to The Depository Trust Company, and any other required documents, must be received by the Exchange Agent as provided in the Prospectus and the Letter of Transmittal.

Questions and requests for assistance with respect to the Exchange Offer or requests for additional copies of the enclosed material may be directed to the Exchange Agent at its address and phone number set forth in the Prospectus.

Very truly yours,

MAGNACHIP SEMICONDUCTOR S.A.
MAGNACHIP SEMICONDUCTOR
FINANCE COMPANY

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY OTHER PERSON AS AN AGENT OF MAGNACHIP SEMICONDUCTOR S.A. OR MAGNACHIP SEMICONDUCTOR FINANCE COMPANY OR THE EXCHANGE AGENT, OR ANY AFFILIATE THEREOF, OR AUTHORIZE YOU OR ANY OTHER PERSON TO MAKE ANY STATEMENTS OR USE ANY DOCUMENT ON BEHALF OF ANY OF THEM WITH RESPECT TO THE EXCHANGE OFFER, EXCEPT FOR THE ENCLOSED DOCUMENTS AND THE STATEMENTS EXPRESSLY MADE IN THE PROSPECTUS AND THE LETTER OF TRANSMITTAL.

**Exhibit 99.5**

# MAGNACHIP SEMICONDUCTOR S.A.
# MAGNACHIP SEMICONDUCTOR FINANCE COMPANY

## LETTER TO CLIENTS

**for offer to exchange**
**$300,000,000 Floating Rate Second Priority Senior Secured Notes due 2011**
**$200,000,000 6 7/8% Second Priority Senior Secured Notes due 2011**
**$250,000,000 8% Senior Subordinated Notes due 2014**
**for**
**$300,000,000 Floating Rate Second Priority Senior Secured Notes due 2011**
**$200,000,000 6 7/8% Second Priority Senior Secured Notes due 2011**
**$250,000,000 8% Senior Subordinated Notes due 2014**
**which have been offered in a transaction registered**
**under the Securities Act of 1933**

Pursuant to the Prospectus dated , 2005

*To Our Clients:*

Enclosed for your consideration is a Prospectus dated , 2005 (as the same may be amended or supplemented from time to time, the "Prospectus") and a form of Letter of Transmittal (the "Letter of Transmittal") relating to the offer (the "Exchange Offer") by MagnaChip Semiconductor S.A. ("MagnaChip S.A.") and MagnaChip Semiconductor Finance Company ("MagnaChip Finance," and together with MagnaChip S.A., "MagnaChip Semiconductor") to exchange an aggregate principal amount of up to $300,000,000 of its Floating Rate Second Priority Senior Secured Notes due 2011 (the "New Floating Rate Second Lien Notes"), $200,000,000 of its 6 7/8% Second Priority Senior Secured Notes due 2011 (the "New Fixed Rate Second Lien Notes") and $250,000,000 of its 8% Senior Subordinated Notes due 2014 (the "New Subordinated Notes" and, together with the New Floating Rate Second Lien Notes and the New Fixed Rate Second Lien Notes, the "New Notes") in integral multiples of $1,000, which have been offered in a transaction registered under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to a Registration Statement of which the Prospectus is a part, for an equal principal amount of its outstanding $300,000,000 Floating Rate Second Priority Senior Secured Notes due 2011 (the "Old Floating Rate Second Lien Notes"), $200,000,000 6 7/8% Second Priority Senior Secured Notes due 2011 (the "Old Fixed Rate Second Lien Notes") and $250,000,000 8% Senior Subordinated Notes due 2014 (the "Old Subordinated Notes" and, together with the Old Floating Rate Second Lien Notes and the Old Fixed Rate Second Lien Notes, the "Old Notes"), that were issued and sold in integral multiples of $1,000 in a transaction exempt from registration under the Securities Act.

The enclosed material is being forwarded to you as the beneficial owner of Old Notes carried by us for your account or benefit but not registered in your name. A tender of any Old Notes may be made only by us as the registered holder and pursuant to your instructions. Therefore, MagnaChip Semiconductor urges beneficial owners of Old Notes registered in the name of a broker, dealer, commercial bank, trust company or other nominee to contact such registered holder promptly if they wish to tender Old Notes in the Exchange Offer.

Accordingly, we request instructions as to whether you wish us to tender any or all of the Old Notes held by us for your account, pursuant to the terms and conditions set forth in the Prospectus and Letter of Transmittal. We urge you to read carefully the Prospectus and the Letter of Transmittal before instructing us to tender your Old Notes.

Your instructions to us should be forwarded as promptly as possible in order permit us to tender Old Notes on your behalf in accordance with the provisions of the Exchange Offer. THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON , 2005, UNLESS EXTENDED (AS SO EXTENDED, THE "EXPIRATION DATE"). Old Notes tendered pursuant to the Exchange Offer may be withdrawn, subject to the procedures described in the Prospectus, at any time prior to the Expiration Date.

Your attention is directed to the following:

1. The Exchange Offer is an offer to exchange $1,000 principal amount at maturity of the New Notes for each $1,000 principal amount at maturity of the corresponding series of Old Notes. The terms of the New Notes are identical in all material respects (including principal amount, interest rate, maturity and redemption rights) to the Old Notes for which they may be exchanged, except that the New Notes generally will not be subject to transfer restrictions or be entitled to registration rights and the New Notes will not have the right to earn additional interest under circumstances relating to our registration obligations.
2. THE EXCHANGE OFFER IS SUBJECT TO CERTAIN CONDITIONS. SEE "EXCHANGE OFFER—CONDITIONS" IN THE PROSPECTUS.
3. The Exchange Offer and withdrawal rights will expire at 5:00 p.m., New York City time, on , 2005, unless extended.
4. MagnaChip Semiconductor has agreed to pay the expenses of the Exchange Offer, except as provided in the Prospectus and the Letter of Transmittal.
5. Any transfer taxes incident to the exchange of Old Notes under the Exchange Offer will be paid by MagnaChip Semiconductor, except as provided in the Prospectus and the Letter of Transmittal.

The Exchange Offer is not being made to nor will exchange be accepted from or on behalf of holders of Old Notes in any jurisdiction in which the making of the Exchange Offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction.

If you wish to have us tender any or all of your Old Notes held by us for your account or benefit, please so instruct us by completing, executing and returning to us the instruction form that appears below. THE ACCOMPANYING LETTER OF TRANSMITTAL IS FURNISHED TO YOU FOR INFORMATIONAL PURPOSES ONLY AND MAY NOT BE USED BY YOU TO TENDER OLD NOTES HELD BY US AND REGISTERED IN OUR NAME FOR YOUR ACCOUNT OR BENEFIT.

**Instructions**

The undersigned acknowledge(s) receipt of your letter and the enclosed material referred to therein in connection with the Exchange Offer of MagnaChip Semiconductor relating to $300,000,000 aggregate principal amount of its Floating Rate Second Priority Senior Secured Notes due 2011, $200,000,000 aggregate principal amount of its 6 7/8% Second Priority Senior Secured Notes due 2011 and $250,000,000 aggregate principal amount of its 8% Senior Subordinated Notes due 2014, including the Prospectus and the Letter of Transmittal.

This form will instruct you to exchange the aggregate principal amount of Old Notes indicated below (or, if no aggregate principal amount is indicated below, all Old Notes) held by you for the account or benefit of the undersigned, on the terms and subject to the conditions set forth in the Prospectus and Letter of Transmittal.

If the undersigned instructs you to tender Old Notes held by you for the account of the undersigned, it is understood that you are authorized to make, on behalf of the undersigned (and the undersigned, by its signature below, hereby makes to you), the representations and warranties contained in the Letter of Transmittal that are to be made with respect to the undersigned as a beneficial owner, including but not limited to the representations,

that (a) any New Notes to be received by the undersigned will be acquired in the ordinary course of its business; (b) the undersigned is not engaged in, and does not intend to engage in, and has no arrangement or understanding with any person to participate in, a distribution of the New Notes; (c) the undersigned is not an "affiliate" (as defined in Rule 405 under the Securities Act) of MagnaChip Semiconductor; (d) if the undersigned is a broker-dealer that receives New Notes for its own account in exchange for Old Notes that were acquired as a result of market-making activities or other trading activities, it will deliver a prospectus in connection with any resale of these New Notes; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act; (e) if the undersigned is a broker-dealer, it did not purchase the Old Notes to be exchanged for the New Notes from the initial purchasers in the initial offering of the Old Notes; and (f) the undersigned is not acting on behalf of any person that could not truthfully and completely make the foregoing representations.

**AGGREGATE PRINCIPAL AMOUNT OF OLD NOTES TO BE EXCHANGED**

$_____ Floating Rate Second Priority Senior Secured Notes due 2011

$_____ 6 7/8% Second Priority Senior Secured Notes due 2011

$_____ 8% Senior Subordinated Notes due 2014

*I (we) understand that if I (we) sign these instruction forms without indicating an aggregate principal amount of Old Notes in the space above, all Old Notes held by you for my (our) account will be tendered for exchange.

_____
Signature(s)

_____
Capacity (Full Title), if Signing in a Fiduciary or Representative Capacity

_____

_____
Name(s) and Address(es), Including Zip Code

Date: _____

_____
Area Code and Telephone Number

_____
Taxpayer Identification or Social Security Number